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Building pharma resilience: Rise of APIs in Southeast Asia

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ACTIVE Pharmaceutical Ingredients (APIs) form the backbone of the pharmaceutical industry. They are the biologically active components in medicines responsible for delivering therapeutic effects. Over the last decade, the global pharmaceutical supply chain has undergone significant transformation, driven by geopolitical shifts, regulatory changes, cost pressures, and the lessons learned from the Covid-19 pandemic. As pharmaceutical companies seek to diversify sourcing and reduce dependency on traditional manufacturing hubs, Southeast Asia has emerged as a region of growing strategic importance in the API landscape.

The Association of Southeast Asian Nations (ASEAN), comprising countries such as Singapore, Malaysia, Thailand, Indonesia, Vietnam, and the Philippines, is increasingly attracting attention from pharmaceutical manufacturers and investors. The region offers a combination of favourable demographics, expanding healthcare infrastructure, competitive manufacturing costs, and supportive government policies. While Southeast Asia is not yet a dominant global API producer like India or China, it is steadily positioning itself as a critical player in the evolving pharmaceutical ecosystem. For years, China and India have dominated the global API market. China became the world's leading supplier of key starting materials and bulk APIs due to its large-scale manufacturing capabilities and cost efficiencies. India, meanwhile, established itself as a major producer of generic medicines and finished pharmaceutical products.

However, recent disruptions have highlighted vulnerabilities in highly concentrated supply chains. Trade tensions, environmental regulations, rising production costs, and pandemic-induced shutdowns exposed the risks associated with overdependence on a limited number of sourcing countries. As a result, pharmaceutical companies worldwide have begun implementing "China Plus One" and supply chain diversification strategies. This trend has created opportunities for emerging manufacturing destinations, particularly in Southeast Asia, where governments are actively encouraging pharmaceutical investments.

Southeast Asia is home to more than 680 million people, with a rapidly expanding middle class and increasing healthcare expenditure. Urbanisation, rising incomes, and greater access to healthcare services are driving demand for pharmaceuticals across the region.

The increasing prevalence of chronic diseases such as diabetes, cardiovascular disorders, cancer, and respiratory illnesses is creating sustained demand for both generic and innovative medicines. Consequently, local governments are focusing on strengthening pharmaceutical

manufacturing capabilities, including API production. Several Southeast Asian countries have introduced policies aimed at reducing import dependence and promoting local pharmaceutical manufacturing. Indonesia, for example, has prioritised pharmaceutical self-sufficiency through incentives for domestic API production. Historically, the country imported a significant portion of its pharmaceutical raw materials. Government initiatives now encourage investment in local API manufacturing facilities to strengthen healthcare security.

Vietnam has also introduced policies supporting pharmaceutical modernisation and technology transfer. Meanwhile, Malaysia and Thailand are focusing on attracting high-value pharmaceutical

advanced research.

The presence of global pharmaceutical giants, strong intellectual property protection, and world-class regulatory standards make Singapore an attractive location for complex API development and biologics manufacturing. The country is increasingly focusing on precision medicine, advanced therapeutics, and pharmaceutical innovation, positioning itself as a centre for next-generation API technologies. Indonesia represents one of the most promising API growth markets in Southeast Asia. The government has recognised the country's dependence on imported pharmaceutical ingredients and has launched initiatives to encourage domestic production.



manufacturing through tax incentives and investment-friendly regulations. Compared to developed markets, Southeast Asia offers competitive labour costs, growing industrial infrastructure, and strategic geographic positioning. Many countries in the region are improving industrial parks, logistics networks, and regulatory frameworks to support pharmaceutical production.

Vietnam, Indonesia, and Thailand, in particular, have become attractive destinations for multinational companies seeking alternative manufacturing bases outside traditional markets. International pharmaceutical companies are increasingly exploring Southeast Asia for manufacturing partnerships and investment opportunities. Governments are promoting FDI through tax benefits, streamlined approval processes, and infrastructure development. The growing presence of multinational pharmaceutical companies is accelerating technology transfer, workforce development, and quality improvements within local API manufacturing sectors. Singapore has established itself as a leading pharmaceutical hub in Asia. While it is not a major producer of commodity APIs, the country excels in high-value pharmaceutical manufacturing, biotechnology, and

With a population exceeding 270 million, Indonesia offers significant market potential. Investments in local manufacturing facilities, technology partnerships, and regulatory reforms are expected to strengthen the country's API ecosystem over the coming years. Vietnam has gained recognition as an attractive manufacturing destination across multiple industries, including pharmaceuticals. Competitive labour costs, favourable trade agreements, and strong economic growth have attracted international investors. The government continues to encourage pharmaceutical sector development through modernisation initiatives and incentives aimed at boosting local production capabilities. Vietnam is expected to play an increasingly important role in regional pharmaceutical supply chains.

Thailand and Malaysia possess relatively mature pharmaceutical industries and robust regulatory systems. Both countries have developed manufacturing capabilities and are focusing on moving up the value chain through investments in biotechnology, specialty pharmaceuticals, and advanced manufacturing technologies. Their strategic location and established industri-

CONTINUED ON p30 ►

Industry challenges must be addressed

CONTINUED FROM p29 ►

al infrastructure make them important contributors to Southeast Asia's pharmaceutical growth story. Despite the positive outlook, Southeast Asia's API industry faces several challenges that must be addressed to achieve global competitiveness.

The region consists of multiple countries with differing regulatory requirements and approval processes. This fragmentation can create challenges for manufacturers operating across borders. Efforts by ASEAN regulatory authorities to promote harmonisation are progressing, but greater alignment is needed to facilitate efficient pharmaceutical trade and manufacturing. API manufacturing, particularly for complex molecules, requires advanced technology, specialised equipment, and highly skilled personnel. Many Southeast Asian countries are still developing the technical expertise needed to compete with established API manufacturing nations. Investment in education, workforce training, and technology transfer will be essential for long-term success. China and India continue to benefit from economies of scale that enable highly competitive pricing. Southeast Asian manufacturers may initially face challenges in matching these cost structures. To remain competitive, regional players may need to focus on niche APIs, specialty products, contract manufacturing, and high-quality production rather than competing solely on cost.

API manufacturing can be resource-intensive and environmentally challenging. As global sustainability standards become increasingly stringent, manufacturers must invest in cleaner production technologies, waste management systems, and environmentally responsible practices. While this requires significant investment, it also presents an opportunity for Southeast Asia to establish itself as a sustainable pharmaceutical manufacturing destination. Several trends are expected to shape the future of the API industry in Southeast Asia. Growing healthcare demand and cost-containment measures are driving increased consumption of generic medicines throughout the region. This trend will continue to create opportunities for local API production.

The rise of biologics, biosimilars, and advanced therapies is opening new avenues for pharmaceutical manufacturing. Countries such as Singapore and Malaysia are well positioned to participate in this transition through investments in biotechnology capabilities. The adoption of Industry 4.0 technologies, including artificial intelligence, automation, data analytics, and smart manufacturing systems, is improving operational efficiency and quality control in pharmaceutical production. Southeast Asian manufacturers that embrace digital transformation can enhance competitiveness and attract global partnerships.

Governments and pharmaceutical compa-

nies increasingly recognise the importance of supply chain resilience. Building regional API manufacturing capacity can reduce reliance on external suppliers and improve preparedness for future disruptions. The API industry in Southeast Asia is entering a period of significant transformation and opportunity. While the region currently trails established leaders such as China and India in terms of production scale, it possesses several advantages that support long-term growth, including rising healthcare demand, favourable demographics, government support, and increasing foreign investment.

As pharmaceutical companies continue diversifying global supply chains, Southeast Asia is well positioned to become a strategic manufacturing destination. Success will depend on continued investments in technology, regulatory modernisation, workforce development, and sustainability. If these challenges are effectively addressed, Southeast Asia could emerge as a vital pillar of the global pharmaceutical API ecosystem in the coming decade. The region's journey from an emerging market to a significant API manufacturing hub may still be underway, but the foundations for future growth are becoming increasingly strong and difficult to ignore. ○

(The author is pharmaceutical consultant and Editor-in-Chief at IJMToday)