



Malaysian Pharmaceutical Industry Action Plan

MiGHT

MALAYSIAN INDUSTRY-GOVERNMENT GROUP
FOR HIGH TECHNOLOGY
(320059 - P)

1.	EXECUTIVE SUMMARY	1
2.	INTRODUCTION	5
2.1	BACKGROUND	5
2.2	THE NEED TO DEVELOP THE PHARMACEUTICAL INDUSTRY	5
2.3	DEVELOPMENT OF THE PHARMACEUTICAL ACTION PLAN	7
2.3.1	Business Forum	7
2.3.2	Roundtable Discussions	8
2.3.3	Briefing to the Minister of Health	9
2.3.4	Establishment of the MIG-Pharmaceuticals	9
2.3.5	Pharmaceutical Action Plan Formulation Committee	10
2.4	THE ACTION PLAN	12
3	THE INTERNATIONAL OUTLOOK	15
3.1	INTRINSIC INDUSTRIAL CHARACTERISTICS	15
3.2	MARKET	17
3.2.1	Healthcare Market Features	17
3.2.2	Pharmaceutical Market Features	18
3.2.3	Pharmaceutical Market Size	20
3.3	GLOBAL PLAYERS	23
3.3.1	Pharmaceutical Manufacturers	23
3.3.2	Pharmaceutical Service Companies	26
3.3.3	Pharmaceutical Organizations	27
3.4	INTERNATIONAL REGULATORY REQUIREMENTS AND STANDARDS	28
3.5	TECHNOLOGY, RESEARCH AND DEVELOPMENT	29
3.5.1	Progress in Technology	29
3.5.2	R&D Expenditure and Activity	30
3.5.3	Geographical Distribution of R&D Capability	31
3.6	HUMAN RESOURCE	31
3.7	MAJOR ISSUES AND CHALLENGES	31
3.8	INTERNATIONAL TRENDS & FORECAST	33

4.	CURRENT STATUS OF THE LOCAL INDUSTRY	37
4.1	REGULATORY CONTROL	37
4.2	MARKET	37
4.2.1	Products	37
4.2.2	Pharmaceutical Distribution	38
4.2.3	Pharmaceutical Consumption and Export	41
4.3	PLAYERS	45
4.3.1	Multinational Companies	45
4.3.2	Manufacturers	49
4.3.3	Importers & Wholesalers	51
4.3.4	Retail Distributing Channels	51
4.3.5	Industry Associations	52
4.4	HUMAN RESOURCE	52
4.4.1	Institutions	52
4.4.2	Demand	53
4.4.3	Supply	53
4.4.4	Constraints	53
4.4.5	Human Resource Development Fund (Science & Technology)	54
4.5	TECHNOLOGY, RESEARCH AND DEVELOPMENT	54
4.5.1	Innovation Level	54
4.5.2	Progress in R&D	56
4.5.3	Technology Acquisition Fund	57
4.6	PRODUCTS AND SERVICES	58
4.7	GOVERNMENT INCENTIVES AND PROMOTION	59
5.	AN ANALYSIS OF THE LOCAL INDUSTRY	65
5.1	VALUE CHAIN	65
5.2	CORE COMPETENCIES AND TECHNOLOGY EVALUATION	72
5.2.1	Core Competencies	72
5.2.2	Technology	74
5.3	SWOT ANALYSES	75
5.4	GAP ANALYSIS	75
5.4.1	Current Scenario	75
5.4.2	The Destination	81
5.4.3	The Path	81

list of tables

5.5	PRODUCTS, TECHNOLOGIES AND SERVICES SCAN	82
5.5.1	Opportunity Matrix	82
5.5.2	Technology-Market Matrix	82
5.5.3	AMANA Product/Market Planning Matrix	82
5.5.4	Competitive Analysis	82
5.6	MAJOR ISSUES AND CHALLENGES	88
5.6.1	Developing World Class Pharmaceuticals	89
5.6.2	Energising Valuable Technology Transfer	89
5.6.3	Boosting Local Production of Pharmaceuticals	89
5.6.4	Consolidation of the Local Industry	92
5.6.5	Innovation, Education and Partnership to Improve Innovation Environment	92
5.6.6	Intellectual Property Rights (IPR) Protection	92
5.6.7	Policy Framework : Efficient Support from Government Agencies	93
6.	RECOMMENDATIONS	95
6.1	RATIONALE	95
6.2	POLICY FRAMEWORK	95
6.3	REGULATIONS	96
6.4	INFRASTRUCTURE AND INSTITUTIONAL FRAMEWORK	96
6.5	INCENTIVES	96
6.6	FINANCE AND BUDGET	97
6.7	LINKAGES	97
6.8	HUMAN RESOURCE	97
6.9	RESEARCH, TECHNOLOGY AND DEVELOPMENT	98
7.	ACTION PLAN	101
7.1	IMMEDIATE ACTION (WITHIN 3 YEARS)	101
7.2	MEDIUM TERM ACTION (3 - 5 YEARS)	103
7.3	LONG TERM ACTION	104
7.4	REVIEW OF THE ACTION PLAN	104
8.	CONCLUSION	107

TITLE	PAGE
Table 1: Summary of the roundtable discussions between MIGHT and the nine biggest local pharmaceutical manufacturers	8
Table 2: MIGHT Interest Group in Pharmaceuticals	9
Table 3: A summary of the pharmaceutical R&D database (1998)	11
Table 4: The thirty most highly capitalized global companies (1997)	15
Table 5: Public and private stakeholders in the pharmaceutical market – Malaysian scenario	19
Table 6: Pharmaceutical expenditure by region (1990)	21
Table 7: Pharmaceutical Sales in 12 Leading Markets (USD mill) (1999)	21
Table 8A: Percentage of drug sales for each major therapeutic class by region (1983 and 1985)	24
Table 8B: Percentage contribution by drugs in different therapeutic groups to total pharmaceutical sales in various countries (year ending November 1997)	24
Table 8C: World pharmaceutical sales by major therapeutic classes in the year (to September 1999)	25
Table 8D: Worldwide leading individual therapeutic classes (1998)	25
Table 8E: Leading individual therapeutic classes in the combined eight Asian markets (1998)	25
Table 9A: Top ten pharmaceutical companies worldwide by sales (1997)	26
Table 9B: Leading global companies by pharmaceutical profitability (profit as % of sales in 1998)	26
Table 9C: Top ten pharmaceutical companies worldwide in prescriptions sales for the first six months of 1999	27
Table 9D: Top ten pharmaceutical companies worldwide with blockbuster drugs (1998)	27
Table 10: Regulatory control guidelines	29

Table 11:	Typology of countries according to their level of pharmaceutical industries	32	Table 26B:	List of promoted activities and products for small scale companies for consideration of pioneer status under the Promotion of Investment Act 1986 (revised)	62
Table 12:	Pharmaceutical products registered with the Drug Control Authority of Malaysia	39	Table 27:	List of promoted activities and products for high technology companies under the Promotion of Investment Act 1986 (revised)	63
Table 13:	Ministry of Health drug expenditure (1991-1999)	41	Table 28:	SWOT analysis on research and development in natural bioactive compounds	76
Table 14:	Survey of the pharmaceutical R&D environment in Malaysia (1997)	44	Table 29:	SWOT analysis on pharmaceutical research and development	77-78
Table 15:	Trade performance – pharmaceutical and related products (RM mill)	46	Table 30:	SWOT analysis for the Malaysian pharmaceutical industry	79-80
Table 16:	Major export markets and major import sources in 1998 (RM mill)	46	Table 31:	Products, technologies and services scan for the Malaysian pharmaceutical industry – using the Opportunity Matrix	83
Table 17:	Total imports and exports of medicinal & aromatic plant raw materials for Malaysia (1995 & 1996)	47-48	Table 32:	Opportunity Matrix - selection of products, technologies and services of high potential	84
Table 18:	Licensed pharmaceutical manufacturers with capability of manufacturing ethical products (products containing poisons)	50	Table 33:	Technology and products scan for the Malaysian pharmaceutical industry - using the Technology-Market Matrix	85
Table 19:	Number of licensed pharmaceutical manufacturers, importers and wholesalers	51	Table 34:	Products and services scan for the Malaysian pharmaceutical industry - using the AMANA Product/Market Matrix	86
Table 20:	Priority areas for training programme under the Human Resource Development Fund (Science & Technology)	54	Table 35:	A case for pharmaceutical contract manufacturing in Malaysia	90
Table 21:	Classification of new drug applications according to innovational element (Modified from Lunde & Dukes, 1980)	55	Table 36:	Factors influencing viability of local pharmaceutical production	91
Table 22:	Clinical research on drug products in Malaysia (1990 - Nov. 1997)	57	Table 37:	Generic drug use — some enabling factors	91
Table 23:	Manufacturing capability of licensed manufacturers*: product range	58	Table 38:	Recommendations	99-100
Table 24:	A summary of products manufactured locally based on therapeutic classification	58			
Table 25:	List of promoted activities and products which are eligible for consideration of pioneer status and investment tax allowance under the Promotion of Investment Act 1986 (revised)	61			
Table 26A:	List of promoted activities and products for small scale companies under the Promotion of Investment Act 1986 (revised)	62			

list of figures

TITLE	PAGE
Figure 1: Key events in the development of the Pharmaceutical Action Plan	13
Figure 2: New drug development process	16
Figure 3: Consumers, players and health care providers	17
Figure 4: Asian pharmaceutical market in 1998 & 2003	22
Figure 5: Pharmaceutical products registered with the Drug Control Authority of Malaysia	40
Figure 6: Registered products – locally manufactured versus imported	40
Figure 7A: Ten principle causes of deaths in government hospitals, Malaysia (1996)	42
Figure 7B: Ten principle causes of hospitalization in government hospitals, Malaysia (1996)	42
Figure 8: Import and export values of medicinal plants (1986-1996)	49
Figure 9: Import and export values of aromatic plants (1986-1996)	49
Figure 10: R&D chain spanning from bioresources to natural bioactive compounds (NBC) feeding into drug discovery research	66
Figure 11: Bioresources development chain for short-term and mid-term product ranges	67
Figure 12: R&D chain from natural bioactive compounds feeding into drug discovery research	68
Figure 13: R&D chain for pharmaceutical products – new chemical entities (NCE)	69
Figure 14: R&D chain for pharmaceutical products – generic drugs	70
Figure 15: R&D value chain from bioresources to new drug products (at a glance)	71
Figure 16: The Montedor accrued value pyramid	72
Figure 17: Pharmaceutical industry value chain – a broad perspective	73
Figure 18: Proposed Council Members of MAPDEC	105
Figure 19: Schematic diagram showing the proposed relationship between MAPDEC and MAPTEC with other agencies	105
Figure 20: Model proposed for the rapid development of the Malaysian pharmaceutical industry	108