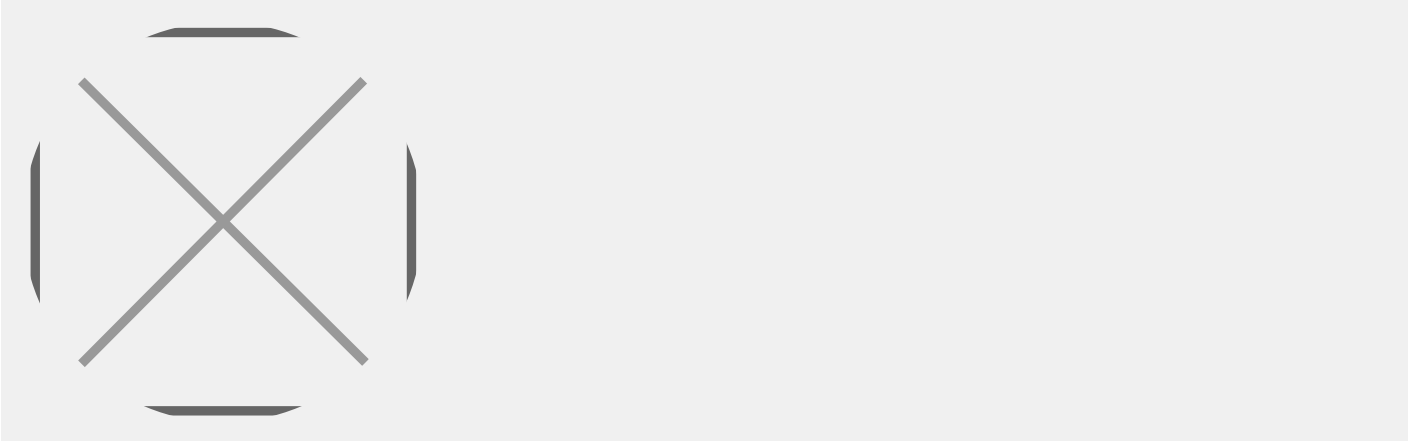
Interview with Dato’ Noharuddin Nordin , CEO, Malaysia External Trade Development Corporation (MATRADE)



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How would you describe the operating environment for foreign companies to use the services of Malaysian companies and how can you reassure these multinationals that sufficient intellectual property protection is in place?

There are several key factors which make Malaysia a highly conducive environment for foreign companies to carry out operations here. Above all, the country has in place a well regarded regulatory and surveillance framework. The marketing of pharmaceutical products in Malaysia is as regulated as it is in most developed countries. Moreover, in order to become licensed, companies must be in compliance with good manufacturing practice (GMP) which complies with the PIC/S code.

In terms of IP protection, Malaysia is a member of the WTO and has accepted the TRIPS (Trade-Related aspects of Intellectual Property Rights) agreements. However, Malaysia has similar regulations to many others and what differentiates one country from another is the level of enforcement. Relative to other countries in the region, Malaysia is actually quite far ahead in this area. Furthermore, the presence of a significant expatriate community forces Malaysia to adhere to these stringent enforcement and regulations.

The government is very serious about pushing Malaysia to become a high income economy and one of the fundamental tenets of this objective is being able to prove that the country can protect intellectual property. High-knowledge industries, whether domestic or foreign, cannot survive without this protection and it is something that the government takes very seriously.

The Minister of Health explained that Malaysia was a central hub for reciprocal trade between the Middle East and China. How would you describe the geostrategic importance of Malaysia?

Malaysia clearly has a geographic strategic advantage and this is not peculiar to the pharmaceutical industry, but to several Malaysian industries. However, in terms of the pharmaceutical industry what is more important is actually copyright protection, intellectual property protection and ethical business practices. These have to be strong in addition to having a good strategic position. In the pharma industry, when billions of dollars go into creating a single product, protecting the patent on this product is the most critical factor in encouraging companies to use Malaysia as a centre for their operations.

Within the region, Singapore is a major competitor to Malaysia in both location and the level of regulation. Malaysia is also just as strong as Singapore in many aspects of infrastructure such as telecommunications. However, certain other economic factors also enter into the equation when comparing these two countries. The cost of doing business and setting up a company is cheaper in Malaysia. Malaysia also simply has more land to set up a business than Singapore. However, within the pharmaceutical industry, Malaysia is not very well known. It is therefore now a case of making it known to the global pharmaceutical industry that Malaysia has these advantages and is a good place to conduct business.

When we spoke to Mr. Leonard of the Malaysian Organisation of Pharmaceutical Industries he said that Malaysia has great potential to become a Halal hub for the pharmaceutical industry. How are you promoting this sector abroad?

The issue at the moment is that MATRADE cannot promote the industry until it is more established. It is a chicken and egg situation. However, there is much potential for Malaysia especially when the country has been in the frontline in developing the Halal industry.
This Halal industry is currently mostly associated with food. Nonetheless, the market is coming to understand that it is also related to healthcare products such as beauty products, cosmetics and pharmaceuticals. Malaysia enjoys one good competitive advantage in this industry; and that is the country’s highly regarded certification. This certification is recognised in all the Muslim markets around the world. The only thing lacking for Malaysia to become a hub for this industry is sufficiency of products, but the Ministry of Health’s roadmap to develop the industry is addressing this.

The current situation is that Malaysia is already the leader in terms of recognised certification but must develop the industry to become a leader in terms of supply. For example, Malaysia is already a major player in exporting Halal food to the Middle East and to Europe, however the biggest global exporter of Halal beef is Australia. This is because Australia has much more land to produce Halal

beef. The good thing about the pharmaceutical industry is that it does not require the same level of resources as the food industry. The Halal pharmaceutical industry has good potential to contribute in the Malaysian economy and Malaysia has prospects to be a leader in this industry.

MATRADE organises technical cooperation programmes exclusively with Organisation of Islamic Conference (OIC) countries. What is the significance of the Middle East in terms of Malaysia's trade in pharmaceuticals?

Almost 100% of the population in these regions are Muslim. This in itself renders the region attractive for Malaysia because products do not have to be differentiated between Halal and non-Halal. Awareness about a Halal alternative is increasing in these countries as it is in other parts of the world.

Historically and politically, Malaysia enjoys very good relations with the countries of this region. Malaysian products and services have strong recognition in these markets. Furthermore, the country can leverage on its strength in other industries such as construction – Malaysia is implementing the construction of some iconic projects in the Middle East – to help enhance the image that the country can produce high value products and services.

Currently several Middle Eastern and North African countries are proving unstable politically. Does this not cause problems for the stability of trade relations?

If we go back to the Asian Financial Crisis of 1997 when I was posted in New York, it was a tough time convincing fund managers that Asia is not a single homogeneous entity. It is always necessary to consider individual countries on their own faults and merits. The fund managers in New York told me at the time that they understood the specificities of the different markets across Asia but they had to respond to the overall sentiment of investors.

With the current instability in the Middle East, it is the same situation. It is necessary to look at each country individually. Currently, there is instability in Egypt, Yemen, Bahrain and to a certain extent in Syria. The whole of the Cooperation Council for Arab states of the Gulf (GCC) with the exception of Bahrain is unaffected. Similarly, the remaining North African countries aside from Egypt, Tunisia, Morocco and Libya are still stable.

Malaysia's trade in the region is principally with the United Arab Emirates and Saudi Arabia. There is certainly no sign that these countries are likely to undergo a period of instability in the near future. Our advice to Malaysian companies is therefore not to act emotionally but to study these markets carefully to explore opportunities.

When we spoke to Ms. Fui of AMCHAM she said that many Malaysian companies do not behave as multinationals despite having offices in other countries. How do you change the mentality of Malaysian companies to adopt a more international perspective to trade?

There are actually not many Malaysian companies who have a presence overseas in the pharmaceutical industry. Our regional players such as CCM and Pharmaniaga are currently focused more on the domestic industry. Within MATRADE, we need to educate Malaysian companies about the opportunities which exist overseas and the idiosyncrasies of operating in these markets. We also need to give examples of other success stories to inspire them. MATRADE also needs to work directly with these companies to penetrate international markets.

ASEAN still represents the dominant market for indigenous companies. Among these, Indonesia offers a strong opportunity for Malaysian pharmaceutical companies. Thailand has a strong industry base which, to a certain extent, inhibits penetration by Malaysian manufacturers into this market. Indonesia, on the other hand, is less developed in terms of its domestic pharmaceutical industry and has a huge population. The Philippines, Cambodia, Vietnam and Laos are other good potential markets for the same reason.

With the government actively supporting the Pharmaceutical industry, what do think that Malaysia can achieve in the coming years and what will its place be in the international pharmaceutical industry?

From the perspective of MATRADE, there are great opportunities coming from generic blockbuster drugs. This is good in terms of trade value. However, we are actually more excited by biotech drugs. There is a clear roadmap for developing the biotech industry with the Malaysian Biotech Corp taking the lead in this area. Malaysia has lacked within the pharmaceutical industry a sub-segment which strengthens the image of Malaysia as a country able to export goods and services with a high-technology content. We are therefore hoping for new developments in the biotech sector in order to brand Malaysia. This should allow Malaysia to truly cement its place in the international pharmaceutical industry.

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