

## ■ Business Opportunities

# Malaysia's Medical Device Industry

## Leading in Growth

Major medical device manufacturers from Europe, Asia and North America have chosen Malaysia as their base for growth. Among them are Ansell, B Braun, CR Bard and Rusch who have joined the more than 4,000 overseas companies operating successfully here.

These companies were attracted by Malaysia's political and economic stability, educated and productive workforce, well-developed infrastructure, as well as its easy access to the rapidly growing markets of ASEAN and the Asia Pacific.

A pro-business government has also put in place an advanced and efficient banking system, a reliable network of transport logistics, and a greenfield site for information technology in Malaysia's Multimedia Super Corridor.

### Key Facts

Population (million)	25.1
Total labour force (million)	10.5
Per capita income (US\$)	3,840
GDP (US\$ million)	60,710
GDP growth (%)	5.2
Trade balance (US\$ billion)	21.4

Source: Bank Negara Malaysia Annual Report 2003

Medical Device Industry



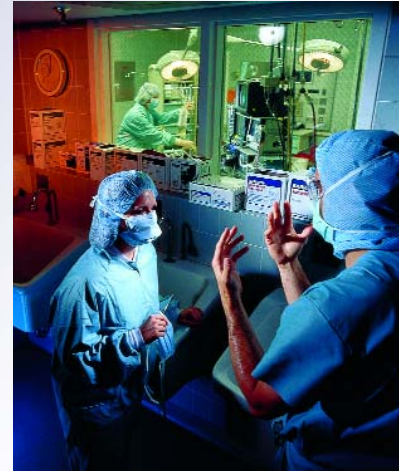


# Prioritising Healthcare

Malaysia's primary care model has been acknowledged by the World Health Organisation as a viable system to achieve "Health for All".

The demand for quality healthcare continues to rise in Malaysia with increasing affluence and rising consumer awareness. Presently, about 3% of the GDP is spent on healthcare. This is expected to increase with the growing population and a longer life expectancy.

Healthcare remains a priority of the Malaysian government. For the year 2004, the government's allocation for healthcare will be increased by a significant 20.5% to US\$2.37 billion, of which US\$1.68 billion will be for operating expenses and US\$0.69 billion for development programmes. This allocation will include provisions for essential medical treatment services such as dialysis and intensive care and programmes to reduce morbidity and mortality among children. A telemedicine project is also being implemented to integrate information technology into the healthcare system.



Demographics	1992	2002*
Crude birth rate (per 1,000 population)	28.2	21.8
Crude death rate (per 1,000 population)	4.6	4.4
Crude rate of natural increase (per 1,000 live births)	23.6	17.4
Infant mortality rate (per 1,000 live births)	12.2	6.7
Life expectancy - Male (age in years)	69.2	70.4
Life expectancy - Female (age in years)	73.9	75.3
Median age		23.6

Source: Department of Statistics, Malaysia  
\*estimates

Health Facts	
No. of registered doctors (private & government)	17,442
No. of hospitals	352
No. of health clinics	4,640
Population per doctor	1,474
Number of beds	47,383

Source: Ministry of Health Malaysia, 2001



# Expanding Medical Devices

Over 40 medical device companies use Malaysia as their global base for developing, manufacturing and marketing a wide range of products and services - from single use products, equipment and diagnostics to packaging and sterilisation. Malaysia is currently the world's leading exporter of surgical gloves and catheters.

Many of these companies continue to expand their operations within Malaysia by establishing product and process development centres. For example, Ansell and Rusch have expanded their R&D facilities within Malaysia.

A growing network of suppliers operating to world-class standards support the country's medical device industry. Their services include :

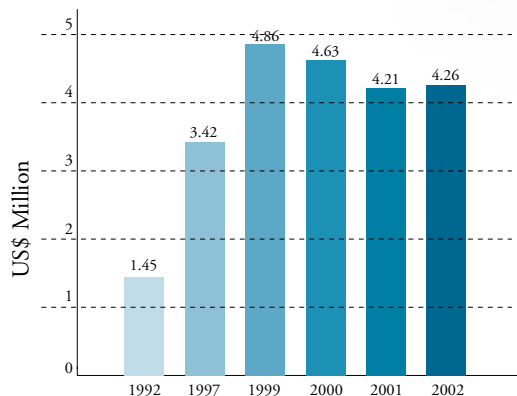
- EtO and gamma sterilisation
- sterile medical packaging
- medical compounds
- contract moulding and assembly
- tool and die making
- clean room engineering
- machining and engineering

The Malaysian government is actively promoting the medical device industry as a strategic industry. Opportunities abound for investors to embark on R & D activities and the manufacture of cardiovascular, wound care, ophthalmic and orthopaedic products as well as transplant equipment. Other products with potential are patient monitoring systems and ultra-sound imaging and IT related medical equipment.

Figures from the Association of Malaysian Medical Industries (AMMI) show that its 26 members currently employ over 19,000 workers and have export earnings exceeding US\$600 million. Total cumulative capital investment of these companies to-date is estimated at US\$764 million.

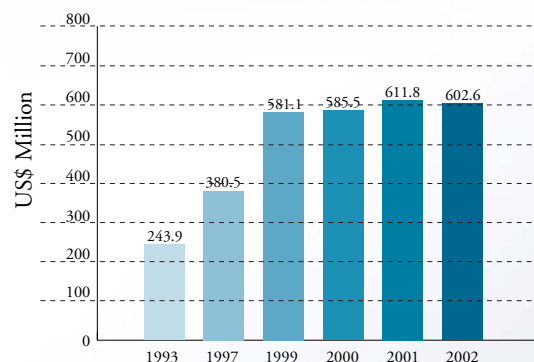
## Companies with a Presence in Malaysia

Europe	Ambu B Braun Isotron SSL International
Asia	Medipro Meditop
Australia	Ansell
USA	Allegiance CR Bard Rusch Tyco Healthcare



**R&D Expenditure by AMMI Members**

Source: Association of Malaysian Medical Industries (AMMI)



**Medical Device Exports by AMMI Members**

Source: Association of Malaysian Medical Industries (AMMI)

## Harmonising Regulations

Regulatory agencies in Malaysia are working closely with healthcare companies towards the global harmonisation of regulation and certification of products. A regulatory framework for medical devices has been developed jointly by the industry and the government with implementation projected for 2004. Together, manufacturers and regulatory agencies ensure quality products that pass global standards as set by the FDA (USA), DOH (United Kingdom), BGA (Germany) and TGA (Australia).

## Protecting Intellectual Property Rights

Intellectual property rights protection in Malaysia covers:

- \* patents
- \* trademarks
- \* industrial designs
- \* copyrights
- \* geographical indications
- \* layout designs for integrated circuits

Malaysia is a member of the World Intellectual Property Organisation (WIPO) and signatory to the Paris Convention, Berne Convention and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).



## Smooth Logistics and Sophisticated Infrastructure

The greatest advantage to manufacturers in Malaysia has been the nation's persistent drive to develop and upgrade its infrastructure. Integrated logistics have ensured that Malaysia's medical device products reach markets in Asia and worldwide on time, enabled by the extensive infrastructure that includes world-class airports, seaports and a sophisticated telecommunications network.

## Educated and Productive Workforce

In 2002, an estimated 61,000 degree holders and 65,000 diploma holders graduated from Malaysia's 33 institutions of higher learning, with more than half from the scientific and technical disciplines.

Many more Malaysians have been educated and trained abroad in countries such as the USA, UK, Japan, India and China. English is widely used in Malaysia, thus facilitating communication with local personnel. The strong work ethic prevalent in Malaysia ensures employers of a productive and stable workforce.



# Serving Asia and World Markets

Malaysia is the gateway to Asia - a region with the fastest growing economies and where 75% of the world's population resides.

Asia's healthcare market constitutes approximately 34% of the global healthcare market and this share is expected to increase to 45% by 2005. A diverse range of medical equipment and products are imported to cater to Asia's growing healthcare needs.

Medical device companies in Malaysia also have the advantage of the ASEAN market at their doorstep.

With the full realisation of the ASEAN Free Trade Area (AFTA) in 2003, medical device manufacturers will benefit from a single market with a total population of 530 million people and a combined GDP of US\$737 billion.

## ASEAN Key Economic Data 2002

	Population (million)	GDP US\$ (billion)	GDP growth (%)	Per Capita GDP (US \$)
Brunei	0.3	4.3	3.2	12,090
Cambodia	13.3	3.9	5.5	299
Indonesia	211.6	173.3	3.7	819
Lao PDR	5.4	1.8	5.9	329
Malaysia	24.2	94.9	4.1	3,914
Myanmar	52.3	5.4	5.0	104
Philippines	79.7	77.6	4.4	974
Singapore	4.2	86.9	2.2	20,515
Thailand	61.8	126.5	5.3	2,043
Vietnam	79.9	35.1	7.0	439
<b>Total</b>	<b>533.0</b>	<b>609.9</b>		

Source: Asean Surveillance Coordinating Unit (ASCU) database  
Asean Secretariat

## Intra-ASEAN Trade US\$ (billion)

	2001	2002
Singapore	61.8	64.4
Malaysia	36.3	39.4
Thailand	24.4	23.4
Indonesia	15.2	16.8
Philippines	9.7	11.1
Vietnam	6.8	n.a.
Myanmar	2.3	2.4
Brunei	1.3	1.3
Cambodia	1.2	0.7
<b>Total</b>	<b>159.0</b>	<b>159.5</b>

Source: ASEAN Secretariat

## Global Medical Device Market \*

	Revenue (US\$ billion)	% of Total
USA	64.7	38
Europe	45.1	26
Asia & rest of the world	62.0	36
<b>Worldwide total</b>	<b>171.8</b>	<b>100</b>

Source: EUCOMED, Merrill Lynch, 2000

\* Market analysts predict that demographics, new technology and geographic expansion would result in a 10% secular growth of the medical devices market.





# Incentives for growth

Malaysia has a corporate tax rate of 28% for both resident and non-resident companies. A wide range of tax incentives is available to manufacturing companies in Malaysia.

## 1. Incentives for Manufacturing Companies

- Pioneer Status  
Income tax exemption of 70% or 100% on the statutory income for five years, or
- Investment Tax Allowance of 60% or 100% on the qualifying capital expenditure for five years, or
- Reinvestment Allowance of 60% on the qualifying capital expenditure for 15 years

## 2. Incentives for High Technology Companies

- Pioneer Status with full tax exemption on the statutory income for five years, or
- Investment Tax Allowance of 60% on the qualifying capital expenditure for five years to be offset against 100% of the statutory income

## 3. Incentives for strategic projects

- Pioneer Status with a tax exemption of 100% on the statutory income for 10 years, or
- Investment Tax Allowance of 100% on the qualifying capital expenditure for five years to be offset against 100% of the statutory income

## 4. Pre-packaged Incentives

Customised packages that cover tax and non-tax incentives

## 5. Incentives for R & D

## 6. Incentives for Manufacturing Related Services

- Incentives for Operational Headquarters
- Incentives for International Procurement Centres
- Incentives for Regional Distribution Centres

## 7. Incentives for Software Development

## 8. Incentives for Export

## 9. General Incentives

- Industrial Building Allowance
- Infrastructure Allowance
- Import duty exemption for
  - raw materials/components
  - equipment and machinery

**For more information on investment opportunities, please contact:**

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