REGULATION & COMPLIANCE

EMERGING MARKET REPORT

Brunei's Potential Pharmaceutical Market Growth

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Brunei harnesses its rich biodiversity and the growing halal market in a bid to develop its pharmaceutical sector.

Though the Bruneian pharmaceutical sector is at its infancy, it possesses huge potential for growth and development. According to Business Monitor International (BMI), the sector is valued at US$100 million in 2013 with a compound annual growth rate (CAGR) of 9% between 2013 and 2018, reaching a value of US$150 million by 2018.

The country is located in a region with great biodiversity, which offers an excellent platform for the exploitation of rich sources of medicinal plants and other useful forest products. Though this has attracted the attention of international scientists, more efforts will have to be put into inviting experts to the country and conducting more studies in collaboration with universities and relevant departments to explore what is out there and how they can be used to the industry's advantage, Jason Paul Bin Rumpun, key accounts manager of Simpor Pharma says.

Halal market

In addition, the country is also tapping into the growing halal market. In 2010, the Ministry of Religious Affairs issued the guidelines for the manufacturing and handling of halal medicinal products, thus setting the stage for the establishment of halal pharmaceutical companies in the country, and Brunei to be the hub for halal pharmaceutical exports, Cher Boon Piang, analyst of BMI Asia says.

In October 2013, Simpor Pharma was established after acquiring the full halal certification from the government. In a $26 million joint venture between Canadian-based Viva Pharmaceutical and private equity fund Aureos (Brunei) Capital, Brunei's first drug manufacturing plant produced 25 million Syariah-compliant capsules for exports by February 2014, aiming to ship them in three to five months.

Rumpun adds, "The halal brand will gain strong acceptance amongst the Muslim community be it in Europe, Africa, or America. Hopefully, the Bruneians will take advantage of this opportunity to expand and reach out to the global market." This is echoed by Edward Ko, managing director of Simpor Pharma, who commented that halal sales are strong and growing in countries such as Azerbaijan, Iran, Yemen, and United Arab Emirates (UAE).

Rich biodiversity

The government has identified the sultanate's rich biodiversity and educated workforce as means for attracting overseas investors to partner in specific projects and use Brunei as a strategic location for supporting their regional expansion plans, Abhijit Ghosh, pharmaceutical and healthcare leader of PricewaterhouseCoopers (PwC) Singapore says. Recognized as the world's most stable macroeconomy by the World Economic Forum (GCI 2010/11), Brunei possesses 'pull' factors such as political stability and low corporate income tax. The corporate income tax rate has been reduced to the current rate of 22% compared to 30% in 2008. There are no personal income tax, as well as export, sale, payroll, and manufacturing taxes (1).

Ghosh adds, "The country offers research and development (R&D) and training grants, as well as tax incentives and exemption from import duties on raw materials and machinery for qualifying projects." Currently, Japanese-based National Institute of Technology and Evaluation (NITE) and Bruneian scientists are researching on the possibilities of using microbes for pharmaceutical purposes. Germany is also exploring the idea of partnering with the country for developing pharmaceutical products culled from the Sultanate's diverse plant field. China is also looking to partner with Brunei for the supply of raw ingredients for Chinese traditional medicines.

However, Brunei will need to improve on areas including starting a business, enforcing contracts, and property registration. Based on the World's Bank Doing Business Report 2014, the country was ranked 59 out of 189 countries and behind neighboring countries Singapore (first), Malaysia (sixth), and Thailand (18th) (2). Bureaucratic red tape is one of the issues for companies. For example, it took Viva Pharmaceutical six years to build its facilities due to bureaucratic slowdowns. The country also does not possess high quality infrastructure to facilitate the expansion of manufacturing facilities, Ko says.

Future investment

Ghosh shares a similar view that the lack of adequate infrastructure facilities for R&D and manufacturing could be stumbling blocks for the Bruneian pharmaceutical industry. He says, "Given the shortage of a skilled workforce, the government should start investing on training facilities for developing pharmaceutical experts and biotech researchers if it wants to succeed in the industry. It should also place its emphasis on liberalizing its policies to eliminate certain red tape and make it easier to do business in Brunei." The country may want to explore the idea of seeking help from established neighbors such as Singapore to develop its infrastructure and move up the value chain to develop its pharmaceutical sector.

Rumpun maintains a positive outlook for the Bruneian pharmaceutical industry. "Though Brunei is still in the experimental stages of manufacturing, the government has been willing to review and streamline existing processes to make it easier for companies to do business. Once the processes and systems are in place, there is a market for more companies to open manufacturing facility in the country. Moreover, the government is on a constant lookout for potential foreign direct investment that is essential to bring about development," he says.

References

1. Embassy of Brunei Darrussalam in Tokyo, *Business in Brunei*, www.bruemb.jp/business-in- brunei, accessed May 9, 2014.
2. Doing Business Report 2014, The World Bank, www.doingbusiness.org/rankings, accessed May 9, 2014. **PT**

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