Interview: Claude A. Farrugia – Chairman, Pharmaceutical Manufacturers Business Section, Malta Chamber of Commerce, Enterprise and Industry



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14.05.2018

Tags: Malta, Chamber of Commerce, Association, Investment, Cannabis, Manufacturing, Biotech

Prof. Claude A. Farrugia of the Malta Chamber of Commerce, Enterprise and Industry documents the main trends in the manufacturing industry of Malta and discusses the island's strengths in discovering new niches and exploiting opportunities as they present themselves. Farrugia also touches on the development of a biotech industry on Malta and its new objective: becoming a hub for medical cannabis production.

Can you describe to our international readers the role of the Manufacturer Business Section within Malta Chamber of Commerce, Enterprise and Industry?

The Pharmaceutical Manufacturing Sector Group was originally established within the Malta Federation of Industry in 2003, to establish a stakeholder group in this sector in view of Malta's initiative to join the European Union. Many general managers of pharmaceutical companies present on the island felt the need to establish the group in order to represent the interests of pharmaceutical manufacturers during the transposition of European Union legislation and directives, as well as ensuring adequate representation with the authorities to ensure a favorable climate for smooth operations and growth. This specific group subsequently became the Pharmaceutical Manufacturers Business Section within the Malta Chamber of Commerce, Enterprise and Industry, formed from the merger between the Malta Chamber of Commerce and Enterprise,

and the Malta Federation of Industry, in 2009. Today the Chamber has three sections with an interest in the pharmaceutical sector in Malta: the Healthcare Business Section, the Professional Community Lead Pharmacists Business Section, and the Pharmaceutical Manufacturers Business Section, the latter representing pharmaceutical manufacturers present on the island.

What are the key services and activities in this sector on Malta?

Our members' list comprises API manufacturers, finished dosage form manufacturers, and repackaging and overlabelling companies. The latter sector evolved significantly subsequent to Malta's joining the European Union, due to high demand of such activities in order to ensure that the packaging of medicinal products authorized to be placed on the Maltese market would conform to the local legal. The development of the entire pharmaceutical manufacturing sector has also led to development of services that conform to the high standards demanded by this industry – engineering services, supply and testing of air handling systems, pharmaceutical testing and release to market, to name but a few. Moreover, Malta's reputation as an export hub and favorable positioning in the Mediterranean between Europe and North Africa, created an environment that was favorable and attractive for foreign companies to establish their operations on the island. This reputation was coupled with a favorable Intellectual Property scenario for some pharmaceutical companies. This advantage over other countries has decreased over time, but nonetheless our ability to capitalize on the favorable circumstances at the time provided the ability to develop networks for future operations and attract investments for economic growth. Now it is time to focus on entering new niches and making the best out of these opportunities.

Malta is an export hub that also wants to position itself as a manufacturing hub. Why should foreign companies come to manufacture in Malta?

Malta is geographically a country with a rather small population. Nevertheless, our competitive advantage refers to being able to discover new niches and exploiting opportunities as they present themselves. The pharmaceutical industry on the other hand, has been characterized by increased globalization in the past few years. Thus while Malta has chosen this specific sector, and implemented initiatives for its development at the right time, recent global events have had a financial impact on many pharmaceutical companies, and Malta has been not been spared from this.

However, the fact that the industry is still present in Malta is evidence of our ability to react to certain difficult situations, keeping up with the pace and showcasing our strengths. Thus, whilst having to compete with bigger countries that are increasingly expressing an interest in this area

might seem to be an obstacle for Malta, Malta's strength lies in entering new niches where we identify competitive advantages. This is specifically applicable to pharma manufacturing sector while imparts skillsets that enable its employees to adapt to a changing industry. This is why it is essential to continue bringing know-how to the island. Many Maltese people go abroad for work or educational purpose, but come back to Malta after a certain period of time and bring this know-how to the country.

Combining these skills with our knowledge of English indeed extends possibilities of interaction with foreign companies. Another advantage includes a ready access to policy makers without complex political and governmental structures; this ensures that the business environment in the island has the potential for short time frames in decision making and easy access to all stakeholders. It is true that, as an island, manufacturing in Malta presents certain challenges such as the need for transportation networks to import of raw materials or export finished products, but we have been dealing with these challenges for many years and I believe today they do not represent insurmountable difficulties.

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As you mentioned, discovering new niches is Malta's strength. In fact, Malta currently wants to enter the cannabis industry and position itself as a medical marijuana production hub. How do you see this industry evolving in Malta?

Cannabis is a promising industry that could be viewed not only as a new commercially successful niche to discover, but also as a tool for transition to the biotech industry. Precisely, medical marijuana production on the island could potentially attract the companies that have a presence in this field globally. This could mean that Malta would attract manufacturing technologies that would facilitate the transition to the biotech industry. This investing in this sector would represent not only a direct, but also an indirect indirect investment in Malta's future. Due to the high potential and benefits of attracting this specific niche, it is of critical significance that Malta ensures the continued proper operational conduct and supervision typical of the pharmaceutical industry. Specifically, we need to set up the regulation in such a manner that will establish a stable environment for the manufacturers without the negative implications associated with the abuse of these products. If we are capable of doing so, we have the potential to build a manufacturing hub for cannabinoids.

From the regulatory standpoint, Malta has adopted a broad interpretation of the Bolar provision which is today a prime source of attracting FDI to the country. That is why

pharma manufacturing consists mostly of generics production. Given the fact that the government is looking to attract more innovation to the country, what do you believe can be done in this regard?

The wide interpretation of the Bolar provision in Malta intellectual property legislation, coupled with the low rate of registration of patents in Malta, was in fact one of Malta's main selling points for foreign investment, and led us to be a leader in this sector. However, the intellectual property scenario has changed due to the increasing interest in the production of generics in many countries. Moreover, the implementation of the Agreement of the Unified Patent Court has led to a harmonization of the Bolar provision across the different signatory countries, and as such it no longer constitutes an advantage only for Malta. Hence, now is the time to think strategically of moving to the next level that could attract new investors- medical cannabis production could be one of them.

Government is putting efforts into attracting new investors to Malta. What reforms would you consider helpful to attract more investors?

The government is continuously facing challenges as it can't "put all eggs in one basket". Clearly, this means that a balance in supporting number of sectors is expected. Malta has a well-developed financial services sector, an IT sector and manufacturing. Therefore, government somehow needs to find the right balance, allow flexibility and encourage investment within all sectors. There is certainly room for improvement- due to our size, we are not competitive enough with manufacturing costs in certain sectors, for example, in waste disposal of chemical waste associated with manufacturing. Since such activities represent a niche with a limited amount of players, it is difficult to generate the necessary economies of scale that would permit services to be offered at prices that are competitive with those in larger countries, and this ultimately has the potential to affect consumers – be it in the private or public sector. Moreover, even though the government is supporting and assisting the industry with its difficulties, one must understand that government that there is a limit to how much this can be done, due to European legislation controlling state aid. Nevertheless, government is indeed listening to what the industry needs. Another important topic is that of human resource needs. Attracting innovation to the island is highly interrelated to developing human resources and as Malta wants to expand its pharmaceutical and manufacturing industry, enhancing domestic skills is essential. This means that collaboration between industry and academia is essential, and a clear message regarding the skillsets that graduates need must be clearly communicated, including not only theoretical and practical skills, but also more basic and transferable qualities such as resilience, punctuality and enthusiasm, all of which create the

right social climate that will appreciate the benefits of dedication to the country's projects in the long term. We are on the right track in getting the message across, but our limited demographics means that it is challenging to provide the breadth of opportunities to our students to choose a pathway that truly interests them, and in a manner that allows them to visualize a comprehensive picture of their future, without sacrificing one industry for another.

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What is your vision for the sector? How do you see it evolving?

We need ensure the right structures are in place and protect them, so as not to imperil the investments already made in the island. Malta has been building the favorable environment for the pharmaceutical and manufacturing industry for many years, therefore, we need a system of "smart protection". New commercially successful niches should not jeopardize the climate for established players that have already invested extensively in Malta, as this might be seen as a deterrent for new investments. Investors will be attracted and encouraged by success stories that guide and support the development of the sector on the island. This enhances the country's credibility. because if potential investors, albeit in new niches, do not perceive long-term stability for their investment, the willingness to invest and succeed in Malta will be harder to encourage. We have to ensure what was built continues to have the opportunity for growth because that is what will provide the right signals for new initiatives to move forward in the right direction.

You have been the Chairman of Pharma Manufacturing Section within Malta Chamber of Commerce for 5 years. What has been your proudest achievement ever since?

I would have to say it is making sure that the pharmaceutical industry has a credible voice when legislation is being transposed and policies implemented, making sure our input is ready to be considered and be given due consideration and importance. The pharmaceutical manufacturing sector in Malta has been fostering a collaborative approach from its inceptions – we work closely with the Malta Medicines Authority, government and local institutions to ensure the interests of the sector are well communicated and received, providing an interactive and favorable environment for our members.

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