

UPDATE THAILAND HEALTHCARE SECTOR

The kingdom of Thailand is situated in the heart of Southeast Asia and is a gateway to Indochina. Thailand borders with Laos in the north and Northeast; Myanmar in the north and west; the Andaman Sea in the west; Cambodia and the Gulf of Thailand in the east; and Malaysia in the south. Thailand's population is approximately 65 million. Bangkok is the largest metropolitan area, with a population of over 8 million.

Thailand has made remarkable progress in strengthening its status as 'Medical Hub of Asia'. In 2004, 600,000 foreign patients seeking treatment in Thailand generated 20 billion baht revenue for the country. Regarded as a sector that offers great promise in generating significant foreign exchange earnings, medical tourism is expected to grow by an impressive 66 per cent in 2006 with approximately one million foreign patients travelling to Thailand for medical treatment and health services. As 'Health Tourism Hub of Asia', the priority for medical services is to ensure that the Thailand is perceived as being a quality destination in the delivery of superior medical and health-related services. Medical care, dental care, and medical check-ups are the core products offered.

MINISTRY OF PUBLIC HEALTH FIVE-YEAR PLAN 2004 – 2008						
REVENUE FORECAST						
	2004	2005	2006	2007	2008	TOTAL
	(in '000,000 baht)					
MEDICAL SERVICES	19,635	23,100	27,433	32,898	39,833	142,899
HEALTH SERVICES [Spa services & Thai massage]	4,996	6,753	9,185	12,492	16,989	50,416
HERBAL PRODUCTS	1,550	2,000	3,000	4,000	7,000	17,550

All indicators suggest that there is vast potential in Thailand's health services sector. With the destination firmly established as the Wellness Capital of Asia, achieving world-class status is next on the national agenda. To achieve planned and sustainable growth in this sector, the national strategy addresses the critical step of building consumer confidence and trust in the range of products Thailand offers. This is being achieved through the introduction of quality standards, registration, certification and regulation, and legislation.

The total market for medical devices in Thailand is growing and expected to grow at a 15 percent rate for the next two years. Imports still dominate the market with a 65 percent share, and local production still concentrates on low technology and less sophisticated medical devices and accessories. Most major international manufacturers are well represented in Thailand. Traditionally the largest supplier of medical equipment and supply to Thailand is the U.S. having a market share of about 35% followed by the EU and Japan which account for 30% and 17% respectively. Thailand relies on the import of medical devices, especially sophisticated, higher-end devices. Local production of medical devices in Thailand is limited to less sophisticated devices, due mainly to the limited number of qualified researchers and limited capability to invest in the R&D required to produce more sophisticated devices. Locally produced products include

reagents, simple disposable test kits, disposable syringes, artificial legs and other orthopedic accessories, and other simple disposable items.

The government is the major health provider, managing about 1,000 hospitals and medical establishments. Currently the public sector is still supplying medical services to at least 80/85% of the population. There is no doubt that the private sector (about 450 hospitals) is having an increasingly significant role in local healthcare while the public sector realigns itself to address to the primary healthcare needs of the lesser-developed provinces.

Overall demand for medical devices will continue to grow in 2006 and 2007. Demand for Canadian medical equipment and healthcare products is good but Canadian exporters should expect fierce competition from both foreign (mainly the U.S., Japan and Germany) and local suppliers.

The Canadian Embassy in Bangkok can provide market information and help in finding appropriate contacts and partners. To facilitate Canadian export, we can provide assistance in contacting local authorities/associations such as the Thai FDA, the Medical Devices Association and the Pharmaceutical Producers Association for your further trade developments.

MARKET SNAPSHOT

Since 2000, the healthcare sector started to recover from the 1997 crisis, with hospitals restructuring their debt and patient numbers increasing again. Responding to the fresh demand and from a need to replace outdated equipment the sector is beginning to spend.

Potential opportunities exist across the sector, demand for pharmaceuticals is increasing at about 10% per year, and the medical equipment market is growing at a rate of 10-20%. Hospitals are upgrading their management systems.

Import duty ranges from 0 – 5%. A 7% Value Added Tax (VAT) is imposed before retail price. Electromedical equipment is subjected to a 1% import duty on the CIF price while medical imaging is tax exempt.

FOCUS

Medical equipment and devices

- High-end medical device such as nuclear medical equipment and supply
- Electro-medical equipment
- Surgery equipment and supply
- Orthopaedic and implantable device
- Diagnostic test kit

Healthcare products

- Skincare products
- Food supplements

MARKET ACCESS

There are over 200 distributors of imported medical devices in Thailand, of which over 60 companies associated to Thai Medical Device Suppliers Association (THAIMED). Importers/distributors of medical equipment and supply are based in the central area of Bangkok or in the suburbs of the capital. Only few importers opened up-country branches, while most of importers take care of the entire Thai market from Bangkok.

Doctors in charge of a specific department or chiefs of laboratory primarily make the purchasing decision. One exception to this is when the purchasing decision is done by a managing director of a private hospital or clinic, who is usually a physician himself.

Therefore, close relation with physicians is essential for marketing of medical equipment and supply and most local importers and distributors market their products through physicians. Thai physicians are not particularly brand-conscious but tend to stay with one brand as long as they are satisfied with the product. In this case price does not have impact in the purchasing decision. Procurements for public hospitals are decided by an internal committee of physicians within a budget allocated every year by the Ministry of Health through Provincial Public Health Department. Provincial budgets show the ceiling of expenses authorised for each hospital and for each sector of investment. Tenders are called only for major investments. Procurements of private hospitals and clinics are made by the purchasing department following instructions of the decision-makers of each medical department and/or managing director.

Imported medical devices need to be registered through the Food and Drug Administration prior to import in Thailand. Customs duties are governed by the Customs Tariff Decree issued of 1987 to conform to the Harmonised System of the Customs Co-operation Council. The majority of goods imported are subject to rates ranging from 5% to 20% and are subject to two different taxes:

- tariff duty on CIF value of the goods;
- value added tax on CIF value of the goods plus tariff duty and excise tax, if any.

Pricing is a key factor. Training has to be a sale's component, especially when it comes to sophisticated equipment. After-sale service is of foremost importance since maintenance agreements have to appear on the sales contract. It is also important to anticipate modes of repair for equipment since private or public hospitals might not wait for your service and ask local competition to fix your equipment. Public hospitals often require maintenance costs to be included in the purchase price.

When developing a market strategy for Thailand, Canadian companies should consider the following:

- While it is possible to operate in the market without a permanent presence, several visits per year are necessary to develop and maintain a contact base. Doing business in Thailand requires establishing good personal relationships with your commercial partners. It is thus essential that these repeat visits be conducted by the same individual from your company. A different person, even if from the same company, will have to start over from the beginning when it comes to developing personal relationships.
- Consider partnering with other Canadian or foreign companies already established in the market.
- Whether you establish an office in Thailand or decide to serve the Thai market from abroad, it is important to find a well-placed local agent/representative.

- Success in the Thai market requires of patience and long-term commitment, as developing key business relationships and an intimate market knowledge base may take some time.