



Kingdom of the Netherlands

# Life Sciences & Health in Thailand

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**Thailand is the second largest economy of Southeast Asia and one of the world's leading medical hubs. Its well-equipped hospitals offer a wide variety of services and attract yearly over 2.5 million foreigners for medical treatment. The Thai health & life sciences industry also offers interesting business opportunities for Dutch companies, including on hospital design, medical devices and pharmaceuticals.**

With a Gross Domestic Product (GDP) of USD 405 billion (2014), Thailand is the second largest economy of the region. It is an upper middle income country with an open, export-orientated economy with exports accounting for around half of its GDP. Strategically located to serve markets in Southeast Asia, India and China, the Kingdom is one of the key transport and logistics hub. Thailand is WTO member and its membership of the Association of Southeast Asian Nations (ASEAN) provides the advantages of the ASEAN Economic Community, a single market of over 600 million people covering 10 countries in the region. In addition, the country has free trade agreements with China, Japan, South Korea, India, Australia and New Zealand and is negotiating on more agreements, including with the EU.

In May 2014, the Thai army seized power ending months of political unrest. While stability has been restored, political divisions remain unresolved and democratic elections are not expected before mid-2017.

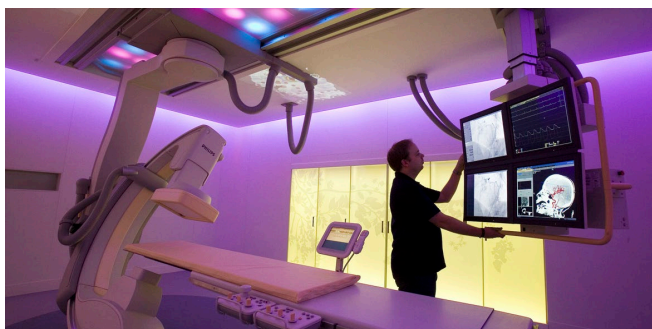
Despite the economic and political turmoil, the country provides interesting business opportunities for Dutch companies, including in the Thai life sciences & health sector. In 2014, total healthcare expenditure was estimated at USD 17.9 billion, equalling a per capita expenditure of USD 266, which is higher than most other ASEAN

countries. Most of the spending concerns the public sector, accounting for more than 80 percent of total spending in 2014.

The main driver of demand for medical services and medicines is the country's universal healthcare system which substantially reduced Thailand's uninsured population in both urban and rural areas. The system is divided into three programs. The Civil Servant Medical Benefit Scheme (CSMBS) covers 7 million government workers, the Social Security Scheme (SSS) - based on an employer contribution system - covers about 10 million private sector workers and the comprehensive Universal Coverage Scheme (UCS). The UCS is the scheme that provides free basic healthcare to all remaining 50 million Thai citizens.

A second catalyst is Thailand's aging population of 67 million people. The percentage of the population aged over 60 currently stands at around 15 percent and this figure is expected to increase to 25 percent of the population by 2030.

A third driver for the significant growth of Thailand's healthcare market is medical tourism. The country is recognised as one of the foremost destinations in the world for low cost, and increasingly, high quality treatment with a growing number of hospitals gaining international accreditation. Of the 26.5 million people who visited



Thailand in 2013, about 2.5 million came for medical reasons, with more than half coming from the Middle East. Medical tourism in Thailand accounts for roughly 10 percent of its economy. In 2013, Thailand earned USD 4.3 billion in revenue from medical tourism, after average growth of 15 percent a year over the past decade.

## Hospitals

There are over 1,000 public hospitals and 400 private hospitals in Thailand offering medical services. Despite regional disparities, the general level of healthcare is considered high with well-equipped hospitals and well-trained staff. Besides public and private hospitals, there are over 18,000 medical clinics, offering specialized services, including dental care and acupuncture.

Most business opportunities can be found in the rapidly expanding private hospital sector. Hospitals in Bangkok serve more than 43 percent of medical tourists coming to Asia. Due to the large proportion of international patients, there is an increasing demand for general examinations, cancer treatments, hip replacements, kidney transplants, cardiology testing, dentistry, heart surgeries, cosmetic surgeries and sex change operations. Recently, there have been mergers and acquisitions of private hospitals, aiming for broader customer base and increased access to potential markets.

Through its WTO membership, Thailand allows foreign investors to establish foreign-owned hospitals with no restrictions placed on foreign qualified doctors to practice. Major private hospitals, such as the Bangkok Hospital and the BNH Medical Center, do have minority shares owned by foreign shareholders though. Listed at the Thai Stock Market - and thus open for shareholders of any nationality - are the Bumrungrad Hospital, Bangkok Dusit Medical Services, Smitvej Hospitals, the Bangkok Chain Hospital and the Thonburi Hospital.

## Medical devices

The Thai medical device market is one of the biggest in Asia. Its market size was estimated at USD 1.14 billion (or USD 17 per capita) in 2014 and is expected to grow 10 percent annually.

The best opportunities for medical devices and equipment in

Thailand are those related to surgical procedure equipment, respiratory devices and oxygen therapy, orthopedic implant devices, heart valves, neurosurgical devices, rehabilitation equipment & accessories and dermatological devices. In addition, there is a growing interest in digital healthcare.

## Producing medical devices in Thailand

There are approximately 160 local manufacturers of medical devices in Thailand. These mostly concern small companies producing lower-end medical devices, such as disposable test kits and syringes, as well as latex products, including surgical gloves and catheters. Over 80 percent of domestic production is exported, a trend which is not expected to change in the near future.

The Thai Board of Investment (BOI) tries to attract investors by providing incentives, such as tax exemptions for machines and corporate tax exemption for eight years. Although FDA approval is still needed, it is relatively easy to start up a manufacturing business, compared to neighboring countries.

However, domestic production cannot provide in the growing demand for more sophisticated equipment. Therefore, import currently accounts for over 85 percent of the market and is expected to further increase in the coming years.

## Importing medical devices in Thailand

As local manufacturers cannot produce more sophisticated equipment, medical device import accounts for over 85 percent of the total market demand. Importing medical devices, pharmaceuticals, food, food supplements, products for animal health, or other medical, narcotic and toxic substances into Thailand requires registration with the Food and Drug Administration of Thailand (FDA) of the Ministry of Public Health. Medical devices are regulated by the Medical Device Control Division of the Thai FDA. To import medical devices into Thailand, an importer must have an import authorization and registration permit from the Thai FDA prior to shipment. Thailand prohibits the import of used/refurbished medical equipment. In addition, devices that cannot be marketed or sold in the country-of-origin will not receive permission to be registered in or imported into Thailand.



To sell a medical device on the Thai market, it must be registered under the FDA's risk classification system. The requirements for admission under one of the three categories are different, but do all include a CFS (Certificate of Free Sale) and GMP (Good Manufacturing Practice) certificate. The Thai FDA accepts devices that meet the following jurisdictions' requirements, as demonstrated by a certificate of free sale: the United States (USFDA), European Union (CE mark), Japan (Pharmaceutical Affairs Bureau), Australia (Therapeutic Goods Administration) and People's Republic of China (State Drug Administration).

Foreign medical device companies wishing to sell their products in Thailand, must first register them according to a risk-based classification system. Medical devices will require either licensing or registration. The Thai FDA groups medical devices into 3 classes' sub-categories as follows:

- Class I "licensed" devices: only seven medical devices are included in this category: condoms, examination gloves, surgical gloves, sterile hypodermic disposable syringes, sterile insulin disposable syringes, HIV test kits for diagnostic use and contact lenses.
- Class II "notification" devices: rehabilitation devices, blood alcohol level measuring kits, silicone implants, and test kits other than for diagnostic purposes.
- Class III "general" devices: the lowest-risk devices category, covering 90 percent of all applications.

The FDA is responsible for regulating health supplement products. The classification of these products depends on the types of ingredients used, daily dosages and claims. A health supplement is classified as a 'food supplement' if it contains common herbal ingredients and other bioactive ingredients at a daily dosage level recognized by the FDA as safe for food. Health supplements containing ingredients not approved as food ingredients and/or containing vitamins and minerals that exceed the Thai RDI value, must be registered as traditional medicines, drugs or any other related sub-categories.

Products classified as traditional medicines and drugs must be evaluated and approved by the Thai FDA's product evaluation committee prior to marketing. Registration dossiers are required, which include information such as quality control reports, manufacturing processes, safety evidence and efficacy data. Products classified as food supplements require a notification process.



## Pharmaceuticals

Another key driver of the Thai medical industry is the pharmaceutical market. This market was valued at USD 4.5 billion in 2014, which makes it the largest in Southeast Asia. The Thai pharmaceutical market is forecasted to grow to USD 6.2 billion by 2019 according to Business Monitor International (BMI), with a compound annual growth rate of 6.6 percent. Thailand's per capita pharmaceutical sales are correspondingly projected to grow, from USD 66 in 2014 to USD 122 by 2024. This increase mainly comes from the rising burden of both communicable and non-communicable diseases in the country. In addition, financial barriers to medical services remain alleviated under the country's universal healthcare system, which will serve to further benefit pharmaceutical sales.

Prescription medicines make up for 80 percent of the pharmaceutical market in Thailand and will continue to dominate the market. In coming years, prescription drug sales will continue to be boosted due to improving healthcare conditions and the country's universal coverage.

Antibiotics will remain to be among the leading areas, although there is a growing trend of restricting sales of these treatments due to rising resistance to such drugs. Cardiovascular drugs will become more important, due to the ageing population and the rising prevalence of unhealthy lifestyles. However, the shift from communicable to non-communicable diseases in Thailand will not be as apparent as in other countries, due to the high incidence of HIV/AIDS.

Lastly, the use of herbal medicines is on the rise. The use of traditional medicines is being promoted by the government and there is an increasing trend towards the use of them in hospitals and health stations across the country.

## Patented Drugs Market vs. Generic Drugs

Amongst prescription drugs generics are the mainstay, accounting for over 62 percent of prescription sales in 2014. Although the market is forecasted to grow in absolute terms, it is expected to relatively decrease to around 60 percent of all prescription drugs due to expected improvements for patented medicines. The government's healthcare schemes have improved access to medical treatment, but the patient purchasing power is low. The generic drugs





market is also boosted by the government efforts to provide immediate access to treatments for people suffering from HIV/AIDS. Finally, pricing and regulatory pressures on the patented sector, will further boost generic drugs usage, as some multinationals decide against launches of innovative drugs on the Thai market.

## Over-the-Counter Medicines

Besides prescription medicines, over-the-counter (OTC) medicines make up for 19.6 percent of total sale (BMI). The OTC market is forecasted to grow, although its market share is expected to maintain relatively constant. Key drivers are the rising tendency in Thailand to self-treatment, the low costs of OTC medicines in general and the high degree of liberalization of distribution. In the long-term, OTC's have the potential to benefit from a proposed liberalization of distribution regulations, which would allow grocery and discount stores to sell medicines for self-medication purposes.

## Distribution

There are several rules a foreign player has to abide when distributing pharmaceutical products on the Thai market. Firstly, a pharmaceutical company and/or its distributor must apply for an import license or a manufacturing license. After the manufacturing license or import license is obtained, modern and traditional medicine/pharmaceutical products are required to be registered with the Food and Drug Administration (FDA) in order to be distributed in Thailand. As for the prescription and OTC medicines, these should be distributed by an FDA authorized holder or distributor.

## Trade fairs

### Thailand

- Pharmex Asia, Bangkok, 10 – 12 November 2016, <http://pharmexasia.com> (annual hospital, medical and pharmaceutical exhibition).

### Singapore

- IDEM Singapore, Singapore, 8-10 April 2016, [www.idem-singapore.com](http://www.idem-singapore.com) (dental exhibition and meeting).
- OS+H Asia, Singapore, 24-26 August 2016, [www.osha-singapore.com](http://www.osha-singapore.com) (regional occupational safety and health exhibition).

- Medical Fair Asia/Medical Manufacturing Asia, Singapore, 31 August – 02 September 2016, [www.medmanufacturing-asia.com](http://www.medmanufacturing-asia.com) (biennial regional hospital, medical and pharmaceutical exhibition).

### Malaysia

- Southeast Asian Healthcare & Pharma Show (SEAcare), Kuala Lumpur, 11-13 April 2016, [www.abccx.com](http://www.abccx.com) (annual exhibition on medical devices & equipment, pharma & medical beauty).

Besides these trade fairs, interesting conferences are organized in Thailand and the region throughout the year. For more information about these events, please contact us.

## Dutch presence in Thailand

The Netherlands is one of the largest EU investors and EU trading partners in Thailand. Around 200 Dutch companies have a presence in Thailand in a variety of sectors, including in the life sciences & health sector. Other Dutch companies do business in Thailand from the Netherlands, including through local agents or distributors.

## We support your business

The Netherlands Embassy in Bangkok offers active support to Dutch companies already present in Thailand, Laos and Cambodia and Dutch companies interested in doing business in these countries. In addition, the Netherlands government has developed several business support instruments, including financing for demonstration projects, feasibility studies and knowledge acquisition. For more information, please visit [www.rvo.nl/Thailand](http://www.rvo.nl/Thailand).

## Relevant contacts

- Netherlands honorary consulate in Phuket: <http://thailand.nlembassy.org>, (e-mail: [dutchhcp@gmail.com](mailto:dutchhcp@gmail.com))
- Taskforce Health Care: [www.tfhc.nl](http://www.tfhc.nl)
- The Board of Investment of Thailand (BoI): [www.boi.go.th](http://www.boi.go.th)
- The Netherland-Thai Chamber of Commerce (NTCC): [www.ntccthailand.org](http://www.ntccthailand.org)
- MKB Thailand: <http://mkbthailand.com>

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