



Life Sciences & Health in Vietnam

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Besides Vietnam's opportunities as a medical production hub, its growing life sciences & health sector is becoming more and more interesting for Dutch entrepreneurs. Despite its challenges, business opportunities can be found in the (private) hospital, medical device and pharmaceuticals markets.

With over 90 million people, Vietnam has the third largest population in South East Asia after Indonesia and Philippines. Since the mid-eighties the country has been transitioning from the rigidities of a centrally-planned economy becoming one of Asia's high growth emerging markets. It reached the lower middle income status in 2010 and is a member of WTO and regional forums, including the Association of Southeast Asian Nations (ASEAN). After several years of lower economic growth, Vietnam's economy is gaining track again and is expected to grow 6-7 percent in the coming years. Currently, the country is negotiating several Free Trade Agreements (FTA's), including one with the EU and the Trans Pacific Partnership agreement (TPP).

With a large, young but aging and increasingly affluent population, Vietnam's life sciences and health market has significant growth potential. However, despite double-digit growth in healthcare expenditure (USD 4.2 billion in 2014), Vietnam's per capita health and pharmaceutical expenditure is currently still low, highlighting the population's poor access to healthcare services

Rising incomes in Vietnam

According to Boston Consulting Group, Vietnam's middle and affluent class will double in size between 2014 and 2020, from 12 million to 33 million. By 2020, Vietnam's average per capita income will rise from USD 1,400 to USD 3,400 a year.

and low affordability levels for medicines, particularly high-value drugs.

The country has been successful in bringing down infant and maternal mortality rates, malnutrition and deaths from infectious diseases. Nevertheless, several major challenges need to be tackled, including the fight against new and re-emerging (infectious) diseases such as cholera, measles, dengue fever, HIV/Aids, Avian flu, Japanese encephalitis and hand, foot and mouth disease. In addition, non-infectious communicable diseases, such as diabetes, cancer, cardiovascular diseases and mental disorders are a growing concern.

Only seven percent of Vietnam's population is aged 65 and older and this figure is estimated to double within 20 years, quicker than in other countries. In 2012, 67 percent of the population was insured according to the Ministry of Health, while it is expected that 70 percent will be covered by a plan by 2018 and 80 percent by 2020.

Hospitals

Vietnam's 1,253 hospitals face chronic overcrowding, do not have sufficient (funds for) equipment and lack qualified staff. The Ministry of Health estimates that available hospital beds would



have to increase by 115 to 250 percent to provide for current demand. Off the book payments by families to generally underpaid physicians in order to secure care, are common and medical treatment is often quite basic. Consequently, many patients turn to traditional remedies or to pharmacists for medical advice.

The number of private hospitals more than quadrupled to 170 over the past decade and 200 investment projects in hospitals have been approved. Through its membership of the WTO, Vietnam allows foreign investors to establish wholly foreign-owned hospitals with no restrictions placed on foreign qualified doctors to practice and foreign backed insurers are allowed to offer healthcare plans. French and US companies are the dominant foreign players running hospitals, while companies based in Thailand (Bumrungrad Hospital), Indonesia (Lippo Group), Malaysia (IHH Healthcare, KPJ Healthcare), Singapore (Chandler Corporation, Parkway Holdings), India (Fortis Healthcare) and Canada (Triple Eye Infrastructure) are currently setting up operations or have expressed an interest in establishing facilities. Domestic organisations planning to expand their operations in Vietnam include the Saigon Institute of Technology (SaigonTech) and VinGroup (owner of VinMec hospital). Healthcare service providers also compete for patients with 'healthcare tourism' destinations

More and more affluent Vietnamese citizens travel abroad for medical treatment. In 2014 around 40,000 people spent an estimated USD 2 billion abroad, with Singapore, Thailand and Hong Kong as most popular destinations for medical services.

Medical devices

Vietnam's medical device market is one of the fastest growing in Asia. According to industry estimates, the medical device market was worth USD 645.4 million in 2013, or USD7.0 per capita, much lower than Thailand (USD 12), Malaysia (USD 35), Singapore (USD 103). Business Monitor International expects the device market to expand 16.6 percent. This will take the Vietnamese market to around USD 1.4 billion in 2018.

The best business opportunities for medical devices and equipment in Vietnam are those related to cardiovascular, cancer, diabetes, radiotherapy equipment, neurosurgical devices, operating theatre equipment, sterilizing and infection control devices, imaging diagnostic devices (e.g. for viral infections and diabetes), orthopaedic implants and related devices, lab instrument and devices. The use of telecommunication and information technologies in order to provide clinical health care at a distance could also be an interesting area.

There are four main classes of medical device purchasers. The largest are government-funded hospitals, which account for 70 percent of the market. However, foreign suppliers cannot sell to government hospitals directly and have to work with a domestic intermediary or partner. In addition, foreign-owned hospitals and clinics tend to purchase supplies from their sponsoring country. Local private hospitals will exhibit the strongest growth, while research and educational institutions will also account for some demand. A number of medical education and research institutions are open to experimenting with new, innovative methods and systems. These end-users present an interesting strategic opportunity to develop partnerships, given their desire to explore new technologies.

The Ministry of Health determines the guidelines for medical device purchase for all health systems in Vietnam. Its Department of Medical Equipment and Construction determines the guidelines for medical device purchase for all health systems in Vietnam. The Ministry of Science and Technology performs some regulatory functions for domestically made medical devices.

Importing medical devices

Medical device imports supply over 80 percent of the market. Singapore, Japan, China and the USA are the leading suppliers, accounting for over half of imports. Only companies with a legal business entity registered in Vietnam that have an import license, are eligible to distribute medical equipment in Vietnam. To fulfill this requirement, foreign suppliers often sell their products through local distributors or agents. Whether an import license is needed for medical devices, depends on the type of device. Devices which are imported are not required to be registered. Instead, a product specific import license is utilized.

Most imports of used and refurbished medical equipment are strictly controlled. Consequently, local companies are generally not willing to deal with foreign suppliers of used and refurbished equipment. In practical terms, used equipment is only accepted for donation purposes only. However, many enterprises are currently still able to import used or refurbished machines. A situation which may change soon due to tighter regulations and inspection.

Producing medical devices in Vietnam

Domestic production of medical devices is still limited but increasing. There are presently 50 domestic firms making approximately 600 products officially licensed by the Ministry of

Health. In 2013, Vietnam exported medical devices valued at USD 656.7 million in 2013, a rise of 16.8 percent over 2012. The main categories of medical device exports include needles, catheters, basic electro diagnostic apparatus, fixation devices and hearing aids.

Over the past few years, companies from Japan, the United States and Europe have all begun to establish production facilities in Vietnam, to take advantage of low manufacturing costs. To beef up domestic production, the Vietnamese government has introduced an exemption from import tax on imported parts used for domestic production and assembling of medical equipment, if they cannot be manufactured in Vietnam.

Pharmaceuticals

With an estimated market size of USD 3.8 billion and a yearly increase of almost 14 percent, Vietnam's pharmaceutical market is expected to reach USD 7.2 billion by 2019. Although inflation will be a major factor in these high nominal market growth rates, there is considerable scope for increased pharmaceutical consumption in a country where per capita drug expenditure is just USD 41.1 according to Business Monitor International.

The rural population has limited access to pharmaceuticals and tends to rely on traditional healing practices and medicine. The prevalence of respiratory diseases (asthma and COPD), cancer, HIV/Aids, diabetes and hypertension are increasing and tuberculosis continues to pose health related challenges, fuelling the demand for pharmaceuticals. The demand for antibiotics (despite high resistance rates), vitamins, vaccines and dietary supplements is increasing quickly. Products for minor illnesses, such as analgesics, eye care, and digestive remedies, are expected to be among the top performers.

Self-medication is a strong preference for most Vietnamese consumers. The market figures for prescription and non-prescription sectors are blurred by a lack of any proper distinction between the two. However, Business Monitor International expects the growth of the prescription medicines market to outpace the growth of OTCs (over the counter medicines), due to the influx of expensive patented products from abroad, increased demand for and tighter regulations in the pharmaceuticals sector.

More than half of the pharmaceuticals in Vietnam are imported (2014: USD 2 billion), with India, France, Germany and South Korea as main suppliers. To reduce reliance on imports, Vietnam's government has outlined plans for the investment of up to USD 1.5 billion in the pharmaceutical manufacturing sector over the next 10 years.

There are currently 178 domestic pharmaceutical producers active in the country. According to the Ministry of Health roughly 90 percent of the raw materials (2014: USD 355 million) is imported,



with China and India as main suppliers. The majority of domestically-produced drugs in Vietnam are generic. Domestic manufacturers wishing to produce generic drugs only need to comply with a number of requirements set by the Ministry of Health and do not need to perform clinical tests on people. An increasing number of Vietnamese manufacturers of pharmaceuticals are complying with national and World Trade Organization (WTO) regulation in order to meet the WHO's Good Manufacturing Practice (GMP-WHO), with about half of the domestic production reaching this standard. According to the Ministry of Health roughly 90 percent of the raw materials (2014: USD 355 million) are imported, with China and India as main suppliers.

Distribution

As part of the WTO membership, foreign enterprises have been given the right to open branches in Vietnam and to import medicines directly, although are still be barred from distributing their products. Consequently, foreign pharmaceutical companies use Vietnamese distributors to sell their products on the Vietnamese market. The nationwide distribution network covers 2,200 distributors and 43,000 retailers. Currently, one third of the pharmaceuticals is sold through hospitals via an opaque tender process, while two thirds is distributed via pharmacies and other commercial entities.

Finding a distribution partner who is able to build compliant relationships with government, clinicians and the highly divergent points of sale that characterize Vietnam's healthcare markets is a challenge. In addition, pharmaceutical companies are faced with erratic price increases and a price approval regime which disadvantages importers. Government policies attempt to give preference to domestically produced pharmaceuticals, though consumers are generally skeptical of their quality.

Dutch presence in Vietnam

While the Dutch footprint in Vietnam's life sciences and health sector is relatively small, several companies are already active in different subsectors. Philips Healthcare is supplying image diagnostic systems, while Wassenburg Medical is producing

Grants and loans

Vietnam receives a large amount of international aid in the form of loans and donated medical equipment. A number of small projects are currently taking place in Vietnam, including those funded by the World Bank and the EU. These include an agreement of EUR 114 million between the EU and Vietnam to support Vietnam in restructuring its health sector and implementing reform plans between 2015 and 2017.

washer disinfectors for flexible endoscopes for third markets. Other companies active in Vietnam, include Enraf-Nonius, RR Mechatronics, Tuttnauer, Euromex, Janssen, MSD (Organon), Crucell, Brenntag, Develing Trade and Peak. Companies selling health supplements, include DSM, Sensus and Nutricia.

Business support

The Embassy in Hanoi and Consulate General in HCMC can provide information about the life sciences & health sector in Vietnam and applicable rules and regulations. Companies can also be provided with an overview of potential business partners in Vietnam and can be introduced to relevant government authorities or businesses.

In addition, the Netherlands Government has developed several instruments to support Dutch companies in doing business in Vietnam, such as financing for demonstration projects, feasibility studies and knowledge acquisition. For more information, please visit www.rvo.nl.

Trade fairs

Vietnam

- *Vietnam Medi-Pharm Expo*, HCMC, 20-22 August 2015, www.medipharmexpo.com/eng (annual hospital, medical and pharmaceutical exhibition)

Singapore

- *OS+H Asia*, 24 - 26 August 2016, Singapore, www.osha-singapore.com (regional occupational safety and health exhibition/conference)
- *Medical Fair Asia / Medical Manufacturing Asia*, Singapore, 31 August – 2 September 2016, www.medmanufacturing-asia.com (biennial regional hospital, medical and pharmaceutical exhibition)

Thailand

- *PharmaTech*, Bangkok, 17-20 June 2015 (conference and exhibition on pharmaceutical, nutraceutical and cosmetics technology)
- *Medical Fair*, Bangkok, 10-12 September 2015, www.medicalfair-thailand.com (annual exhibition on hospitals, diagnostic, pharmaceutical, medical & rehabilitation equipment & supplies)
- *Pharmex Asia*, Bangkok, 10-12 November 2016, <http://pharmexasia.com>

www.abce.com (biennial pharmaceutical, medical and healthcare exhibition of manufacturing technology, equipment, products and services for Asia)

Malaysia

- *Southeast Asian Healthcare & Pharma Show (SEACare)*, Kuala Lumpur, 11-13 April 2016, www.abce.com (annual exhibition on medical devices & equipment, pharma & medical beauty)

Besides these trade fairs, several interesting conferences are organised in the region on life sciences & health care. For more information, please contact us.

More information

For more information on Vietnam's health and life sciences sector and the available instruments to support Dutch businesses, please contact us:

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To keep yourself updated on events and business opportunities in Vietnam, please sign up to our regional LinkedIn Group [ASEAN-Neth: Dutch Business in South-East Asia](#).

Relevant contacts

- Taskforce Health Care: www.tfhc.nl
- Vietnam Consult & Trading B.V.: www.vietnamconsult.nl
- Dutch Business Association Vietnam (DBAV): www.dbav.org.vn
- Netherlands-Vietnam Chamber of Commerce (NVCC): www.vietnamchamber.nl
- European Chamber of Commerce in Vietnam (Eurocham): www.eurochamvn.org
- Vietnam's Ministry of Health: www.moh.gov.vn
- World Bank: www.worldbank.org.vn
- ADB: www.adb.org/VietNam/projects.asp

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