

Focus on Southeast Asia:

Real GDP Growth (Annual % changes)	2010	2011	Average 2003-07	Average 2012-16 (forecast)
Indonesia	6.1	6.3	5.5	6.6
Malaysia	7.2	4.6	6.0	5.3
Viet Nam	6.8	5.9	8.1	6.3



Source: United Nations Commodity Trade Statistics Database

• Indonesia • Malaysia • Vietnam

Bali Pura Ulun Danu Bratan Water Temple

Toonman/ Shutterstock

Indonesia

Facts & Figures

Population
(2010):
237.6 million

2011 Real
GDP growth
(annual change):
6.4%

2011 GDP
(US\$bn)
(current prices):
834.3

Inflation
(annual
change):
5.7%

Official
language:
Bahasa

Surface
area:
1,905,000
sq km

Government:
Presidential
representative
democratic
republic

Regional Economic Outlook

The six Southeast Asian countries form a fast-growing economic bloc with a projected population of 700 million by 2030. According to the OECD, the main ASEAN economies (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam) grew by average 5% in 2011 and will keep their growth rate at 5.6% in 2012-2016, a slower pace than the last decade, but still a positive outlook compared with the uncertainties affecting main developed economies. Increasing domestic demand plays an important role for these countries' future development, compensating the drop in external demand.

Indonesia is the largest archipelago in the world, with 17,508 islands divided in 5 major islands (Sumatra, Java, Kalimantan, comprising two-thirds of the island of Borneo, Sulawesi and Papua, part of New Guinea island), where all major cities are located, and about 30 smaller groups. Strategically positioned at the crossroads between the Pacific and the Indian ocean, on major trade routes bridging Asia and Australia, Indonesia enjoys extensive natural resources. With a population of 240 million, it is the fourth most populous country in the world and the first in southeast Asia. 58% of population live in Java and 21% in Sumatra but density varies widely across the different provinces, from 14,440 people/km² in Java to 8 people/km² in West Papua. As nearly half of the population is under 30, Indonesian workforce is growing faster than in any other Asian country after India, an increase of 21 million people over the next decade.

Indonesia has managed to establish and strengthen its democracy despite threats from extremists and terrorism and is now the world's biggest Muslim democracy.

Economy

Indonesia is South East Asia's largest economy. The country joined the middle-income economies group and entered the Association of Southeast Asian Nations (ASEAN) after having achieved considerable results in maintaining economic growth. Indonesia was one of the only three countries whose economy continued to expand during the 2008 global financial crisis and one of the best economic performers in the region, with GDP expected to grow by 6.3% in 2012 and 6.5% in 2013. Domestic consumption's contribution to GDP has increased to about two-thirds. 36% of households are now comprised in the US\$5,000-15,000 annual income group, but their share is expected to reach 60% by 2020. More than 60 million low-income Indonesians are projected to join the middle class in this period.

Per capita GDP exceeds that of other neighboring ASEAN countries such as Philippines and Vietnam, almost reaching \$US3,500. While in 2000 half the population was living on less than US\$1.25 a day, the share has now dropped to less than 19%. However, still 40 million people live under the poverty line and nearly half of them lives on around US\$2 a day, suffering high inflation on basic goods. Indonesia's rank in UN's 2011 Human Development Index dropped from 108 to 124, although some of the data composing the Index have been questioned by the Indonesian government. On the other hand, the upgrade of Indonesia's sovereign credit rating released by Fitch in December accounts for the country's macroeconomic stability, even though the agency remarked structural weaknesses such as low average income, low fiscal revenues, shallow domestic financial markets, business climate issues from insufficient infrastructure and corruption.

Facts & Figures

Capital:
Jakarta

Population
growth rate:
1.17%

Life
expectancy
at birth:
70.4

Currency and
Exchange rate::
Indonesian
Rupiah (IDR)
1 USD =
9,075 IDR

2011 GDP
per capita
(US\$):
3,469

Blue shallow sea with coral reef
Dudarev Mikhail / Shutterstock

Healthcare provision

Although government's attention towards the health system has increased, funding and workforce are still insufficient. Public health expenditure is still low (about US\$10.6 billion last year) and standards are very uneven. Urban areas, and the capital Jakarta in particular, enjoy better levels of primary care and private specialized facilities, while coverage in rural regions is scarce. Several natural disasters such as tsunami, earthquake and floods impacted on available medical infrastructure and services in remote areas.

Public healthcare is delivered through a network of primary care centres known as "Pukesmas" at sub-district level and integrated health posts (Posyandu). Each Pukesma has at least one medical doctor and other assisting personnel. Latest available figures attest that in 2009 there were 8,737 pukesmas (2,704 with beds and 6,033 without beds), with a density of 3.8 per 100,000 population. The government claims to be expanding the primary care network in underdeveloped areas, borders and islands (known as DTPK), also by using mobile "puskesmas" units, and upgrading public health centers for lower-income groups. Primary care is also delivered by private physicians in their own practices, concentrated in urban areas.

At the secondary level, referral and specialized care is available in 1,202 general hospitals offering 135,125 beds (50,290 private, 84,835 public) and 321 special hospitals. The number of general hospitals owned by private investors has increased 90% from 1996 to 2007, against a 25% increase in the same period for government hospitals.

As many other Asian countries, Indonesian health system suffers shortage of health manpower in underdeveloped areas. The Ministry of Health supports placement of health workers in these areas, especially nurses, environmental health and nutrition workers, health analysts, and pharmacy staff. However, this is only part of the greater quality issue of Indonesian health system. Decentralization policies envisaged in the early 2000s haven't been effectively implemented, limiting districts' autonomy on staffing and budgeting. The government funds primary health centres, public hospitals and prevention, but patients often need to bear part of the costs. Wealthy Indonesians often travel to Singapore, Malaysia or Australia to seek higher quality treatment, also due to the shortage of qualified local specialists.

Lower income population groups have been targeted by a program called "Health Care for Poor People" which turned into a Public Health Insurance system covering inpatient and outpatient healthcare, advanced referral and emergency care for 76.4 million people (2008 data). However, in spite of the broader use of health insurance schemes, access and quality of health care remains low and people rely heavily on private sector provision, with out of pocket payments estimated to reach 70% of the total health spending.

Dental market

Oral health awareness is rising among middle and higher income Indonesians, supported by broad government campaigns for oral hygiene. The number of dentists is estimated at 18,000 and around 1,400 new dentists graduate every year. About 60% of dentists have their own private practice, mostly in major cities, as they often practice both in the public sector and privately.

As a whole, the Indonesian medical devices market is valued US\$421 million. The dental segment is dominated by imports (estimated US\$34 million in 2008) due to very limited local production and purchasing habits of Indonesian dentists. Well established practitioners often prefer higher quality to lower costs, as foreign brands are perceived as more durable and reliable, while newly graduated dentists who cannot afford high expenses often choose cheaper equipment and products from China or other lower cost manufacturing countries. Even the few local manufacturers of dental units rely on foreign parts.

Half of the market is dominated by Asian manufacturers from Japan, Korea and China, followed by Germany, Italy, US and Brazil.

Although the 2,100 medical distributors, capillary distribution is made difficult by geographic barriers, weak transportation infrastructure especially in rural areas and smaller islands, and cumbersome bureaucracy. Most dealers are located in Java and Sumatra, in the urban areas with the largest population (9 million in Jakarta, 4 million in Surabaya) and number of hospitals.

Foreign medical device companies must appoint a local distributor to enter the market, often more than one in order to expand into the whole country. Many larger distributing companies have a network of branches and independent sub-distributors to cover rural and second tier cities. On the other side, they usually distribute a broad range of products and may not adequately support market penetration of specialized products. Due to this reason, as well as the low workforce costs, several manufacturing companies have set up plants in Indonesia to ensure a direct supplying channel to the domestic market, increase sales effectiveness and avoid import tariffs.

Malaysia

Malaysia consists of 13 States and three Federal Territories including the capital, Kuala Lumpur, covering two different geographical regions divided by the South China Sea, Peninsular Malaysia and East Malaysia. Peninsular Malaysia, with 11 states, lies at the southernmost tip of the Asian continent, while the states of Sabah and Sarawak are located on the north-western coast of the island of Borneo. Selangor is the most populous state (5.46 million), followed by Johor (3.35 million) and Sabah (3.21 million). 42% of Malaysians live in these states. The country's urbanization rate is 71%.

Economy

Malaysia is a multiethnic country and the world's largest Islamic financial centre, whose rapid economic growth made it known as the "Asian Dragon". The government controls macroeconomic policies through 5-year plans, but the economy is relatively open. GDP grew 5.1% during the first three quarters of 2011, and slowed in the last quarter of 2011 due to adverse economic circumstances. Nevertheless, Malaysia was ranked as the 16th most competitive country in the world, according to the 2011 World Competitiveness Yearbook published by the Institute for Management Development (IMD) comparing 57 nations.

The Government is currently pursuing a development policy, called "Economic Transformation Programme" (ETP), aimed at transforming Malaysia into a high-income country by 2020, with average per capita income of US\$15,000. The general framework includes the reduction of dependence on oil and gas and support to private sector investment. The program targets 12 National Key Economic Areas (NKEAs), priority sectors selected for their potential in increasing Malaysia's competitive advantage, through 6 Strategic Reform Initiatives driving the implementation of 51 policy reforms.

Moreover, five "economic growth corridors" have been targeted by investment incentives: Iskandar Malaysia in Southern Johor; Northern Corridor Economic Region; East Coast Economic Region; Sabah Development Corridor; and Sarawak Corridor of Renewable Energy.

Healthcare system and oral health provision

Malaysia's public healthcare system is based on universal access to healthcare provided by the Ministry of Health through a network of clinics and hospitals, and requires small copayments by patients. The 10th Malaysian Economic Plan has allocated US\$212 million for public health infrastructure, namely 197 new clinics, 156 clinics in rural areas and 41 community health clinics. An additional US\$200 million are destined to hospitals, including the National Cancer Institute and the Cheras Rehabilitation Center. As in many other Asian countries, however, one of the main problems affecting the system is the unavailability of quality healthcare services in remote areas.

Tea plantation Cameron highlands, Malaysia

Iakov Kalinin / Shutterstock

Population
(2010):
28.6 million

Surface area:
330.252 sq km

Government:
Parliamentary
Democracy
with constitutional
monarchy

2011 per
capita GDP:
US\$9,204

Currency and
Exchange rate
(January 2012):
Ringgit Malaysia
(MYR) | USD =
3.1 MYR

2010 GDP
(current prices):
US\$247.78
billion

The total health spending accounts for 4.8% of GDP. Government contributes by 44% with average US\$161.5 per capita allocation, while out-of pocket payments account for 41%. The remaining share is almost equally divided between employers' contributions and private insurers. In order to reduce the burden on public resources, the Healthcare NKEA aims at attracting private players in the provision of health services. Malaysia is also a popular destination for medical tourism, although the sector has been subject to the downward effects of the global crisis. The private sector is on a pattern of continuous growth due to rising living standards, life expectancy and consumer awareness that increase the demand for high-cost medical technology. Private hospitals and clinics are well equipped, quality level is similar to most Western European countries and many Malaysian doctors are trained abroad.

Health figures, 2009

	MOH	Private
Hospitals	130	210
Hospitals Beds	33,083	12,216
Dental Clinics	2,284	1,484
Doctors	20,192	10,344
Dentists	1,858	1,709

Source: ADA, US Department of Labor

Oral healthcare is divided between the public and private sector. Public provision has long been affected by lack of resources and dental staff. Most dental clinics provide basic care, with subspecialty clinics scattered in various locations across the country. The Ministry of Health has an Oral Health Division promoting prevention and information among the population. It has established a referral system from primary to specialist care and schoolchildren programs. In 2010, the National Oral Health Plan based on four oral health conditions (caries, periodontal conditions, dental injuries and oral cancer) was launched.

About a quarter of the Malaysian population use MOH dental services, but the private sector dominates the provision of dental care, mainly in the well-populated urban areas targeting middle to higher income groups. Most Malaysian private dentists work alone or with limited staff as solo practitioner, while only a few work as associate dentists. Many private dental clinics offer orthodontic, implant and esthetic procedures. The main dental organization is the Malaysian Dental Association representing about 80% of dental practitioners.

Oral health figures, 2009

Dentists	3,500
Dental therapists	2,271
Chair side assistants	2,567
Dental Laboratory Technicians	653
Patient to dentist ratio	1:7,800
Number of dental schools	13

Dental market

On general terms, about 90% of high-tech medical equipment is imported. There are about 180 medical manufacturers, 60% of which are foreign owned. Domestic production is concentrated in the sector of medical consumables, primarily rubber-based products, as Malaysia is the world leading manufacturer and exporter of catheters and surgical and examination gloves.

However, some major foreign multinational corporations are involved in production of non-rubber based, higher value medical devices and hospital support systems and products. The industry is characterized by small to medium sized enterprises and employs roughly 20,400 people.

The dental market is almost wholly supplied by imports, except for some oral hygiene products. In a 2009 report by the US Commercial Service, dental imports were valued US\$418 million, with countries of origin varying according to the product segment. For instance, oral hygiene products such as dental floss and toothpaste are mainly imported from China, Thailand and Indonesia; dental materials such as cements, filling and impression materials, waxes and other preparations come from Germany, USA, UK, Italy and Japan; the market for high-tech appliances such as dental drills and handpieces is dominated by Germany, Switzerland and USA, while other countries such as Colombia, Hong Kong and Ireland export artificial teeth and dental fittings; x-ray equipment and dental furniture, besides Germany and USA, also come from Finland and South Korea. Private dentists targeting the low to medium segments of the population may opt for used and refurbished equipments, while dental clinics catering to the higher income segment generally buy new equipment.

Foreign companies can participate to public tenders only if the product cannot be supplied by domestic production, normally for purchases exceeding RM200,000 (about US\$65,000). Companies interested in supplying equipment to government-run health institutions need to work with a local Malaysian company to participate to public bidding procedures.

Although foreign manufacturers can enter the market by appointing a local agent or distributor, many prefer to establish a local presence to handle sales and after-sales service. Foreign investors interested in setting up manufacturing projects in Malaysia can benefit from 100% equity ownership in all investments.

Located in the Indochina peninsula, Vietnam has 58 provinces and 5 municipalities (Hanoi, Ho Chi Minh City, Hai Phong, Da Nang, Can Tho). Major cities are Hanoi, Hai Phong in the North, Hue and Da Nang in the Central, Ho Chi Minh City and Can Tho in the South. Vietnam is the 13th most populous country in the world, with estimated 30% urbanization rate.

Capital:
Kuala
Lumpur

2011 Inflation
(annual change):
3.2%

Population
growth
rate: 2%

2011 Real
GDP growth
(annual change):
4.6%

Life
expectancy
at birth:
73.7

Capital:
Hanoi

Surface
area:
331,050
sq km

Population
(2010):
90.5 million

Currency and
Exchange
rate
(January 2012):
Viet Nam Dong
(VND) | USD =
20,810 VND

Life
expectancy
at birth:
72

Official
language:
Vietnamese

Government:
one-party
Communist
state

2010 Inflation
(annual change):
13.8%

2011 Real
GDP growth
(annual change):
5.9%

Population
growth rate:
1.07%

2010 GDP
(nominal):
US\$104.6
billion

2010 per
capita
GDP
(nominal):
US\$1218

Facts & Figures

Souvenir from Sapa, Vietnam
Jayspy / Shutterstock

Vietnam

Economy

Vietnam is one of south-east Asia's fastest-growing economies, aiming at becoming a modern industrialized country in 2020. Although the government is run by a communist party, privatization began in the late 1980s and a stock exchange opened in 2000. After 12 years of negotiations the country joined the World Trade Organization in January 2007. The economy, valued at \$104 billion, grew at 6.1% in the fourth quarter of 2011. Industry and construction account for 40% of GDP in 2011, services for 38% of GDP and agriculture, forestry and fisheries for 22%. Vietnamese population is increasingly shifting towards middle income levels that are fueling foreign investment. However, economic growth is challenged by high inflation, trade and budget deficits and severe disparities between urban and rural areas. Political control over economy and population undermines the Party's efforts to implement developme

Healthcare

Although government funding to the Vietnamese healthcare system is projected to reach US\$10.9 billion by 2014, per capita spending is below that of other ASEAN countries such as Malaysia, Indonesia and the Philippines, currently at US\$116 per annum. About 70% of health expenditure is out-of-pocket and public insurance covers a very small section of the population.

The MOH controls 18% of the total hospitals, while Provincial Departments run 270 provincial hospitals that account for over 60% of all medical equipment in the market. The remaining are district hospitals managed by local districts. Public healthcare has received increasing government funds and financing from development Banks but it is still too low to address the main problems of the system such as overcrowding, outdated medical equipment, low salaries, insufficient government subsidy, shortage of hospital beds, hospitals, clinics, and doctors. Most health workers are concentrated in the larger hospitals in Ho Chi Minh City and Hanoi, where facilities are also better equipped and attract Vietnamese from rural provinces, increasing the overcrowding.

Although the 13,400 hospitals and health clinics, over 30,000 Vietnamese people travel abroad for better healthcare, mainly towards China, Thailand and Singapore. In order to meet the rising demand, the government plans to have 25 hospital beds and at least eight physicians and two pharmacists available for every 10,000 people by 2020. Moreover, foreign private participation is welcomed, including international hospitals and clinics in the main cities and partnerships

with foreign countries such as US, Belgium and Indonesia for health infrastructure improvement, training and research transfer. Foreign investment has increased especially from India and Singapore and on the industry side many manufacturers are relocating to Vietnam due to rising wages in China. 70% of medical device purchases made in Vietnam go to public hospital, where 35% of the equipment has been used for more than 20 years, and nearly 40% from 10 to 20 years (MOH estimate). Private hospitals are still a minority in the country, but quickly expanding, although foreign-owned hospitals and clinics usually purchase supplies from their sponsoring country.

Dental market

There are currently about 1,790 public dental clinics (or health facilities offering dental care) in Vietnam, at least five in each district, while the number rises to over 100 in main cities. According to the MOH, there were 70 private dental clinics in 2008, concentrated in urban areas of Hanoi, Ho Chi Minh City and Da Nang, and the rest are spread out in the different provinces.

The total market for dental equipment in Vietnam was valued at US\$17 million in 2008, quite entirely supplied by imports as dental equipment manufactured domestically is developing but very limited to furniture and simple equipment. Equipping demand in new dental clinics and replacement of old equipment accounts for the good market potential for dental devices and supplies. Hanoi and Ho Chi Minh City represent 80% of the entire dental market. Ho Chi Minh City has a larger population and more dental facilities, but Hanoi registers the higher number of purchasing contracts due to MOH's being located in Hanoi. US market share is about 35%, followed by Japan and Germany accounting together for 50-60% of the market. Mid-end products are mostly from South Korea and European countries including France, Italy and Switzerland, while China and other Asian suppliers provide low-end products.

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