



HEALTHCARE

+ **Lifting-The-Barriers Roundtable**

Preliminary Paper



CIMB
ASEAN
RESEARCH
INSTITUTE

About CARI

The CIMB ASEAN Research Institute (CARI) was established in 2011 as a member of CIMB Group. CARI prides itself on being the first independent, transnational research institute dedicated solely to the advancement and acceleration of the ASEAN integration agenda. CARI was designed to pursue research and to promote thought leadership in support of an integrated ASEAN Community. CARI seeks pragmatic solutions and policy recommendations to address challenges in ASEAN integration and connectivity. CARI's headquarters is located in Kuala Lumpur but the institute has a regional presence.



About ASEAN Business Club

A fully private sector driven initiative of ASEAN's leading businesses coming together to support economic integration while providing a platform for networking. The ABC creates an avenue for ASEAN's businesses to engage with global regional leaders. The club's vision is ASEAN: Open for Business.

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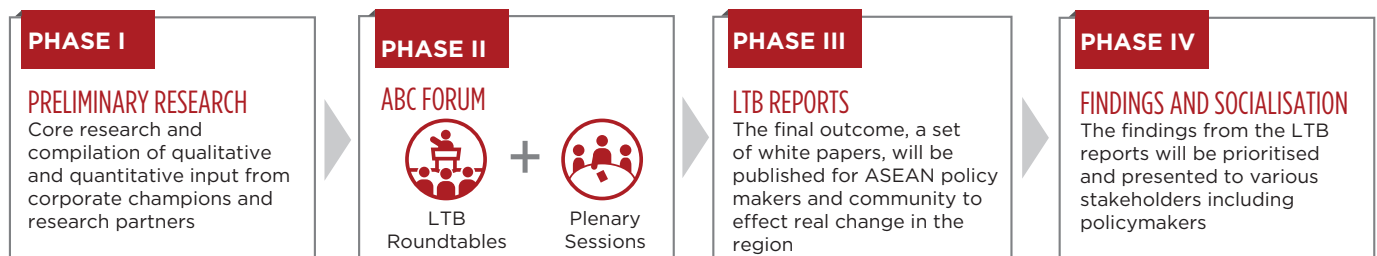
PREFACE

The Lifting-The-Barriers Initiative (LTBI) is a year-long research exercise designed in conjunction with the ASEAN Business Club (ABC) Forum. The overall objective is to conduct sector based research with the purpose of identifying bottlenecks and barriers to trade and ASEAN economic integration.

The LTBI in 2013 and 2014 have yielded 13 reports for 11 sectors, namely 1) Financial Services, 2) Capital Markets, 3) Connectivity, 4) Aviation, 5) Infrastructure, Power and Utilities, 6) Healthcare, 7) Legal and Tax, 8) Automotive and manufacturing, 9) Minerals, Oil and Gas, 10) Retail, 11) Food and Beverage Industry. The LTBI 2015 continues to highlight five key sectors covered in 2013 and 2014, with the addition of the tourism sector which is one of the twelve priority integration sectors (PIS) of the ASEAN Economic Community Blueprint.

The Lifting-The-Barriers reports have been widely referred to by ASEAN policy makers and stakeholders. The ASEAN Chair of 2015, the Right Honourable Prime Minister Dato' Sri Najib Razak, publicly cited the LTB reports as being a useful guide for Malaysia's stocktake exercise to identify the gaps between ASEAN aspirations and the reality in the business sector, in anticipation of the pronouncement of the ASEAN Economic Community later this year.

The LTBI has four phases, each playing a unique role in helping achieve the wider objective. Details of the initiatives are:



Phase I:

Phase I of the LTBI involves core research and seeks to identify the existing barriers in each sector to assist in understanding the challenges faced by different segments of the industry. We also study the AEC obligations and impacts on businesses and the industry as a whole.

Phase II:

Phase II convenes around the sector based “Lifting-The-Barriers Roundtables” at the ABC Forum. The roundtables serve as a platform for different stakeholders to deliberate on the future of their sector and of ASEAN as a region.

Phase III:

Phase III consists of the production of the final outcome of this exercise, the Lifting-The-Barriers Reports, white papers delivered to the relevant regulatory bodies to effect real change and accelerate ASEAN integration efforts. This phase will consolidate materials from Phase I and Phase II. The Reports summarise the industrial insights and ideas discussed at the Roundtables.

Phase IV:

Phase IV is the socialisation of key findings from the LTBI. This phase involves the distribution and presentation of the key findings to the relevant regulatory bodies as well as to other industry stakeholders. The 2014 LTB Reports were distributed to over 1000 companies and corporate entities as well as presented to various ASEAN government bodies and institutions.

DISCLAIMER:

This is a discussion paper intended to inform and facilitate debate for the ASEAN Business Club Forum on the 14th of May 2014. It is not for submission, distribution or for any other purpose for which it was not intended. No citation or quotation is to be extracted from this report without the express consent of CIMB ASEAN Research Institute and the relevant Research Partner

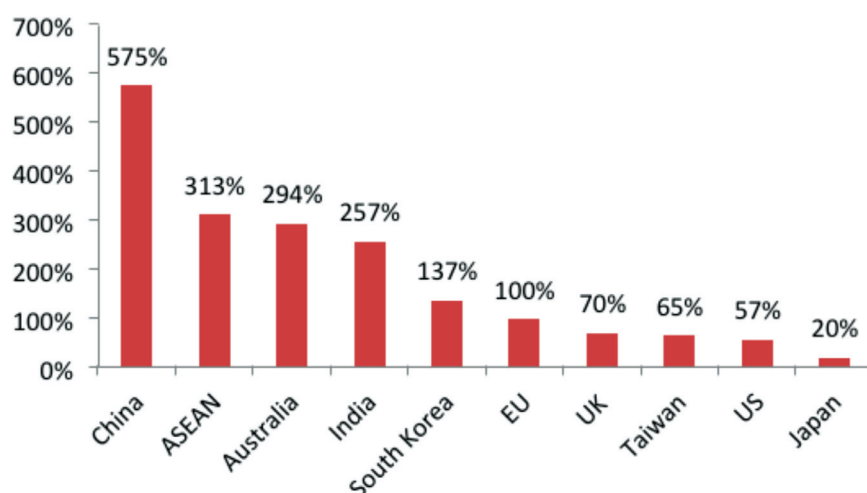
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1. ASEAN - THE GROWTH STORY

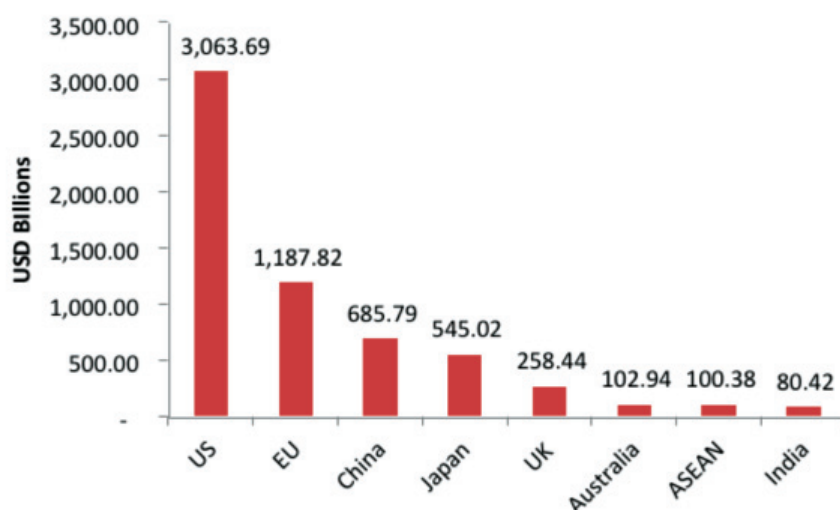
ASEAN has the second highest GDP growth rate in the world (See Figure 1.1). The size of the economy of ASEAN has more than tripled since 2001.

Figure 1.1: GDP Growth Rate of selected economies, from 2001 to 2013
(Source: Asia Matters for America, World Bank)



ASEAN's healthcare expenditure is estimated to be slightly below Australia, but ahead of India.

Figure 1.2: Forecasted Healthcare expenditure by major economies 2015
(Source: IMF, World Bank)



The growth opportunities of the healthcare sector are huge as the ASEAN nations consist primarily of emerging markets, with over 600 million people.

ASEAN is slowly evolving into a manufacturing base for low cost manufacturing of generic drugs and medical devices. ASEAN's natural resources and diversity in flora and fauna provides a unique environment that encourages production and research.

Other than natural market growth, government policy will be a major driver for the ASEAN market to develop further. Majority of the ASEAN Technical Submission Common Dossier has already been agreed and conformed to, for both pharmaceuticals and medical devices. The ASEAN Economic Community (AEC) launching on 31 December 2015 will see gradual impacts on the manufacturing and distribution markets, with significant impact on trade of services.

2. AEC – QUEST FOR ONE MARKET REPRESENTING ALL OF ASEAN

The AEC aims to initiate a single market with reducing barriers to trade through non-binding agreements framework. The comprehensive framework works in sync with open skies as well as Mutual Recognition Agreements for standardised qualifications. With this, ASEAN will be able to tap into the potential of liberalising trade of pharmaceutical and medical products and services, as well as the flow of skilled labour such as physicians, medical technicians and nurses. This can change purchasing patterns to regional transactions, as well as remove barriers for services from other countries to help support lacking domestic services in a particular ASEAN country.

The AEC will impact the healthcare sector of ASEAN through three main channels:

i. Increasing Intra-ASEAN Trade and Investment

- Tariff elimination
- Decrease of non-Tariff measures
- Standards and conformance
- Logistic service improvement
- Investment and financial infrastructure

ii. Technological Capabilities

- A standardised health services in technology and understanding
- Interconnected health database across nations
- E-Learning and Training

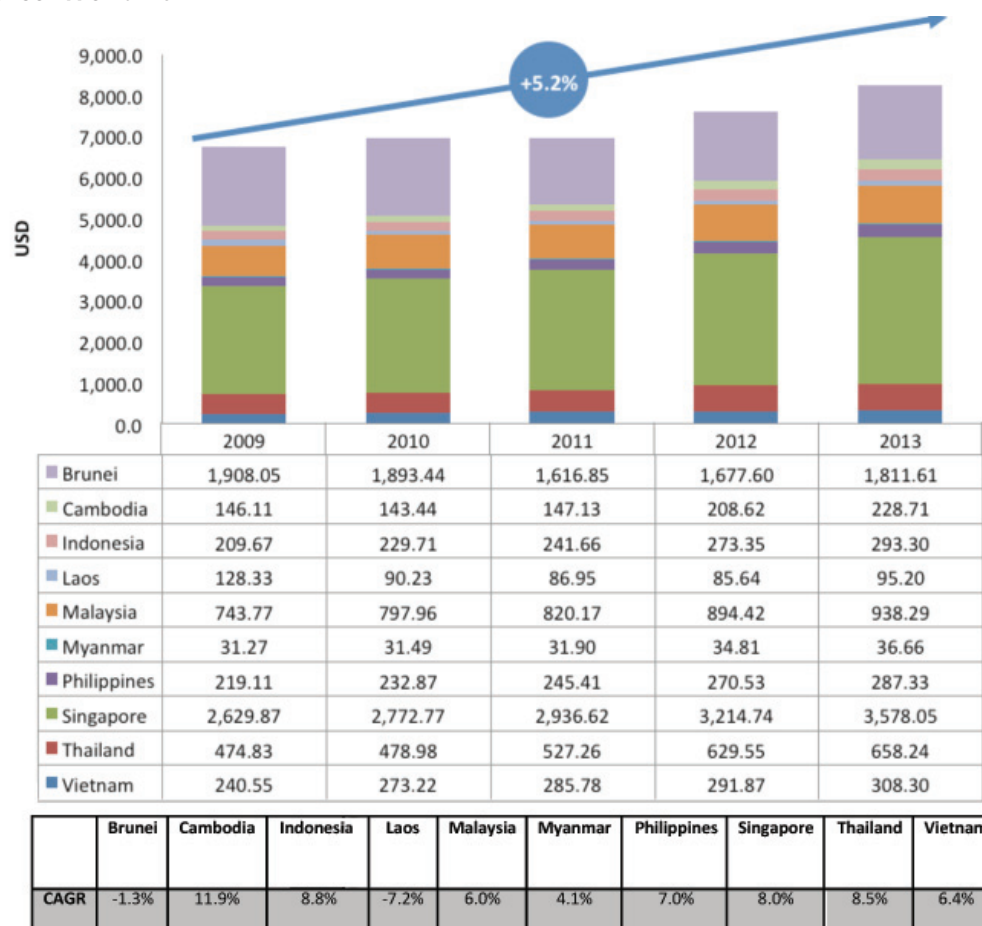
iii. Improving Human Resources Capability + Licensing

- Trade in services of medical technologists
- Trade in nursing services
- Trade in doctoring services
- Training and skills certification
- Licensing harmonisation

3. CHALLENGES ALONG THE WAY

As a region with varying cultures, economic development, languages, political systems, the harmonisation of standards and mutual recognition of certification will allow for procedure and practice streamlining.

Figure 1.3: ASEAN Health expenditure per capita, PPP (constant 2011 international USD),
Source: World Bank



3.1 Harmonisation of Qualifications and Standards

The Pharmaceutical Product Working Group and Medical Device Product Working Group have been contributing to the development of the ASEAN Common Technical Dossier. Product Working Group for Traditional Medicines and Health Supplements contributes towards the traditional medicine market. While the processes in each country include compliance to the Technical Dossier, it does not address the protectionism of one's own market. Although governments are ready to test their domestic products against international standards, not many are ready to remove all barriers to trade.

The flow of medical staff will be limited due to regional qualifications which are bound by language boundaries. The risk of misunderstandings during treatment limits services that can be shared.

3.2 Tax and Law Structure

Each country still has its own tax structure that it imposes on manufacturers, distributors and the medical professionals. Intra-ASEAN national disputes will provide additional concerns for the legal sector for standardising a highly regulated market such as healthcare.

4. KEY QUESTIONS

- What are the gaps to realising the AEC?
- How can the private healthcare sector increase their markets access?
- How can the AEC help to reduce the cost of treating non-communicable disease?
- To what extent will member countries be expected to put aside policies of protectionism in political agenda and promote free trade?
- Will limitations to trade be imposed on non-contributing countries?
(i.e. countries that do not open their doors to trade but use the AEC to enter the other ASEAN nation's markets)
- How would the practice certifications that are country-specific be resolved?
- By the end of 2015, Vietnam, Malaysia, Thailand, Singapore and Indonesia are each trying to be a production base for certain products, some as hospital chains. What about others like Cambodia, Brunei and Laos? How can they benefit?

AN INITIATIVE BY



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