“Market Watch 2012”

The Healthcare Sector in Malaysia

General information about Malaysia

Malaysia is centrally located within the Association of South-East Asian Nations (ASEAN). Consisting of two regions separated by the South China Sea — the Malaysian Peninsula and the states of Sabah and Sarawak on the island of Borneo — Malaysia is a federation of 13 states and three federal territories. The former British colony gained its independence in 1957. Since Independence, Malaysia has adopted the political system of a parliamentary democracy with a constitutional monarch whose position is rotated every five years between each of the nine hereditary state rulers. The political scene has been characterized by an extra-ordinary degree of political stability and continuity through an encompassing national coalition of political parties.

Its territory comprises approx. 330,000 sq km, four fifths of which are covered by tropical rainforest. Due to its bio-diverse range of flora and fauna offering excellent beaches and brilliant scenery, the country is one of the region’s key touristic destinations. Malaysia is a multiethnic, multicultural and multilingual society with 28.7 million members. Ethnic Malays make up the majority of the population at 57.1% followed by Chinese at 24.6%, Indian at 7.3% and other local ethnicities at 11%. The Malaysian constitution guarantees freedom of religion, although Islam is the largest and official religion. Approx. 61.3% of the population practice Islam, 19.8% Buddhism, 9.2% Christianity, 6.3% Hinduism, and 2.6% practice Confucianism and other traditional Chinese religions. The official language of Malaysia is Bahasa Malaysia, but English as well as Chinese are the business languages.

Economical Overview

Malaysia is a dynamic country which is constantly evolving. Being a middle-income country, Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy spurred on by high technology, knowledge-based and capital-intensive industries. Malaysia’s Economic Performance ranking improved to 7th
place out of 59 economies this year compared with 12th position in 2007. It is one of the 20 largest trading nations worldwide and was headed of Taiwan, Sweden, Canada, Australia, the United Kingdom and Switzerland. The World Competitiveness Yearbook 2011 Report released by the Institute for Management Development (IMD) continued to rank Malaysia as among the top 5 most competitive nations in the Asia-Pacific region, taking 6th position in the 20 million population category and 2nd position after Taiwan in the GDP per capita less than US$20,000 category.

Strategically located in the heart of South-East Asia, Malaysia offers a cost-competitive location for investors intending to set up offshore operations in order to manufacture advanced technological products for both regional and international markets. In addition, Malaysia has a market-oriented economy which is supported by pro-business government policies. Last year, the Malaysian government launched the Economic Transformation Programme (ETP) which is managed by PEMANDU (Performance Management & Delivery Unit) under the patronage of the Prime Minister. The ETP identifies 12 National Key Economic Areas (NKEAs) which are drivers of economic activities that have the potential to materially contribute to the growth of Malaysia. Its objective – also known as “Vision 2020” – is to transform Malaysia into a “high income country” by year 2020. The programme will lift Malaysia’s Gross National Income (GNI) to US$523 billion by 2020, and raise per capita income from US$6,700 to at least US$15,000, meeting the World Bank’s threshold for high income nation. To achieve the targets set, Malaysia needs an annual growth of GNI of 6%. There are plans to revitalize Malaysia’s private sector, to grow the service sector from 58 to 65% and to create 3.3 million new jobs. The Government will also introduce other transformation plans in 2012.

In Malaysia, the 2011 GDP growth edged lower to 4.0 percent year-on-year due to a weaker domestic demand. Further implementation of ETP projects and a RM232.8 billion

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1 “Malaysia’s economy attains 7th position”, New Straits Times, 20th May 2011.
2 Ibid.
3 Ibid.
4 See www.pemandu.gov.my.
5 Forbes.com, 21st September 2011.
6 Ibid.
2012 Budget tabled by Prime Minister Datuk Seri Najib Razak will boost domestic demand, but unlikely to offset underperformance in net exports.8

Economical Key facts Malaysia9

Currency: 1 Ringgit (RM) = 100 Sen
Exchange rates: 1 EURO = RM4.3; 1 US$ = RM3.2 (17.11.2011)
GDP - real growth rate: 2010: 7.2%; 2011: 4.0%, 2012: 5.0% (est.)10
Inflation rate: 3.3-3.5 % (est. 2012 IMF)
Exports: RM513.59 billion (Jan- Sep 2011)
Exports - commodities: Electronics 34.5%; petroleum & products 9.9%; palm oil 9.3%; chemical products 6.9%; machinery 3.4%; manufactures of metal 3.0%; rubber products 2.6%
Exports - partners: Singapore 13.3%, China 12.5%, Japan 10.5%, USA 9.5%, Thailand 5.3%, Hong Kong 5.1%, Germany: 2.7%
Imports: RM424.37billion (Jan - Sep 2011)
Imports - commodities: Electronics 31.2%, petroleum & products 10.1%, chemical products 9.2%, machinery 8.0%, manufactures of metal 5.9%, transport equipment 5.1%, iron & steel products 4.3%, optical & scientific equipment 3.2%, processed food 2.2%, other products 20.8%
Imports - partners: Japan 12.6%, China 12.6%, Singapore 11.4%, USA 10.6%, Thailand 6.2%, Germany 4.0%
Unemployment rate: 3.0% (2011)11

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11 Bank Negara Malaysia, Economic and Financial Data for Malaysia, last updated on 14th November 2011.
“Market Watch 2012”, Healthcare

Average wage 2011:
- Project manager IT: RM8,415,
- lecturer/speaker: RM3,459, mechanical engineer: RM3,070, account executive: RM2,572, plantation worker: RM850

Population below poverty line: 3.6%13

Bilateral Trade

Malaysia is EU’s second largest trading partner inside ASEAN, behind Singapore, with bilateral trade in goods reaching 31.9 billion Euros in 2010 and the EU’s 22nd largest trading partner.14 Germany enjoys intensive trade relations with Malaysia and is one of the main foreign investors in Malaysia, while among members of the European Union, Germany is Malaysia’s leading trade partner.15 Besides, Malaysia ranks 2nd as a consumer of German products among the ASEAN countries.16 The trade with medical equipment/products between Malaysia and Germany is already well developed. Germany holds an important position in the export of medical technology to Malaysia; especially in the field of medical equipment (US$39.827 millions from January to August 2011).17

Overview of the Healthcare sector

The healthcare sector in Malaysia has experienced continuous growth since the beginning of the 90s. The Malaysian healthcare system is, similarly to the German system, divided into two sectors: the public and the private healthcare sector. Both healthcare sectors are still expanding. 70% of healthcare services are provided by public sector which is heavily subsidized by the government and used by the majority of the Malaysian population.18 The private healthcare sector (30%) offers both curative and rehabilitative services and is

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16 Ibid.
17 World Trade Atlas – Malaysia Imports, 9018 N-El Med/Surg/Etc Ins, MATRADE.
financed strictly on a fee-for-service basis. The Malaysian healthcare sector is set to be transformed from a social service and consumer of wealth to a private sector-driven engine for economic growth under the ETP. The ETP has laid out key strategies to generate a RM35.3 billion incremental gross national income from the healthcare sector between 2010 and 2020. Three healthcare sub-sectors have been identified to be key drivers of this growth: pharmaceutical, health services — including health travel, specialist care centers and care of seniors — and medical technology products. Therefore, ‘health tourism’ has been promoted by the Malaysian government which has therefore extended the visa period for health tourists from one to six months. The government will also further invest in education and technology. Malaysian healthcare tourism grows at a rate of 25.3 per cent a year since 1998. This signifies a more advanced medical care services in Malaysia. Some 400,000 foreigners were healthcare tourists in Malaysia for 2010, generating a revenue of US$ 101.65 million (RM306.98 million) for the country. The figure is expected to increase to US$ 116.5 million (RM351.83) until the end of 2011. Malaysia now receives 85-90% of its patients from ASEAN countries and the rest of 10-15% from Japan, Australia, UK, Middle Eastern and European countries. There is also increasing interest from US and Canada. The government says it expects the country to be hosting 1 million health travelers a year by 2020, contributing RM27.8 billion to gross national income.

Malaysia’s healthcare industry is estimated at a value of around US$10.3 billion in 2010. In the same year approximately 4.4% of GDP is dedicated to the health care sector. Healthcare indicators in Malaysia are fairly positive: average life expectancy is high for a developing country, at over 73 years, while according to national-source figures, the infant mortality rate has fallen from 9 per 1,000 live births at the start of the millennium
“Market Watch 2012”, Healthcare

to around 6 per 1,000 in 2010. Demand of healthcare is likely to expand as the elderly increase in number, consumer awareness of healthcare service grows and access to services improves. Furthermore, continued urbanization is likely to lead to a rise in the incidence of so-called developed-country illnesses, such as diabetes which hits top ranks in Malaysia, overweight or cardiovascular disease and cancer. Thus, more than half a billion ringgit was spent on health campaigns such as “Less sugar” and “Eat healthy” or anti-smoking campaign “Tak Nak” since the 1980s.

For the 2012 budget, the Health Ministry allocated RM15 billion for operating and RM1.8 billion for developing expenditure. Kuala Lumpur Hospital will be upgraded to be the country’s premier hospital with an allocation of RM300 million, of which RM50 million to be spent for the construction of a new outpatient block. The government will also further intensify efforts to provide hospitals and rural health facilities for Sabah and Sarawak and will increase the number of medical assistants and nurses. The Ministry of Health is also working on a financing scheme blueprint for primary healthcare called 1Care for 1Malaysia, because only four million Malaysians of 14% of the population could afford to purchase private healthcare insurance last year according Bank Negara.

Table 1: Important information

<table>
<thead>
<tr>
<th>Statistics 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy</td>
</tr>
<tr>
<td>Infant mortality / 1,000 births</td>
</tr>
<tr>
<td>Number of doctors</td>
</tr>
<tr>
<td>Inhabitants / doctor</td>
</tr>
<tr>
<td>Number of hospitals (public)</td>
</tr>
<tr>
<td>Number of hospital beds (public)</td>
</tr>
</tbody>
</table>

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30 Ibid.
31 Ibid.
34 New Straits Times, 26th May 2011.
36 Ibid.
37 “Sarawak to get two new Hospitals.” In: Daily Express, 17th November 2011.
38 The Star, 29th April 2011.
“Market Watch 2012”, Healthcare

Public & private healthcare expenditure | RM35,148,955,577.51 billion (2008 figure)


Table 2: Healthcare expenditure of the government

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget of the MOH in RM billion</th>
<th>Change in %</th>
<th>Inhabitants in million</th>
<th>Expenditure per capita in RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8,997.01</td>
<td>19.07</td>
<td>25.58</td>
<td>352</td>
</tr>
<tr>
<td>2006</td>
<td>7,860.43</td>
<td>-12.6</td>
<td>26.13</td>
<td>301</td>
</tr>
<tr>
<td>2007</td>
<td>7,860.20</td>
<td>0.0033</td>
<td>26.64</td>
<td>327</td>
</tr>
<tr>
<td>2008</td>
<td>12,901.86</td>
<td>64.14</td>
<td>27.73</td>
<td>465</td>
</tr>
<tr>
<td>2009</td>
<td>13,716.04</td>
<td>6.31</td>
<td>28.31</td>
<td>484</td>
</tr>
<tr>
<td>2010</td>
<td>15,349.10</td>
<td>11.91</td>
<td>28.7</td>
<td>542</td>
</tr>
</tbody>
</table>


The Malaysian Government will further enhance service quality and efficiency that will address the current challenges in the healthcare sector by developing its public and private healthcare system. A rapidly ageing population and rising costs are putting severe pressure on healthcare systems all over the world. Challenges in Malaysia include the lack of formal social security, underdeveloped insurance products and investments, a rapidly changing operating environment including increasing expectations on the quality of healthcare and the lack of quality nursing and aged care services to meet the increasing demand.

Furthermore, there is increasing pressure on the public healthcare system, as Malaysia practices a dual healthcare system where public healthcare is tax-based while the private healthcare system is thriving, but concentrated mainly in urban areas. Public hospitals are thus dealing with increasing workload and the public sector resources are already stretched to capacity compared to the private sector. It is envisaged that the healthcare financing system in Malaysia will move towards a social insurance model, in which the state has an important regulating role.

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Thus, the Malaysian government will transform healthcare sector with the following focus:

1. Ministry of Health will enforce quality, efficiency and affordability in both public and private sectors.
2. Upgrading and expanding its health facilities across both urban and rural areas.
3. Reviewing of financing options to manage rising cost and ensure healthcare remains accessible and affordable.
4. Increase the capacity of human resources for health.
5. Kuala Lumpur Hospital will be upgraded to be the country’s premier hospital with an allocation of RM300 million.
6. Developing a financing scheme blueprint for primary healthcare called 1Care for 1Malaysia.
7. Promoting and developing the health tourism industry in Malaysia and encouraging private hospitals to be more export driven.
8. Enhancing coordination and collaboration between public and private sectors, for example in sharing resources (training & development, facilities, management expertise and research).\(^{42}\)

Private Healthcare

In comparison to the public sector, medical expertise in the private healthcare sector in Malaysia ranks among the best in the region and most private hospitals have internationally recognized standards.\(^{43}\) All private medical centers are required to be approved and licensed annually by the Ministry of Health (MOH).\(^{44}\) Many of the registered doctors in Malaysia are trained and educated abroad. The equipment of private hospitals and clinics is often luxurious and is matching Western standards. Today, there are more than 210 private hospitals with more than 10,000 beds.\(^{45}\) There is a lot of potential in the Malaysia’s private healthcare market as there is an increasing demand for the private healthcare services.\(^{46}\) KPJ Healthcare, Malaysia’s leading private healthcare provider, will

\(^{44}\) Ibid.
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be one of the beneficiaries. The following table illustrates the increase of private hospitals and beds over the last years:

Table 3: Hospitals and number of beds in Malaysia

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of public hospitals</th>
<th>Number of private hospitals</th>
<th>Number of registered doctors and dentists</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>120*</td>
<td>224</td>
<td>17,763</td>
</tr>
<tr>
<td>2005</td>
<td>125*</td>
<td>218</td>
<td>20,796</td>
</tr>
<tr>
<td>2006</td>
<td>128*</td>
<td>222</td>
<td>22,856</td>
</tr>
<tr>
<td>2007</td>
<td>134*</td>
<td>223</td>
<td>24,877</td>
</tr>
<tr>
<td>2008</td>
<td>136*</td>
<td>223</td>
<td>28,742</td>
</tr>
<tr>
<td>2009</td>
<td>136*</td>
<td>209</td>
<td>34,103</td>
</tr>
<tr>
<td>2010</td>
<td>137*</td>
<td>217</td>
<td>36,789</td>
</tr>
</tbody>
</table>


KPJ Healthcare plans to add one or two hospitals to its network every year for the next medium term as well as expansions to the bedding capacity, facilities and range of services offered at existing hospitals by spending almost RM500 million. There are also plans for two joint-ventures in order to expand KPJ’s network. The expansion will translate into greater economies of scale, for instance in terms of the implementation of common systems and processes as well as centralized purchasing of equipment and medication. For long-term, there are plans to diversify into new market segments such as retirement villages and age care services. The demand of affordable retirement homes that include quality medical and nursing care is expected to be on the rise as mentioned above, so there is a huge market for retirement and age care. Parkway Pantai Ltd. which is one of the biggest healthcare group, operating 11 hospitals in Malaysia will invest some RM700 million to build 3 new hospitals and upgrade existing ones to expand its business. Sime Darby Healthcare hopes to double its revenue in 2013 from

47 “Healthcare, maintain Positive.” In: MIDF Equity Beat, 11th June 2010. 48 The Edge Financial Daily, 14th November 2011. 49 The Edge Financial Daily, 14th November 2011. 50 Ibid. 51 Ibid. 52 Ibid. 53 Ibid.
the current year. At present, 5% of their income comes from foreign patients and Sime Darby aims to grow this segment more by making their hospitals on par with countries like Indonesia, Singapore and even Thailand, which are also big on medical tourism. Both new hospitals will create a gross national income of RM180 million and 1.500 jobs by 2020.

The 10th Malaysian Plan
Under the 10th Malaysian Plan (2011-15), healthcare is identified by the government as one of the 12 National Key Economic Areas (NKEA). Contributions and investments in this area are expected to help the country become a high income nation by year 2020. Within the healthcare, six entry-point projects (EPPs) and two business opportunities have been identified as key drivers of the growth: private health insurance for foreign workers, improvements to clinical research, exporting generic medicines, health tourism, telemedicine, the international bioscience campus at Universiti Malaya, and healthcare services for senior citizens and the manufacturing of medical technology such as in-vitro diagnostics and respective equipment. The Malaysian government estimates that these programs will cost US$6.3 billion and will create over 23,000 jobs in future.

Imports
Malaysia’s medical devices and supplies are mainly imported, especially the more technologically advanced items. It is estimated that current growth in the market will be a strong 9.1% per year, reaching US$1.9 billion, or US$61 per capita, by 2016. Imports are expected to continue growing at a strong state, in line with rising health expenditure, and the country’s heavily reliance on imports to meet its healthcare needs. Demand for medical devices is increasing due to population growth, rising standard of living, longer life expectancy, growing affluence and increased consumer awareness. Major products

55 Ibid.
56 Ibid.
58 Ibid.
60 Ibid.
imported were pharmaceuticals, medical as well as surgical or laboratory sterilizers, instruments and appliances used in medical/veterinary sciences, orthopedic products, hearing aids, pacemakers and other implanted products. The plan to match the standards of both private and public hospitals and clinics includes also the investment into modern high-quality equipment. 90% of the high-quality, expensive equipment is imported from mainly the U.S., China, Japan and Germany. In addition, Malaysia is also heavily dependent on the imports of retail medicaments for the domestic market, which represent over three-quarters of total imports. The main exporters to Malaysia regarding pharmaceuticals are Australia (10% import market share) followed by the United States and Germany (see table 1). Major types of drugs imported were cardiovascular drugs, cholesterol lowering drugs, antibiotics, and oncology drugs.

Table 4: Pharmaceutical Products, Malaysia - Imports [Millions of US Dollars]

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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Australia</td>
<td>100.404</td>
<td>93.102</td>
<td>89.72</td>
<td>91.983</td>
<td>76.624</td>
<td>62.761</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>89.284</td>
<td>81.328</td>
<td>67.027</td>
<td>59.834</td>
<td>53.329</td>
<td>43.175</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>88.896</td>
<td>80.661</td>
<td>83.342</td>
<td>72.926</td>
<td>61.097</td>
<td>44.583</td>
</tr>
<tr>
<td>4</td>
<td>Switzerland</td>
<td>86.931</td>
<td>92.513</td>
<td>61.119</td>
<td>63.816</td>
<td>45.015</td>
<td>51.464</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>83.637</td>
<td>88.763</td>
<td>80.277</td>
<td>65.584</td>
<td>59.008</td>
<td>55.235</td>
</tr>
<tr>
<td>6</td>
<td>United Kingdom</td>
<td>56.357</td>
<td>62.065</td>
<td>64.869</td>
<td>68.086</td>
<td>58.105</td>
<td>51.462</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas, Malaysia - Imports, 30 Pharmaceutical Products, MATRADE

Table 5: Medical Instruments & Equipment, Malaysia - Imports [Millions of US Dollars]

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Japan</td>
<td>1,081.19</td>
<td>765.55</td>
<td>673.219</td>
<td>613.967</td>
<td>638.102</td>
<td>742.599</td>
</tr>
<tr>
<td>2</td>
<td>United States</td>
<td>1,025.30</td>
<td>858.757</td>
<td>956.007</td>
<td>996.633</td>
<td>1,229.138</td>
<td>818.347</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>598.849</td>
<td>496.404</td>
<td>654.48</td>
<td>442.48</td>
<td>374.135</td>
<td>259.253</td>
</tr>
<tr>
<td>4</td>
<td>Singapore</td>
<td>471.586</td>
<td>331.833</td>
<td>358.899</td>
<td>370.002</td>
<td>330.957</td>
<td>294.632</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>408.17</td>
<td>247.781</td>
<td>317.123</td>
<td>267.694</td>
<td>238.465</td>
<td>173.505</td>
</tr>
<tr>
<td>6</td>
<td>Hong Kong</td>
<td>210.913</td>
<td>165.975</td>
<td>182.475</td>
<td>152.517</td>
<td>273.385</td>
<td>268.966</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas, Malaysia - Imports, 90 Optic, Nt 8544; Med Instr, Malaysia External Trade Development Corporation (MATRADE)

Note: Table 4: Pharmaceutical Products, Malaysia - Imports [Millions of US Dollars]

Exports

The country’s medical device exports are dominated by latex products such as surgical gloves and catheters, which together accounted for 51.9% of the export total in 2009.62 The share of these two sub-categories has slowly started to diminish with the steady growth of diagnostic imaging exports in recent years, particularly electrocardiographs and electro-diagnostic apparatus.63 The Malaysian Government has recently attempted to encourage domestic manufacturers to expand production into more technologically advanced products and develop services such as Information and Communications Technology and other supported related services.64 Ultimately, the largest GDP contributor will derive from the domestic generics industry fuelled by the patent loss of at least 15 blockbuster drugs over the next 2-3 years. Generics currently account for 33% of the domestic market in value terms. However, the main growth will come from exports and the Malaysian trade promotion agency (MATRADE) is now aggressively promoting Malaysian pharmaceutical products in the ASEAN Economic Community and in Middle East. The key differentiators for Malaysian generics in the international markets will be their branded nature and Halal certification. In fact, with the global Muslim population approaching 1.57 billion providing a US$2.3 trillion market (excluding Islamic banking) there is great potential in providing pharmaceuticals which conform to Halal food regulations.65 Asian countries amounted to 60% of total exports. Other major destinations were Hong Kong, Nigeria and Germany.

Table 6: Pharmaceutical Products, Malaysia - Exports [Millions of US Dollars]

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>36.451</td>
<td>32.018</td>
<td>34.692</td>
<td>36.899</td>
<td>27.904</td>
<td>20.468</td>
</tr>
<tr>
<td>3</td>
<td>Hong Kong</td>
<td>13.139</td>
<td>10.012</td>
<td>9.169</td>
<td>8.163</td>
<td>8.052</td>
<td>8.486</td>
</tr>
</tbody>
</table>

63 Ibid.
64 Ibid.
“Market Watch 2012”, Healthcare

<table>
<thead>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>1,205.92</td>
<td>790.512</td>
<td>1,073.79</td>
<td>1016.121</td>
<td>1071.225</td>
<td>819.888</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>597.66</td>
<td>559.37</td>
<td>688.347</td>
<td>593.078</td>
<td>571.738</td>
<td>489.358</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>593.94</td>
<td>282.388</td>
<td>311.422</td>
<td>251.965</td>
<td>393.390</td>
<td>252.479</td>
</tr>
<tr>
<td>4</td>
<td>Singapore</td>
<td>559.002</td>
<td>415.732</td>
<td>445.34</td>
<td>364.989</td>
<td>299.100</td>
<td>338.956</td>
</tr>
<tr>
<td>5</td>
<td>Netherlands</td>
<td>462.921</td>
<td>300.421</td>
<td>388.052</td>
<td>403.998</td>
<td>322.950</td>
<td>261.955</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>417.325</td>
<td>260.4</td>
<td>308.622</td>
<td>324.369</td>
<td>290.139</td>
<td>214.174</td>
</tr>
<tr>
<td>7</td>
<td>Taiwan</td>
<td>380.377</td>
<td>103.566</td>
<td>92.996</td>
<td>82.458</td>
<td>119.743</td>
<td>88.810</td>
</tr>
<tr>
<td>8</td>
<td>Germany</td>
<td>235.463</td>
<td>216.885</td>
<td>248.923</td>
<td>207.142</td>
<td>159.253</td>
<td>132.792</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas, Malaysia - Exports, 30 Pharmaceutical Products, MATRADE

Table 7: Medical Instruments & Equipment, Malaysia - Exports [Millions of US Dollars]

Opportunities in the Healthcare Sector

Manufacturing of Medical Devices, medical machinery & equipment

High tech medical machinery and equipment are still imported. Germany is the 3rd largest exporter of medical machinery and equipment to Malaysia. Medical devices are one of the targeted economic sectors to be further developed and promoted by the Malaysian Government and a new growth area. Importantly, growth areas within medical devices industries are: cardiovascular devices, orthopaedic devices, in-vitro diagnostics, electro-medical equipment, wound care products, home-healthcare products and high technology medical devices. The government encourages manufacturers to produce medical equipment locally. Incentives are also given to foreign companies to invest in the medical sector. There are also opportunities for foreign companies to go into joint-ventures.

Pharmaceuticals Manufacturing

The domestic Malaysian pharmaceutical market is small, relying heavily on the import of medicaments.

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67 Ibid.
Currently, there is little multinational manufacturing activity in the country due to strict regulations, but these regulations are expected to be relaxed in future.\textsuperscript{69} Ranbaxy and GSK are the examples of large multinational companies that have manufacturing operations in the country.\textsuperscript{70} Under the National Key Economic Area, the pharmaceuticals have been identified as the targeted sector to be further promoted and developed.\textsuperscript{71} The generics space is for example a growing area of convergence between multinationals and local companies.\textsuperscript{72} Investors looking for investment opportunities should use Malaysia’s potential for the development of novel generic drugs, oncology, niche pharmaceutical products, herbal medicines, health/food supplements such as vitamins or functional food, sterile products and biopharmaceutical products.\textsuperscript{73} Malaysia’s membership in the Pharmaceutical Inspection Convention and the Pharmaceutical Inspection Cooperation Scheme gives locally manufactured products world-wide acceptance concerning quality.

**Health Biotechnology**

The Government has identified biotechnology as one of the core technologies to accelerate the transformation of Malaysia into a knowledge-based economy and an industrial nation by 2020.\textsuperscript{74} In 2005, Malaysia launched the National Biotechnology Policy announcing that this sector would create 280,000 jobs and contribute 5% to the country’s GDP.\textsuperscript{75} Total investment under the National Biotechnology Policy is expected to be around RM30 billion (US$7.9 billion).\textsuperscript{76} Out of this, an initial RM300 million has been allocated to Malaysian Biotechnology Corporation to initiate commercialization, technology acquisition, entrepreneur development and for the development of intellectual property framework.\textsuperscript{77} To streamline biotechnology research, seven Biotechnology Cooperative Centres (BCCs) have been established.\textsuperscript{78}

\textsuperscript{70} Ibid.
\textsuperscript{71} Thomas, Jacob. “Private Healthcare in Malaysia.” Association of Private Hospitals of Malaysia. 4\textsuperscript{th} May 2011.
\textsuperscript{73} Thomas, Jacob. “Private Healthcare in Malaysia.” Association of Private Hospitals of Malaysia. 4\textsuperscript{th} May 2011.
\textsuperscript{75} Ibid.
\textsuperscript{76} Ibid.
\textsuperscript{77} Ibid.
\textsuperscript{78} Ibid.
Presently, there are some biotechnology-related industries in Malaysia, but most are using what can be classified as conventional biotechnology processes. Agricultural and food biotechnology have received greater emphasis in Malaysia. Food biotechnology, in general, is relatively new in Malaysia, although food and food ingredients produced by traditional biotechnology like fermentation technology have brought to market products like soy sauce or yogurt. Research in medical biotechnology has generated several diagnostics kits for dengue and other infectious tropical diseases, although, R&D activities in bio-pharmacy are relatively new in this country. The most important Malaysian biologic manufacturers are Bioven, CCM Duopharma, Inno Biologics and Ninebio. Niches to be developed are contract research and development of bio-generics, diagnostics and vaccines. Besides, bioactive compounds from indigenous plants are being researched for the treatment of cancer, eczema, diabetes, and hypertension which holds great promise for medical biotechnology.

ICT in Health Sector

A nation-wide information system will be introduced to link public and private health facilities for timely, quality and reliable information and to provide rapid and reliable access to health information, establishment of group data services such as a national drug database or a health data dictionary, empowerment to individual community in the management of his/her health and access to JIT information to care providers. ICT will also be used to link primary to secondary healthcare (health clinics to hospitals) which will be expanded to cover more districts. The Malaysia National ICT Initiative (MSC) introduces Telehealth which is envisaged to transform Malaysia’s healthcare system to be more integrated, distributed and virtual with the aim of providing equitable, accessible

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79 Ibid.
81 Ibid.
86 Ibid.
and high quality healthcare services. Telehealth seeks to realize the healthcare vision of the nation by emphasizing on lifelong wellness wherein individuals, families and communities are empowered to play major roles in managing their health. There are investment opportunities for mobile content for instance or applications and solutions.

**Clinical Waste Management**

For a more effective and better management of clinical waste, the clinical waste services of the Ministry of Health (MOH) hospitals and health care facilities throughout Malaysia have been privatized to three concession companies in 1997. They provide five support services to about 130 hospitals and institutions throughout Malaysia, with effect from 1st January 1997 for the next 15 years. This includes healthcare establishments in Malaysia, including government and private hospitals, polyclinics, health centers, medical and health research institutions, diagnostic and research laboratories, blood transfusion services, private practitioners and dental surgeries.

According to the survey of medical waste management in Malaysia, conducted by the Ministry of Health Malaysia, the clinical waste generated for the whole of Malaysia was 4,475 t., and will increase to 7,208 t. in year 2015. It is expected that there will be an increase in clinical waste received due to an increase in such health establishments and the increase in numbers of people seeking medical treatment. With the current clinical waste growth rate, an expansion of existing plants or an additional plant is necessary and urgently required to meet the projected demand of wastes in the concession area of the central and eastern region perhaps at least for the next 10 years.

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88 Ibid.
Leading Healthcare Fairs in Malaysia

15th South-East Asia Healthcare and Pharma Show 2012
Date: 17 - 19 April 2012
Place: KLCC Kuala Lumpur Convention Centre, Malaysia

Healthcare World 2012 (New)
Date: 14 - 16 June 2012
Place: Putra World Trade Centre (PWTC), Kuala Lumpur, Malaysia

APHM International Healthcare Conference & Exhibition 2012
Date: 17 - 19 July 2012
Place: KLCC Convention Center, Kuala Lumpur, Malaysia

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We hope the market brief serves you with current information on the Malaysian healthcare market 2012. MGCC’s core business is to establish contacts, finding distribution partners, project acquisitions, etc. Our “Firmenpool Malaysia” or the “Office-in-Office” concept will give you a permanent address to develop the market.