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Malaysia

AGRICULTURAL BIOTECHNOLOGY ANNUAL

Biotechnology Annual

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Report Highlights:

During 2009, various government agencies and the private sector are in consultation to finalize the regulations and setting up facilities and building the staff to fulfill the Biosafety Act 2007. Post works with these agencies as well as pro-biotechnology NGOs and the private sector in order to minimize the impact on US biotechnology-related exports. Post has submitted a TIRF proposal to send senior Malaysian officials for a study tour in the U.S.

Section I. Executive Summary:

Malaysia is the 33rd largest agricultural export market for the U.S. In 2008, the U.S. exported \$641 million of agriculture, fish and forestry products to Malaysia, mainly bulk grains and oilseeds, feedstuffs, temperate fresh fruits, temperate hardwood lumber, cotton and other high valued consumer products. Almost all of the imported US soybean and corn shipments, valued at \$126 million in 2008, contain GMOs. The other primary sources of soybeans and corn are Argentina, Brazil and China. Having access to this important market is vital to the exports of US biotechnology-related products.

Malaysia has an influential voice among the developing countries as well as in the Islamic world. With its ambition to becoming a global player in the biotechnology industry, Malaysia could be a strong partner with the U.S. in the development of agricultural biotechnology and be a powerful, vocal advocate of biotechnology in the international arena. Malaysia's leadership on 'Halal' issues is also recognized in the Organization of Islam Conferences. Post proposed TIRF support for a regional seminar on Islam and Biotechnology to provide a platform for Islamic scholars to

deliberate on issues related to biotechnology and the acceptance of GM products in the Muslim world.

The Lower House of the Malaysia's Parliament passed the Biosafety Bill on June 27 2007, followed by the Upper House's approval on July 11 2007. The Act has serious implications not only to the trade of US GM products but also to research & development in biotechnology and the manufacturing of processed products using GM ingredients.

During 2009, various government agencies and the private sector are in consultation to finalize the regulations and setting up facilities and building the staff to fulfill the Act. Post works with these agencies as well as pro-biotechnology NGOs and the private sector in order to minimize the impact on US biotechnology-related exports. Post has submitted a TIRF proposal to send senior officials from the Malaysian Biotechnology Corporation (MBC) and the various Ministries (Science, Agriculture, Commodities & Plantation Industries, and Natural Resources & Environment) dealing with biotech issues for a study tour in the U.S.

Section II. Biotechnology Trade and Production:

Production

Malaysia has not yet produced a biotechnology crop commercially although several genetically modified crops containing traits of value have been produced at the experimental stage (See details in MY6024).

Malaysian Biotechnology Corporation (BiotechCorp), the lead agency in developing the biotechnology industry, continues to strengthen value creation in biotechnology to prepare for commercialization in 2011. Its National Biotechnology Policy has a three-phase program over 15 years to establish the country as a global leader in the field. During the first phase covering 2006-2010, BiotechCorp has been focusing on capacity building. BiotechCorp was able to facilitate both foreign and domestic investments in setting up 104 BioNexus-status companies since 2006. BiotechCorp starts to lay the groundwork for the second phase (2011-2015) to create business out from science. In early June 2009, BiotechCorp signed two agreements with BASF unit DNA LandMarks and the Netherlands-based FeyeCon Carbon Dioxide Technologies in order to acquire two technologies to enhance yields and raise standards in the domestic plant and livestock breeding as well as the 'natural product' sector which includes the herbal-based products. BiotechCorp has also hired John Sandelin, a professor from Stanford University to spearhead the formation of a technology transfer framework for higher learning institutions and BioNexus companies.

Asiatic Centre for Genome Technology (ACGT) entered into a joint venture with US-based Synthetic Genomics Inc (SGI) in 2007 to embark on a genome-sequencing program on palm oil. The venture aims at producing breeds that can withstand drier conditions and consequently, double the oil palm yield within six years.

In MY7027, the Lower House of the Malaysia's Parliament passed the Biosafety Bill on June 27, followed by the Upper House's approval on July 11, 2007. Provisions in the Act, such as mandatory labeling and an excessively strict liability and redress regime, will be problematic for U.S. trade. In addition, the Act will likely hinder domestic biotechnology research and development and domestic manufacturing of processed products containing biotechnology-derived ingredients.

Malaysia currently places no restrictions on the import of biotech food or feed, although it does have pending legislation that would regulate imports and labeling of GM food. To date, the only GM ag product officially approved to be imported into Malaysia is 'roundup ready' soybeans. Although the bulk of soybeans imported from the U.S. is GM, there is a niche non-GM market since local soy product exporters need to conform to the EU's GMO requirements when they export processed soy-related food such as soy sauce, canned tuna in soy oil and soy milk to the EU. While Malaysia has not officially approved the imports of GM corn, it has not restricted the importation of GM corn.

Malaysia is not a food aid recipient and is unlikely to become one in the near future. Malaysia does not produce any biotechnology crops that were developed outside the U.S. and have not passed through the U.S. regulatory system.

Section IV. Biotechnology Policy:

As mentioned in Section II, the Lower House of the Malaysia's Parliament passed the Biosafety Bill on June 27, followed by the Upper House's approval on July 11, 2007. The Act has serious implications not only to the trade of US GM products but also to research & development in biotechnology; and the manufacturing of processed products using GM ingredients.

Major concerns include the undefined adherence to the "precautionary principle" as well as socio-economic, religious, and cultural "norms" that would be a part of the decision making process; the stringent penalty could hinder modern biotechnology development; and mandatory labeling would result in higher cost of production for various industries and encourage stigmatism towards GM products.

The Ministry of Natural Resources and Environment (NRE) is responsible for managing and coordinating implementation of the Act and has publicly expressed opposition to biotechnology trade and development. Regulations implementing the Act are currently undergoing public deliberation. The U.S. and Malaysian trade sector have expressed deep concerns with the Act and proposed regulatory provisions, as reportedly have the ministries of agriculture and science.

As the various government agencies enter the final stage of drawing regulations and setting up facilities and building the staff to fulfill the Act, Post will have to work with these agencies as well as pro-biotechnology NGOs and the private sector in order to minimize the impact on US biotechnology-related exports.

Section V. Marketing:

The only profile of the Malaysian Consumers towards agricultural biotechnology and GM food according to a survey done 5 years ago by the International Service for the Acquisition of Agri-biotech Applications (ISAAA). Please refer to MY6024.

Section VI. Capacity Building and Outreach:

Past Activities

1. Over the last 6 years, Post has sent 2 journalists, 3 government officials, 3 science professors and two pro-biotech NGOs in the U.S. to participate in the Cochran-funded Biotech short-courses. Lately, BioTechCorp has started funding Malaysians to attend such courses.
2. EMO/USDA has fully funded 2 Malaysian officials each year to attend the APEC High Level Policy Dialogue on Biotechnology since the first meeting was held in Mexico City in 2002. There were three Malaysian representatives at the Singapore meeting in February 2009.
3. The Embassy's Public Affairs and USDA have sponsored eminent American experts (including CS Prakash, Bruce Chassy, Shetty Kalidas and Val Gaddings) to speak on biotechnology at conferences and seminars in Malaysia over the last seven years.
4. The USG was the platinum sponsor of the 'BioMalaysia 2002: Biotechnology Symposium, Exhibition, and Business Partnering' held in Kuala Lumpur at the beginning of October 2002. With funding from EMO/USDA and Public Affairs/State, the U.S. Embassy was able to fully sponsored Dr. Autar Mattoo (Research Leader, Plant Molecular Biology Laboratory, ARS Beltsville) as a speaker; as well as the international travel expenses of three other distinguished American speakers (Prof. Anthony Sinskey, MIT, Prof. C.C. Liew, Harvard and Dr. Hasnah Hamdan, Quest Diagnostics Inc.). To support the organizer's efforts to make the conference "truly international", Post sponsored six journalists and scientists from Romania, Indonesia, the Czech Republic and the Philippines, Vietnam and India. The numerous articles generated after the event, supporting ag biotechnology, were well worth the effort of identifying,

sponsoring, and escorting this group throughout the conference.

5. Malaysia has increasingly welcomed international conferences on biotechnology and has shown a willingness to collaborate with the United States to present biotech events. In December 2004, Malaysia co-hosted the APEC “Building a Positive Environment for the Investment of Agricultural Biotechnology” Seminar that was presented in response to priorities identified at the U.S.-chaired APEC High Level Policy Dialogue on Agricultural Biotechnology. Malaysian Minister of Science, Technology and Innovation, Dr. Jamaludin Jarjis, opened the seminar that explored the need for efficient and predictable regulatory environments and development of intellectual property systems as a basis for attracting investment. A list of goals that are necessary for building a positive investment environment was formally presented to the 2005 APEC High Level Policy Dialogue on Agricultural Biotechnology in Seoul, Korea in March 2005.

6. On June 22 2005, the Malaysian Minister of Science, Technology and Innovation, Dr. Jamaludin Jarjis and the USDA’s Undersecretary Joseph Jen exchanged letters to embark on an exchange program involving 4 scientists from each country every year to do agricultural research including biotechnology. The program among others may cover the areas of genomics, crop yield forecasting and feasibility studies for agriculture and agro-based projects. The first two Malaysian scientists have been selected for joint research with their counterparts in the U.S. in the field of ag biotechnology.

7. Post selected two Malaysians to attend the short course on IPR at the University of Michigan in July 2005. Cochran funded the cost of the training.

Challenges facing Malaysia

1. Giving confusing signals about biotechnology crops in the international arena – while the Malaysian Prime Minister and the Minister of Science are driving Malaysia to the Biotechnology age and courting foreign investors to develop the sector, the Environment Ministry is taking positions that could have serious negative impacts on biotechnology-related trade.
2. The Biosafety in its current form would discourage potential investors from investing into the ag biotechnology sector in Malaysia.
3. Lack of scientific human resources to form a critical mass – the GOM recognizes the need to build the scientific human resources through special programs and training. In addition, the GOM seeks to establish centers of excellence to bring together multidisciplinary research teams in coordinated research and commercialization initiatives.

Opportunities for US involvement

1. Post has submitted a TIRF proposal to send senior officials from the Malaysian Biotechnology Corporation (MBC) and the various Ministries (Science, Agriculture, Commodities & Plantation Industries, and Natural Resources & Environment) dealing with biotech issues for a study tour to the U.S. The visit will create opportunities for Malaysia officials to engage U.S. regulatory counterparts on the advances in regulatory science and adapting to changes in internationally accepted, science-based protocols that assess and manage risk for agricultural biotechnology. An additional benefit will be to establish a network of communication between U.S. regulatory officials, technical and policy experts with counterparts in Malaysia. This network will enhance Malaysia regulatory decision-making through an exchange of science and information with U.S. officials and technical experts. Also, this dialogue may help move discussion forward for the Malaysia/US FTA.
2. Post will continue to encourage further development of the US-Malaysia Scientists Exchange Program. Hopefully, we could place the second batch of senior scientists by 2010. In addition, there is a potential to use the Borlaug Science Fellowship program, if either GOM or outside fund is available, and GOM is willing to have the participants selected by the Borlaug Fellowship Committee.
3. Post recommends the continued support of sponsoring eminent American experts or speakers from a third country

who support U.S. position to speak at biotechnology conferences and seminars.

4. Post also recommends the continued engagement of Malaysia in USG's biotech activities especially in the context of the APEC High-Level Policy Dialogue and Codex Alimentarius.

5. Post will work with FAS/Wash to implement the 2010 EMP proposal once it gets approved.

Section VII. Author Defined: Reference Material

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