Aquino’s healthcare vision
Herbal products boom in Indonesia
South Korea’s policy challenges
Views from around the region
Welcome to the latest edition of The Market Partner, which highlights what is new at Zuellig Pharma and in healthcare throughout Asia.

In this issue, our Feature Story looks at the potential of the Philippine healthcare market and how access is being expanded to the poorest segments of society. Fueled by strong economic growth, President Aquino has driven a number of initiatives to make healthcare provision more accessible and affordable. This opens a range of opportunities for manufacturers, hospitals, retail pharmacy chains and service providers.

Meanwhile, the Economist Intelligence Unit focuses on South Korea’s political environment and in particular on President Park Geun-hye’s performance. Two of her five years in office are over and her ambitious economic reform plan has stalled owing to last year’s Sewol ferry disaster and its political fallout.

In addition, I am delighted to bring you a selection of news about Zuellig Pharma from around the region. This issue includes the acquisition of the My Pharmacy chain in Malaysia, the opening of a dedicated MDD area for Johnson & Johnson Medical Korea in our Seoul Distribution Center as well as the start of operations at our new, GDP-compliant warehouse facility in Macau.

In our People to Watch section, I am pleased to introduce a number of new faces and promoted staff members in our senior regional executive and country management teams as the company enhances operational excellence, and drives forward innovative solutions and business growth.

I wish you all the best for a productive spring!

John Davison
Chief Executive Officer
Zuellig Pharma
Lei Va opens GDP warehouse in Macau

Lei Va, a subsidiary of Zuellig Pharma Hong Kong, started operations at its new warehouse in Macau in December 2014. The warehouse provides expansive air-conditioned storage space, cold chain capability, and a frozen storage facility to support Lei Va’s clients and customers. It also fully complies with Good Distribution Practice (GDP) and is ISO9001 certified.

Supporting pharmacy education

Zuellig Pharma Hong Kong has partnered with the Hong Kong Association of the Pharmaceutical Industry (HKAPI) to offer a clerkship program to senior university students studying on pharmacy programs. The clerkship will enable participants to gain better understanding of the diverse roles and responsibilities of distributors in the healthcare and pharmaceutical industries. In addition, it provides an opportunity for participants to gain first-hand experience in pharmaceutical logistics and distribution settings, and enables students to learn distribution-focused pharmacy practices.

Zuellig Pharma Hong Kong strides out in walkathon

Staff at Zuellig Pharma Hong Kong took part in Benji’s Centre Walkie Talkie Walkathon on November 16, 2014, as part of the company’s social activities. The walkathon is a fundraising event organized by Benji’s Centre, which supports underprivileged children in Hong Kong in need of professional speech therapy. The event also helps such children to become better integrated into the community.

Logistics contract agreed with J&J Medical Korea

Zuellig Pharma Korea entered into a logistics contract for medical devices with Johnson & Johnson (J&J) Medical Korea in January, providing a valuable opportunity to showcase Zuellig Pharma’s high-quality management, accumulated trust, and specialized industry expertise in this field. Under the arrangement, Zuellig Pharma Korea now delivers medical devices produced by J&J Medical Korea to public and private hospitals and vendors nationwide. Products include orthopedic devices and surgical equipment.

Zuellig Pharma Korea fulfils the contract from its enlarged Seoul Distribution Center in Gimpo, all 4,400 square meters of which are dedicated to providing one-stop services for J&J Medical Korea, including bonded warehouse management. The Seoul Distribution Center is equipped with all-day, temperature-controlled storage, an emergency order processing system, and specialty facilities that include a medical instrument washing center, medical waste disposal system, dangerous goods storage, freezer/cold-chain storage, and kitting warehouse.
Zuellig Pharma Group acquires My Pharmacy chain

Zuellig Pharma Group (“Zuellig Pharma”) has completed the acquisition of My Pharmacy (M) Sdn. Bhd in Johor, Malaysia. With rising health awareness and increased momentum to separate drug prescribing and dispensing, community pharmacies will play a crucial role in primary healthcare provision in Asia. Zuellig Pharma believes the acquisition of My Pharmacy, finalized on February 10, represents a compelling opportunity to becoming a key player in the community pharmacy sector in Malaysia.

My Pharmacy was established by Ms Fung Lee Jean in 1991 and has now become the leading community pharmacy chain in Johor, with 15 stores. My Pharmacy will become part of Zuellig Pharma’s Retail Investments business unit, which will be operated separately from the distribution business. Zuellig Pharma will build on the success of My Pharmacy to drive greater growth in Johor and across the country.

Zuellig Pharma Thailand launches ‘Year of Training’

Chief Executive Mr. Yves Hermes and all Vice Presidents of Zuellig Pharma Thailand led a Town Hall meeting at the Distribution Center and Head Office on February 2. Morning and evening events took place, highlighting key messages for 2015 in four focus areas: training, customer satisfaction, process re-engineering, and business expansion. 2015 has been named “The Year of Training”, with the annual training plan launched at the day’s events. Training on crisis management and a Code of Conduct refresher were held. Long Service Awards were also presented to staff members who have dedicated their careers to the company.

Colorful Sports Day 2014

Zuellig Pharma Thailand held its annual Sports Day for employees at the Distribution Center in November. The theme was ZP1, which parodied famous Formula 1 racing and focused on teamwork that aimed to produce the highest quality outcomes at a faster pace than the competition. The event also marked the first time that staff members from Head Office and the Distribution Center were mixed together in teams (Green and Pink), another way of highlighting the concept of collaborative effort. A celebratory dinner took place in the evening, attended by both management and staff.
People to Watch

The new Market Partner talents who are responding to the demands of our ever-expanding businesses

Mr. Darren Wedding has joined the company in the new role of Senior Vice President Operations. Darren’s primary responsibility will be to drive Operations excellence throughout the organization, with functional responsibility for the Quality Assurance, Procurement, and Regional Logistics teams. Darren has a wealth of experience in supply chain and logistics, including five years based in Singapore as the Senior Vice President Contract Logistics for DB Schenker for the Asia Pacific region. Darren has also held senior positions with Swire, Target and Nestle. He reports to Mr. John Davison, Chief Executive.

Mr. Raj Rao has taken up the new role of Vice President Procurement. Raj joins Zuellig Pharma after six years with the Coca-Cola Company, based in Singapore, where his last role was Head of Procurement for Asia operations in Japan and ASEAN. Raj will develop improved visibility for the company’s overall spending, implement a category management approach to procurement, and deliver cost reductions. In addition to supporting operational excellence, Raj will apply his considerable experience to provide targeted support to commercial negotiations. He reports to Mr. Darren Wedding, Senior Vice President Operations.

Mr. Stephane Pelliet has been appointed to the new role of Vice President Sales. Stephane joins the company from Danone Dairy Japan, where he was responsible for trade marketing, sales force effectiveness, category management, and management of the national store sales force. Prior to this, he worked for Novartis in China, where he was in charge of Key Account Strategy. Stephane’s primary role will be to transform the effectiveness of sales forces throughout the company by implementing best practices and redesigned sales processes to enhance demand creation. He reports to Mr. George Eassey, Senior Vice President Commercialization.

Ms. Queenie Cheng has been appointed Regional Legal Counsel, based in Hong Kong. Prior to joining Zuellig Pharma, Queenie was a senior associate with international law firm Mayer Brown JSM in Hong Kong. At Mayer Brown JSM, Queenie was based in the M&A and Commercial Department, where she worked on international and cross-border mergers and acquisitions, joint ventures, corporate restructurings, and other corporate matters. She reports to Mr. Timothy Hui, General Counsel.

Mr. Brett Marshall has been appointed Head of Quality Assurance. This is an important role as the business reflects increasing focus on ensuring all processes are carried out to the highest quality standards. Brett has headed SAP Implementation since mid-2009. Prior to that, he was General Manager at Zuellig Pharma Bangladesh for three years and, before that, Vice President of the Distribution Division at Zuellig Pharma Corporation. Brett reports to Chief Executive Officer Mr. John Davison.

Mr. Maikel Kuijpers is now Head of Business Transformation/SAP. Maikel successfully oversaw SAP Implementation in Malaysia, which positions him well for this new role. Prior to his transition, Maikel was General Manager of Zuellig Pharma Malaysia, an appointment he took up in 2013. In 2011, Maikel was appointed General Manager of Zuellig Pharma Vietnam/Cambodia, and before this he spent seven years in Malaysia, where he held the roles of Operations Director, Chief Operating Officer, and General Manager. Maikel started his career with Zuellig Pharma in 1995, serving 10 years in Operations and Project Management with Zuellig Pharma Corporation. Maikel reports to Chief Executive Officer Mr. John Davison.
Mr. David Howe has accepted the position of Business Transformation Program Director of Project Unite, the rebranded SAP Implementation. David joined Zuellig Pharma as Regional IT Manager in 2001, then held the position of Regional Development Director before moving to Zuellig Pharma China in 2005 as IT Director. In 2009, he returned to Zuellig Pharma as Senior Director of Application Delivery, where he managed development and roll-out activities for SAP implementation. David reports to Head of Business Transformation Mr. Maikel Kuijpers.

Mr. Peter Kunz has been appointed Business Transformation and Value Realization Senior Director, Operations, and will be responsible for the evolution of the global template covering Zuellig Pharma’s operational processes. In addition, Peter will partner with business units in driving process excellence and achieving savings using SAP technology. Peter joined Zuellig Pharma Philippines in 1997 as Vice President Distribution and was Country Manager of Zuellig Pharma Vietnam from 2003-2006. He rejoined the Zuellig Pharma team in 2014 as a consultant assisting with value realization initiatives within the SAP Extended Warehouse Module (EWM). Peter reports to Head of Business Transformation Mr. Maikel Kuijpers.

Mr. Harrison Kross joins Zuellig Pharma as IT Director of Application Delivery and will be responsible for leading the Development and Testing teams. A Certified Project Manager, Harrison has more than 15 years’ experience in managing Global SAP programs in various industries. He previously worked as SAP’s Global IT Project Manager for the Asia Pacific Region, where he managed SAP’s Global Sales and Marketing IT Infrastructure for Asia Pacific/Japan. He has led multinational teams across virtually all time zones to gather business requirements, plan budgets and timelines, and execute go-live deployments. Harrison reports to Head of Business Transformation Mr. Maikel Kuijpers.

Ms. Jannette Jakosalem has been appointed Business Transformation and Value Realization Director, Finance. In this position, Jannette will be responsible for the evolution of the global template covering Zuellig Pharma’s financial processes and for partnering with business units in driving process excellence and achieving savings using SAP technology. Jannette joined from Metro Drug, Inc. where she was Senior Vice President of Operations. She will report to the Business Transformation and Value Realization Senior Director, Finance Mr. Ian Robertson.

Mr. Patrick MacDonald now holds the position of Associate Director for Value Realization Operations. This role facilitates leading business process engineering projects across Zuellig Pharma business units and identifying system development work to be undertaken in preparation for the SAP platform go-live deployment. Prior to this, Patrick was Warehouse and Process Manager at Zuellig Pharma Malaysia and was responsible for Warehouse Operations at the Bukit Jelutong Distribution Center. Patrick reports to Business Transformation and Value Realization Senior Director, Operations Mr. Peter Kunz.

Ms. Carolina Coloma has joined the company as Senior Manager, Human Resources. Carolina specializes in developing core people programs, including talent management practices, leadership development programs, and competency-based programs linked to compensation and recruitment strategies, change management, and career management systems. As a Certified Development Dimensions International Facilitator and Six Sigma Yellow Belt, Carolina brings years of collective experience and a proven track record from her prior work with global companies such as IBM, Baker and McKenzie, and Talent2. Carolina reports to Chief Information Officer Mr. Andrew Paterson.

Mr. Jean-Gaetan Guillemaud has been appointed General Manager at Zuellig Pharma Cambodia. Jean-Gaetan holds an MBA from Neoma (Reims) and has worked in the supply chain field in India for the past 10 years as co-founder and Managing Director of a sourcing agency. Jean-Gaetan reports to Mr. Robert Kruit, Chief Executive, Zuellig Pharma Bangladesh.

Mr. Santiago Garcia is rejoining Zuellig Pharma as Chief Executive Officer, Zuellig Pharma Malaysia & Brunei. Santiago joined Zuellig Pharma in 2004 as Chief Operating Officer of Regional Manufacturing, Interphil, based in the Philippines. In 2008, he relocated to Indonesia as President Director, APL, a role he held for six years before leaving the company. Prior to Zuellig Pharma, Santiago worked in China for Cadbury Schweppes as Supply Chain Director. He also worked with Pfizer in China, where he was Regional Director of Adams Division, Asian Operations. He will report to Ms. Jessie Tang, Area Director.

Mr. Sebastian Lai has been appointed Pharmacy & Business

Mr. Patrick MacDonald now holds the position of Associate Director for Value Realization Operations. This role facilitates leading business process engineering projects across Zuellig Pharma business units and identifying system development work to be undertaken in preparation for the SAP platform go-live deployment. Prior to this, Patrick was Warehouse and Process Manager at Zuellig Pharma Malaysia and was responsible for Warehouse Operations at the Bukit Jelutong Distribution Center. Patrick reports to Business Transformation and Value Realization Senior Director, Operations Mr. Peter Kunz.

Ms. Carolina Coloma has joined the company as Senior Manager, Human Resources. Carolina specializes in developing core people programs, including talent management practices, leadership development programs, and competency-based programs linked to compensation and recruitment strategies, change management, and career management systems. As a Certified Development Dimensions International Facilitator and Six Sigma Yellow Belt, Carolina brings years of collective experience and a proven track record from her prior work with global companies such as IBM, Baker and McKenzie, and Talent2. Carolina reports to Chief Information Officer Mr. Andrew Paterson.
Development Manager at Life+ Pharmacy Ltd (Malaysia). Sebastian will be responsible for the overall expansion of Life+ Pharmacy’s community and retail pharmacy business in Malaysia, including the potential acquisition of pharmacy businesses. Prior to joining Zuellig Pharma, Sebastian worked at Cosway Malaysia. Within the first 12 months of his three-year tenure at Cosway, Sebastian set up the Pharmacy Division and started 100 pharmacy stores. He reports to Mr. Laurent Levan, Regional Director, Retail.

We are delighted to introduce Mr. Chua Soon Gin, who is Managing Director of My Pharmacy (M) Sdn Bhd, a leading Johor community pharmacy chain recently acquired by the Zuellig Pharma Group. During his nine years in this role, Chua has produced consistent growth and extended retail business coverage to 15 outlets in the state of Johor. Chua received his Bachelor of Pharmacy from the University of Science, Malaysia, and started his career as a production pharmacist at Sunward Pharmaceutical in Johor Bahru. He then joined the Johor Bahru branch of Diethelm (M) Sdn Bhd as a pharmacist before moving to the northern state of Kedah to help an independent owner set up a new pharmacy. He later returned to Johor Bahru to establish My Pharmacy. Chua reports to Mr. Laurent Levan, Regional Director, Retail.

Ms. Foo Ai Lin, Associate Director, Operations (Principal and Customer Services), has been promoted to Director, Quality to head Zuellig Pharma Malaysia’s enlarged Quality Division. In her new role as Head of the Quality Division, Ai Lin will manage the Quality Assurance, Regulatory Affairs, and Quality Training Departments. Ai Lin joined Zuellig Pharma Malaysia in 2010 and during her time with the company, has managed principal services, customer services, regulatory affairs, quality, and branch operations. She was also heavily involved in the recent implementation of SAP within Zuellig Pharma Malaysia’s operations stream. Her considerable knowledge of varied aspects of company operations and quality systems will prove an asset as she enhances the company’s quality management system. Ai Lin reports to Mr. Brett Marshall, Head of Quality Assurance.

Ms. Sharon Chua has been promoted to Associate Director, Principal Services, and will become a member of the Executive Committee in Malaysia. In her new role, Sharon will manage both the Principal Services Department and branch operations. Sharon joined Zuellig Pharma Malaysia in 2012 and since then has guided the Medical Devices Department through many challenges and improvements, including the implementation of SAP. Sharon continues to report to Mr. Graham Simpson, Director of Operations.

A new arrival is Ms. Lai Oi Meng, who has been appointed Principal Services Manager in the Principal Services Department. Oi Meng has previously worked in retailing, hospital pharmacy, and hospital management, and her perspectives and experiences as a former Zuellig Pharma customer will be highly relevant as the company continues to strengthen partnerships with clients and better serve customers. She holds a Bachelor of Science degree in pharmacy from Queen’s University Belfast, UK.

Oi Meng reports to Ms. Sharon Chua, Associate Director, Principal Services.

Ms. Wong Pow Lin has taken up the post of Principal & Customer Services Manager for the Medical Devices Department. Pow Lin holds a Master’s degree in Business Administration from the University of Ballarat, Australia, and has 20 years’ experience in the supply chain field. Before joining Zuellig Pharma, she worked as a Supply Chain Manager for a fast-moving consumer goods company. In addition, Ms. Bessie Yeo has become a Principal & Customer Services Manager for the Medical Devices Department. Bessie brings 12 years’ experience in logistics to the role. She holds a Bachelor’s degree in Business Administration from the University of Northumbria at Newcastle. Both Pow Lin and Bessie report to Mr. Graham Simpson, Director of Operations.

Philippines

Mr. Roland (Oway) Goco has been appointed Head of PharmaLink Philippines. Oway joined PharmaLink in 2014 as Operations Director and has been responsible for setting up the agency business, implementing sales force effectiveness and training programs, and overseeing and coordinating support function activities. Prior to PharmaLink, Oway worked at MSD Australia and Resmed Australia. At the latter, he was exposed to regional work with a special focus on South Korea, Indonesia, the Philippines, and Vietnam. He also spent 20 years with Sanofi and Astra Zeneca in the Philippines, where he started as a Medical Representative and quickly moved up the ranks, becoming a Marketing Director with Sanofi and then a Vice President of Sales at Astra Zeneca. Oway reports to Mr. Raymund Azurin, Chief Executive, Zuellig Pharma Philippines.

Mr. Cesar (Loy) Lustana, Jr. has taken up the position of Supply Chain Director. Loy brings over 15 years’ experience in supply chain management to the role, as well as a solid background in supply operations and inventory management, procurement, customer service, order processing, and distributor-principal relationship management. Loy was previously Supply Chain Manager for Havi Logistics, Philippines, where he headed the inventory planning team. He has also held supply chain positions with Globe Telecom, Shakey’s Philippines, Copylandia Office Systems, and Jollibe Food Corporation. He reports to Mr. Ashley Antonio, Vice President, Distribution.

Singapore

Zuellig Pharma Singapore welcomes Mr. Eduard Arwin Lahey, who has become Principal & Customer Support Manager for the Medical Device Division. In this role, Eduard will be responsible for key account management for all medical device clients. He will engage clients in key performance indicator meetings, oversee improvement programs, and facilitate new business requirements and initiatives. He will also be the point of contact for customers in day-to-day operational matters. Eduard previously worked as Business Operations Manager at JFK Corp. He has more than 15 years’ experience in supply planning,
inventory management, and supply chain systems, as well as software development of supply chain systems. He graduated from the University of New South Wales with a Master’s in Engineering Science. Eduard reports to Mr. Ari Rajkannan, Director of the Medical Device Division.

Taiwan

Mr. An-Jen Suen has become Senior Operations Manager and will lead YesChain Taiwan’s company-owned, company-operated (COCO) operations, franchise operations, and customer care programs, as well as store construction and facility management. An-Jen has more than 18 years’ experience in retail operations and development across Asia. His experience will benefit YesChain in accelerating and transforming its current business practices to international standards. Prior to joining YesChain, An-Jen was General Manager of the Shanghai Branch of the Minit Asia Pacific Group. An-Jen will report to Mr. Kerry Lee, General Manager, YesChain Taiwan.

Mr. Frederik Meerhoff has appointed Business Manager in the Medical Devices and Diagnostics Division (MDD). Khun Chutipass has 10 years’ experience in both sales and product and distribution management in the medical channel and has worked with multinationals companies such as Bristol-Myers Squibb, GlaxoSmithKline, Fresenius Medical Care, B.Braun, and Allergan. In her new role, she will be responsible for MDD’s key clients, namely Carl Zeiss, Thai Otsuka and Qiagen. Khun Chutipass reports to Khun Jinda Charoenpiboonsin, Vice President, Medical Devices and Diagnostics.

Khun Pensiri Butsaratrat has joined the company as Business Manager in the Medical Devices and Diagnostics Division. Khun Pensiri comes on board with broad experience in marketing, supply chain, and inventory management across a diverse range of industries, including automobiles, consumer goods, and healthcare products. Khun Pensiri worked previously at multinationals including Michelin, Unilever, and Smith & Nephew. She is responsible for key clients, namely Carl Zeiss and Abbott Medical Optics. She reports to Khun Jinda Charoenpiboonsin, Vice President, Medical Devices and Diagnostics.

Ms. Martha Tolentino has taken up the position of Head of PharmaLink Vietnam. Martha has worked for Zuellig Pharma for almost 30 years in a variety of roles, including General Manager, PharmaLink Vietnam, and Head of Commercial Operations, Invida Philippines. Prior to this appointment, she was Director, Regional Commercialization Services, PharmaLink. Martha reports to Mr. Robert Kruit, Chief Executive, Zuellig Pharma Vietnam/Cambodia.


Ms. Tran Thanh Quynh Mai has been promoted to Business Development Manager at Zuellig Pharma Vietnam. Prior to this, she held the post of Business Development Analyst. She reports to Mr. Robert Kruit, Chief Executive of Zuellig Pharma Vietnam/Cambodia.

Mr. Frederik Meerhoff has joined Zuellig Pharma Vietnam as Business Development Manager. Prior to this, Frederik worked at DHL Supply Chain in a similar position. He reports to Mr. Robert Kruit, Chief Executive, Zuellig Pharma Vietnam/Cambodia.
On February 25, Park Geun-hye completed two of her five years in office as president of South Korea. So far she has little to show for it. Her ambitious, if jumbled, economic reform plan, launched a year ago, stalled owing to the Sewol ferry disaster in April 2014, with the fallout from the tragedy dominating the political landscape for the rest of the year. Hopes for a fresh focus on reform in 2015, with a new premier and partially reshuffled cabinet, look elusive. Anger over a tax code change that backfired saw the president’s popularity hit a record low of 29%. This has emboldened critics in the ruling Saenuri party to challenge her always implausible claim that a major expansion of welfare could be funded without raising taxes. The tax code change was supposed to reduce the tax burden on middle and lower-income households, but had the opposite impact. A furore over the matter prompted the Ministry of Health and Welfare (MOHW) to withdraw its own plan to reform health insurance on January 28. The health insurance reform also involves adjusting the contributions of lower-income households and, like the tax code adjustment, could backfire. After criticism from Saenuri party chairman Kim Moo-sung, MOHW declared that it would review the measure later in 2015. Yet the inconsistent signals from the government regarding reform so far do not inspire confidence that there will be improvement in this regard in 2015.

No free lunch
Kim, a likely presidential contender in 2017 (as Park cannot run again), has also said that an increase in welfare without tax rises would be impossible and politicians must not deceive the public by promising otherwise. This challenges the president’s view that revenue to finance more welfare spending can come from better tax collection, especially by cracking down on tax avoidance and the black economy. Avoiding tax increases was one of the main focuses of her election platform in 2012 when she won the presidency.
Recent figures suggest that the president’s argument is not credible. On February 10, the Ministry of Strategy and Finance reported a third successive annual revenue gap, with the tax take in 2014 at W205.5 trillion (US$190 billion), W11 trillion (US$10.1 billion) below target. Lackluster growth in the domestic economy led to shortfalls in all areas: corporate tax was W3.3 trillion (US$3 billion) lower than the target, value added tax missed the target by W1.4 trillion (US$1.3 billion), import duties by W1.9 trillion (US$1.7 billion) and capital gains tax by W1 trillion (US$910 million). The 2015 target for revenue collection is 7.6% higher than the 2014 target and looks unlikely to be met.

All this has prompted an overdue debate on welfare priorities and how to balance the books. Liberal opposition party New Politics Alliance for Democracy is calling for corporation tax cuts made by the previous president, Lee Myung-bak, to be rolled back. Although the Saenuri party is divided over the matter, from the political perspective, targeting companies is the easy option. The economic impact of targeting businesses might be limited or even negative, especially as any change to income tax is likely to be controversial after the recent coding fiasco. Fear of a popular backlash is also one reason why VAT is unlikely to be raised, despite South Korea having the second-lowest basic rate in the OECD (10%). Another is Japan’s experience, where increases in VAT tended to stall economic growth.

The Saenuri party is also split on Park’s signature welfare program, which includes universal pre-school day-care, school lunches and a basic state old-age pension. The program is straining local government finances and causing discontent among mayors and governors. Means-testing all such benefits would be more cost-effective but is politically problematic. South Korea’s welfare spending is the lowest in the OECD yet, at the same time, it is the growing the fastest.

**OECD nudges**

In the OECD’s latest annual *Going for Growth* report, published on February 9, the organization advocates raising VAT, keeping income tax low and enhancing tax transparency to boost inbound foreign direct investment for South Korea. Other recommendations include tackling labor market dualities by easing protection for regular workers while improving conditions for irregular ones. It further argues that deregulation should include cutting farm subsidies and import barriers, and phasing out rules reserving some service sectors for small and medium enterprises.

Despite common ground on the issue of improving childcare – essential both to get more women into the workforce and raise the birth-rate to mitigate a looming demographic crisis – much of the OECD’s advice goes against the government’s current policy strategy. Farmers continue to be coddled (as in Japan) for political reasons. Smaller firms will remain partly protected from chaebol competition to the detriment of consumers.

**Ambiguous reshuffle**

Park’s falling political capital within the National Assembly and her own party is largely of her own making. The latest in a string of poor personnel decisions saw her retain much-criticized senior staff in the Blue House, the presidential palace, while nominating controversial new prime minister Lee Wan-koo, hitherto the Saenuri party’s floor leader.

The February 17 mini-reshuffle may not contribute significantly to ameliorating the president’s relations with her party or the opposition. Two (unrelated) Saenuri party lawmakers, Yoo Il-ho and Yoo Ki-june, will respectively run the Ministry of Land, Infrastructure and Transport and the Ministry of Oceans and Fisheries (a new ministry created by Park in 2013). The former is an economist with no sectoral experience, but is close to the president. Park’s core economic team remains unchanged despite criticism from the Saenuri party’s new floor leader, Yoo Seong-min, also an economist, who has publicly doubted whether the strategy of short-term stimulus adopted by finance minister Choi Kyung-hwan can jump-start the economy. Yun Jong-yong, the new head of the Financial Services Commission (a cabinet-level post), is a former vice finance minister who since 2013 has chaired NongHyup Financial Group and has pledged further financial deregulation.

Elsewhere, poor inter-Korean relations saw Ryoo Kihl-jae replaced as unification minister by Hong Yong-pyo, an academic who had previously served as presidential secretary with the same portfolio. The president also let go of her veteran chief of staff, Kim Ki-choon, who had been widely blamed for a string of poor personnel choices, but she has stubbornly retained several other Blue House aides. Ministerial nominees are subject to parliamentary scrutiny, but this is non-binding.

A cloudy overall outlook for the administration contains two hopeful signs. First, lower oil and gas prices will be a boon to a country that imports all its fossil fuels. Secondly, on February 22, the Ministry of Trade, Industry and Energy said that a bilateral free trade agreement with China, sealed in November, would be initialed that week. Both these developments will help to boost GDP. Policy clarity is a less certain prospect. With no change expected in shoddy policy execution, the country is unlikely to manage to fulfill the president’s economic reform plan, which targets 4% annual GDP growth, income of US$40,000 per head, and raising the labor force participation rate to 70% during her term.
**Expanding Healthcare Access in the Philippines**

President Aquino’s egalitarian vision is fueling universal access, and growth opportunities for the pharmaceutical industry

By Kirsten Clodfelter, Healthcare Writer • help@zuelligpharma.com

Economic growth in the Philippines has been on the rise since 2010, when Benigno Aquino III, son of former president Corazon Aquino, was himself elected to the position in a landslide victory. Business Monitor International (BMI), a global business analysis agency now known as BMI Research, predicts that real GDP in the Philippines will grow by 6% this year. Mr. Aquino is credited with facilitating an influx of foreign direct investment (FDI), sustained growth of both net exports and private consumption, and plans for infrastructure expansion that continue to increase, including a major restructuring of the country’s hospitals and medical facilities.

Private consumption, comprising more than 70% of the Philippines’ GDP, plays a major role in the country’s growth efforts. Despite comparatively low numbers – only 1.4% of national income – FDI has tripled since Mr. Aquino took office. According to World Bank data, from 2009 to 2013 the country saw GDP rise from US$168.3 billion to US$272.1 billion respectively. In May 2014, the Philippines won yet another credit rating upgrade (to BBB) from Standard and Poor’s. “We raised the ratings because we now believe the on-going reforms to address shortcomings in structural, administrative, institutional, and governance areas will endure beyond the current administration,” the global ratings agency said. In particular, Mr. Aquino appears on track to leave healthcare and the economy better than he found them by the time his six-year term ends.

Aquino’s healthcare victories

The Philippine Institute for Development Studies has shown that the pharmaceutical industry is one of the country’s fastest-growing sectors. Likewise, BMI’s 2015 Q1 report notes that pharma “output, drugs, and medicines account for 46% of the total medical out-of-pocket expenses of Filipino households.” For impoverished populations, the percentage rises to 55% of expenses. By this year, out-of-pocket demand for drugs and medications is projected to reach around P155 billion (US$3.46 billion), an increase of P30 billion (US$664 million) since 2010.

Working to make medicine and health services accessible to the most disadvantaged communities remains one of the greatest areas of opportunity for the country. There is a need for increased health resources, upgraded and updated facilities, broader access to quality care, and more affordable and available drugs. Zuellig Pharma’s new Cold Chain Distribution Center. A 3,200 sqm. purpose-built facility for warehousing and distribution of pharmaceutical life-saving and perishable products, medical devices and diagnostics.
medications, and vaccines, especially in rural and economically vulnerable areas. To facilitate these changes, Mr. Aquino successfully amended PhilHealth (the country’s flailing 1995 national health insurance scheme) with the passage of Republic Act 10606, otherwise known as the National Health Insurance Act of 2013. Under this mandatory program, health insurance is now required for every Philippine citizen, including the underprivileged, elderly, and disabled.7

In a report on universal healthcare in the Philippines, the Center for Strategic and International Studies indicates that the government is committed to ensuring 95% of the population obtains coverage by 2016.8 In service of this goal, a number of PhilHealth benefit packages centered on prescription drug components have been or will soon be introduced for the impoverished. In 2012, a primary-care package with a focus on basic communicable diseases was developed. The following year saw the pilot of an entire non-communicable diseases package.9 PhilHealth has also re-introduced its primary-care benefit package under the name Tamang Serbisyo Kalusugang Pampamilya (TSeKaP), which highlights essential services such as early disease detection, prevention, and healthy-living intervention.10

Among challenges reported by IMS Health in its 2014-2018 Market Prognosis, the biggest threats to the program’s sustainability are “establishing efficient funding mechanisms, sustaining premium collection, and ensuring access of benefits to beneficiaries”.11 However, passage of such legislation remains a significant step forward for a country that, despite notable efforts, still risks not meeting its Millennium Development Goals by the deadline at the end of this year. These goals include, most significantly, a two-thirds reduction in child mortality and a 75% decrease in maternal deaths.12

One of the largest gaps previously plaguing PhilHealth was the lack of infrastructure enabling universal coverage. Prior to the 2013 passage of the National Health Insurance Act, only 51% of Filipinos maintained Philippine Health Insurance Corporation (PHIC) coverage under the program.13 Through more robust financial subsidies, including the 2012 passage of sin tax legislation, the Department of Health received a 58% increase in its budget, and money allocated for PhilHealth premiums for the 14.7 million poorest families saw a 179% increase in 2014 over 2013.14 This budget growth allowed targeting a 10% expansion in coverage (from 80% to 90%) of all Filipinos by the end of 2014.15 As a result, BMI projects a local compound annual growth rate of Philippine healthcare expenditure of 11.2% through 2023. By that year, it is anticipated expenditure in this sector will reach P1.6 trillion (US$38.6 billion).16 As access to healthcare grows in response to these changes, the expectation is that pharmaceutical demand will also rise.

The rise of generics and pharma market growth

While the majority (61.5%) of healthcare expenditure in the Philippines comes from the private sector,17 services from private providers are used by only 30% of the population, primarily those who are economically stable enough to afford fee-for-service treatment.18

With a private sector comprising both large health corporations and smaller providers, Philippine multinationals, according to BMI’s Q1 2015 report, “are more into drug trading, marketing, and distribution rather than manufacturing”.19 This is likely to be the result of viability constraints on manufacturing attributed to high energy costs. Additionally, the lack of cost-effective primary care facilities drives up costs and decreases availability of mandatory medical treatments, for example, vaccines.

But for manufacturers of generic drugs, improvements in distribution channels and increasing public healthcare provisions are providing an emerging
market with ample growth opportunities. Six out of 10 Filipinos already use generic drugs and generics account for 81%-90% of prescriptions from public and private medical facilities.

Perhaps the greatest opportunity for expansion, though, lies in the expansion of retail chain pharmacies (including foreign chains) and the rise of mobile pharmacies, which currently account for 80% of the market. As drugstore chains continue to be acquired by retail behemoths and OTC medications rise in availability, large-scale changes will come through the development of primary-care facilities within disadvantaged communities, as well as development of telehealth facilities that provide scaled and cost-effective access points for the majority of Filipinos, regardless of socio-economic status.

The expanding market benefits consumers too. The growing retail sector, in conjunction with the 2014 Drug Price Reference Index and Medicines Price Board, will increase competition among generic drug manufacturers and facilitate greater purchasing power for drugstore chains. This will effectively drive down retail market prices and impact the distribution sector. In an interview with Pharma Boardroom, Zuellig Pharma Philippines' Chief Executive Mr. Raymund Azurin commented that this market growth will continue to provide a “different interface between healthcare suppliers, patients, and modern retailing.” The retail sector’s engagement in above-the-line marketing activities and modern retail practices “will change the way people will do business in healthcare in the future”, he explained.

As major retailers take over, one of those changes will be that a wider (and younger) population is granted better access to affordable medications and treatment. Indeed, the development of a primary healthcare service model tailored to the needs of young Filipinos, a demographic that continues to expand rapidly, provides another significant opportunity for healthcare improvements.

**Improving medical facilities and infrastructure**

Healthcare infrastructure is another key area slated to see improvement under a revamped PhilHealth. In conjunction with the high cost of healthcare coverage, the nation is largely dependent on even primary medical needs being served through overburdened hospital and tertiary care facilities. The number of available hospital beds in the Philippines, for instance, is dismal, at a rate of only 10 beds per 10,000 people – one of the lowest in the world. Mr. Aquino hopes to change that.

Under the Health Facilities Enhancement Program, licensed facilities have been given three years to incorporate emergency care and surgical expertise into their practices at the threat of being downgraded to the status of a primary healthcare center for non-compliance. The government would like all Department of Health-controlled hospitals (72 in all) to be upgraded through the leveraging of public-private partnerships, though this measure has met opposition from anti-privatization groups. In addition, P2.8 billion (US$63.2 million) has been earmarked for the construction, upgrade, and expansion of healthcare facilities, and the Hospital Licensure Act will allow the Department of Health to oversee the construction and expansion of hospitals as larger, more specialized facilities move toward potential privatization.

Despite the existing shortcomings, rapid improvements are therefore on the horizon. As the country seeks to meet its 2015 Millennium Development Goals.
and provide more widely available, comprehensive, and specialized care, Filipinos will see an increasing number of diverse medical facility options, such as barangay health stations, rural health units, local government unit hospitals, Department of Health retained hospitals, and Department of Health specialized hospitals.\(^2\)

**Market impact of value-added services**

Zuellig Pharma is the market leader in pharmaceutical distribution in the Philippines. With an integrated network of regional distribution centers across Metro Manila, Provinicial Luzon, the Visayas, and Mindanao, the company is uniquely positioned to aid efforts in increasing the reach and access of medications and treatments for Philippine consumers. The company offers a wide range of innovative healthcare solutions beyond distribution, including patient adherence programs, mass vaccination and corporate healthcare services.

PharmaLink, a contract sales and marketing entity, which offers commercialization services, was established by Zuellig Pharma in early 2012. The division offers quality sales, marketing, and brand-management services for clients, in addition to training representatives, targeting doctors, and offering territory planning and call reporting.

Community-focused endeavors grant distributors such as Zuellig Pharma the opportunity to evolve from straightforward, full-service distribution companies to more innovative and all-encompassing full-service and solutions healthcare providers.

In light of these many developments, Mr. Azurin provided this view on the changing landscape of healthcare in the Philippines: “The rise of generics, the growing self-care market, and increasing government intervention through price controls have introduced a certain level of complexity. Below this complexity, however, lie the growth opportunities to expand healthcare access.”\(^32\)

**Company overview**

Serving the Asian healthcare markets since 1922, Zuellig Pharma is the region’s leading healthcare services provider. Through a broad range of innovative tailored services, the company’s objective is to help healthcare companies capture and realize the full market potential of the fast-growing dynamic healthcare markets in Asia.

The company provides targeted solutions aimed at meeting the constantly evolving needs of healthcare companies. These include: the distribution of pharmaceuticals, medical devices and clinical trial materials; sales and marketing outsourcing; patient-centered programs; payor solutions (third-party insurance claim management services); and a full range of retail pharmacy services.

Zuellig Pharma Corporation in the Philippines is the original corporate entity and foundation of Zuellig Pharma. It remains on the cutting edge of cold-chain storage capabilities, as evidenced by its nationally integrated distribution network (with four warehouses and 14 call/service centers strategically located throughout the Philippines), ISO 9001 certification, 24/7 delivery service for lifesaving products, and continued advancement of industry tools, hardware, infrastructure, and best practices.
In January 2015, Indonesia’s Industry Minister Saleh Husin said that he believed sales of herbal products could grow by one-third from 15 trillion rupiah (US$11.6 billion) in 2014 to 20 trillion (US$15.4 billion) this year. Such products include herbal medicines known locally as jamu, drinks, cosmetics and aromatherapy products, as reported by the Jakarta Globe. The rise is expected to come from general increased demand and marketing campaigns aimed at middle-class consumers.

The Ministry of Industry reports that there are 1,160 herbal companies in Indonesia, 16 of which are large-scale businesses. Two companies at the forefront of the sector’s development are Sido Muncul and Soho.

Sido Muncul is Indonesia’s leading OTC marketer overall and the No.1 player specializing in jamu, according to Nicholas Hall’s DB6 global OTC database. Indonesia’s herbal & immune stimulants category is dominated by Sido Muncul’s Tolak Angin, which is the country’s No.1 OTC brand. It has been promoted in the past 12 months by advertisements starring girl band JKT48, posters on overhead lockers on Citilink flights, and story-writing and photo competitions. In February 2015, the brand became the partner of the East Java Scouts Challenge 2015 scouting competition. The partnership includes education sessions for children and parents on herbal remedies.

Sido Muncul also markets Kuku Bima Ener-G, which DB6 reports is Indonesia’s No.1 OTC tonic & cure all. In mid-2014, the brand was extended with Kuku Bima Ener-G Bir, a non-alcoholic beer-flavored energy drink. The line extension is aimed at the younger generation and joins flavors including guava, pineapple and mango.

Meanwhile, in 2013, Sido Muncul became the first traditional medicine marketer to list on Indonesia’s stock exchange. The following year, the
which aims to provide consumers with evidence-based herbal products. With traditional medicine use so ingrained in Indonesian society, the company believes there should be more evidence to support its benefits so that it can be accepted among the scientific community and in the formal healthcare system. As such, in December 2014, the company held education and training sessions for doctors, with the aim of building a network of physicians who carry out research that produces evidence to support the health benefits of traditional medicines.

In 2014, Soho set to work on providing education to consumers and healthcare professionals outside Jakarta and East Java – which the company reports are the two most lucrative areas for herals – to expand the potential consumer base for herbal medicines. This included the Soho Global Health Natural Wellness Symposium educational roadshow, which began in June 2014 and toured Semarang, Medan, Bali, Bandung and Makassar, as well as Surabaya and Jakarta.

In January 2015, Quadria Capital announced that it would invest in Soho, marking the first private equity investment in an Indonesian pharmaceutical company. Soho Chief Executive Officer and President Director Rogelio (Cooey) La O’ said: “The management team is very excited about the company’s future given our strong pipeline of products, capabilities on the ground, and [the] motivated team that has been put into place. In addition to securing growth capital, we look forward to leveraging Quadria’s global network of relationships to expand our portfolio and drive new growth opportunities for the business.”

Overall in Indonesia, the combination of high inflation and the weakening of the rupiah has changed consumer spending habits, resulting in slower growth of the country’s OTC healthcare market in 2014 compared with 2013. As such, the development of evidence-based traditional medicines, presented and marketed in a modern way to broaden the sector’s consumer base to appeal to the younger generation and middle classes, appears a lucrative option for marketers trying to find new avenues for growth.

“The development of evidence-based traditional medicines appears a lucrative option for marketers trying to find new avenues for growth”
A round-up of reports from our offices around the region outlining the news and events that are shaping their businesses and redefining the healthcare industry.

The Hong Kong economy expanded 2.4% year on year in the first three quarters of 2014, after increasing 2.9% in 2013. The economy is forecast to grow by 2.2% overall in 2014. Labor market conditions remain tight. The unemployment rate stayed at 3.3% for October-December 2014, close to the lowest level in 16 years. The rate is expected to remain low in the near term, with labor demand likely to stay resilient during the Chinese New Year period. Consumer prices increased 4.4% for 2014, slightly higher than the 4.3% rise in 2013, driven by higher prices for food, housing, and transport. It is thought that inflationary pressure will be contained in the near term, as the softening of global food and commodity prices should keep external price pressures in check while local cost pressures are expected to remain moderate.

2014 saw 60.8 million visitors to Hong Kong, equivalent to 8.4 times the city’s population. Those from Mainland China accounted for 78% of this total. Visitor arrivals to Hong Kong increased by 12% in 2014, following an 11.7% rise in 2013. Mainland China visitors saw growth of 16% in 2014, compared with 16.7% in 2013. Total tourism expenditure associated with inbound tourism amounted to HK$358.2 billion in 2014, an increase of 8.7% from the previous year. However, growth in both local consumption demand and tourist spending has been losing steam, generated partly by changing tourist shopping preferences and perhaps from the impact of last year’s Occupy Central movement. The value of retail sales dropped 0.2% in 2014 after growing 11% in the previous year.

Hong Kong Chief Executive Leung Chun-ying unveiled new measures to boost the economy, increase the housing supply, and harness the potential of Hong Kong people in his second public policy address in January. On the economic front, the government will continue to provide support to key industries, including trading, financial services, shipping, tourism, and professional services. The government will make available more land for housing and commercial development to achieve its 10-year housing target of 480,000 units. It will also implement initiatives to aid poverty alleviation, elderly care, environmental protection, healthcare, education, and youth development.

Hong Kong’s long-awaited healthcare financing reform was finally unveiled in December 2014. The government initiated a three-month public consultation on December 15 regarding the implementation of the government-regulated, market-operated Voluntary Health Insurance Scheme. If implemented, the scheme will bring significant changes to Hong Kong’s health-financing arrangements, which have been in place for decades.
During this time, citizens have enjoyed heavily subsidized but often crowded public healthcare services. As a result of the Voluntary Health Insurance Scheme, more citizens would need to buy health insurance and switch to private doctors.

Charles Tang  
cctang@zuelligpharma.com

**Fast Fact**  
The Hong Kong Minimum Wage Commission has recommended increasing the statutory minimum wage from US$3.85 per hour to US$4.17, effective May 1.

Chung-Hua Institution for Economic Research has projected last year’s GDP growth at 3.43%, 1.2 percentage points higher than 2013. For 2015, the projection is 3.5%. According to analysts, the numbers reflect the decline in international crude oil prices, which may help boost Taiwan’s domestic consumption. Additionally, there are uncertainties in Taiwan’s 2015 trade and export outlook due to weak demand in Europe and China alongside a potential drop in investment.

On the healthcare front, the Centers for Disease Control recently announced an increase in the number of poultry farms reporting avian influenza, bringing the total number of people being monitored in Taiwan to a record high. Highly pathogenic avian influenza virus subtypes H5N8 and H5N2 have been especially predominant.

In 2013, the Bureau of National Health Insurance launched a two-year Drug Expenditure Target (DET) pilot program. The aim was to replace existing price adjustment mechanisms in response to the pharmaceutical industry’s request for reform of the Price Volume Survey and price cuts that were occurring every two years. In the first year of implementation, spending exceeded the target by NT$5.67 billion (US$179 million). The following year, spending exceeded the goal by NT$8.21 billion (US$259 million). For 2015, it has been announced that the price of 142 items will be increased while another 6,821 items will see price cuts, bringing the total average price cut to approximately 5.3%.

According to the Taiwan Food and Drug Administration, self-medication is the answer to lowering the country’s overall medical insurance costs, and the agency is expected to reclassify about 17 prescription ingredients as over-the-counter drugs. While in most developed countries OTC drugs account of 20% of the pharmaceutical market, in Taiwan they account for only 6%, indicating that physicians are still the first stop for patients despite the ready availability of treatments for common ailments, such as pain and allergies.

John Chou  
jchou@zuelligpharma.com

**Fast Fact**  
Declining oil prices may boost Taiwan’s domestic consumption in 2015.

The Bank of Korea cut its GDP growth outlook for 2015 to 3.4% from 3.9%, citing weak economic performance in Q4 2014. Analysis by the bank indicates that the lower-than-expected Q4 growth can be largely attributed to a fall in government spending (due to a lack of tax revenue and sluggish exports of intermediary goods). The bank also pointed out structural problems hurting the country’s growth potential, reporting that Korea’s snowballing household debt, which stands at around US$920 billion, may dent domestic demand. As the government focuses on structural reforms rather than short-term measures to pull the economy out of its low-growth rut, the bank kept its key rate unchanged at 2% in January, continuing a wait-and-see approach for the third straight month.

On the healthcare front, the Ministry of Health and Welfare rolled out a program supporting anti-smoking treatment expenses from February 25 and is recruiting medical institutions for such treatments. Expenses will be supported through the National Health Promotion Fund as part of the National Health Promotion Project. By June, the ministry plans to include beneficiary services for anti-smoking treatments, which will be enforceable by the second half of the year. Since part of the expense of anti-smoking supplements is supported by the government, industry experts expect patient visits to hospitals and pharmacies will increase.

A serialization system* will be introduced this year as the Korean government seeks to improve transparency in drug distribution. As a result, the pharmaceutical industry is expected to see an increase in challenges relating to investment scale, complexity, and time required for system processing.

To help with these issues, it is imperative the pharmaceutical industry and government increase efforts to consult local and global experts about best case practices. The government can minimize trial errors through pilot projects and the development of an overall roadmap for active cooperation and advance system verification with pharmaceutical companies and wholesalers. In addition, the government needs to prepare legal grounds and standards for system enforcement, as well as arrange more rational procedures regarding upper-level laws.

The co-promotion market, based on partnerships between local and multinational pharmaceutical companies, is becoming huge. An analysis of products subject to key co-promotion partnerships** between local and global pharmaceutical companies showed sales of 16 products reached 697 billion won (US$615 million) in 2014, a 12.07% increase compared with 622 billion won (US$549 million) in the previous year. While most local companies suffered severe drops in sales due to the expiration of patents and reductions in drug pricing, this indicates such partnerships achieved significant outcomes through combining strengths — the originality of global companies and sales power of local companies.

**Fast Fact**  
The Korean government has started subsidizing the cost of anti-smoking treatments.

*Serialization system: Obligation for manufacturers and wholesalers to set up extended barcodes or RFID systems by 2015.  
**Co-promotion partnership: Detailing and promotion sales services for clinics, low-tier hospitals, and distribution by local companies.
Based on the latest update from the Ministry of Trade and Industry, the Singapore economy grew by 2.9% in 2014, much slower than the 4.4% recorded in 2013. Against the backdrop of uncertain global economic conditions, including the possibility of the Eurozone falling into a deflationary spiral, it is forecast that Singapore will see modest growth of between 2%-4% in 2015.

On the healthcare front, the government spent 2014 fine-tuning both new and existing projects, including the much-discussed MediShield Life and Pioneer Generation Package. Under these new initiatives, the government aims to provide greater support and assistance to the population, especially medical services for those in need.

To allow the elderly to access more of their Medisave accounts for outpatient medical care, the Flexi-Medisave scheme, effective April 1, 2015, was announced. Under this initiative, elderly patients are allowed to use up to S$200 (US$144) per annum from either their own individual Medisave account or that of a spouse for outpatient treatments at designated healthcare institutions. This amount can be used to cover medical services, drugs, tests, and investigations.

Medisave is the national medical savings scheme traditionally set aside for hospitalization fees. Over the years, the government has slowly been allowing patients to tap into their Medisave accounts for outpatient medical services, including recommended health screenings, vaccinations, and treatments of chronic diseases. Withdrawal limits remain in place to slow the depletion rate of money from these accounts, due to the high probability that patients will need some form of savings to cover lifetime medical needs.

While healthcare and medical services are being made more accessible in terms of cost, the shortage of public hospital beds remains an acute problem. To help alleviate high demand, Singapore has traditionally facilitated public hospitals by leasing beds from private hospitals, enabling patients to enjoy medical subsidies under the care of public hospital doctors in these beds.

In a recent, unprecedented move, the government announced that patients in emergency ambulances may be sent to the private Raffles Hospital for non-critical conditions, where they will be treated at subsidized rates. One condition is that patients are directed to Raffles by Singapore Civil Defence Force ambulances and not by non-emergency private ambulances.

Raffles Hospital will set aside 50 beds under this public-private partnership. The pairing seeks to ease some of the growing patient load at public hospitals, which at times see occupancy rates of more than 90%. The possibility of similar partnerships in the future remains to be seen.

Giuseppe Leo
gleo@zuelligpharma.com

Fast Fact
Patients in emergency ambulances may be taken to Raffles Hospital in the first public-private partnership of its kind.

Malaysia’s economy faced challenging global conditions in the second half of 2014. Revenue from oil and gas accounts for 30% of the country’s total revenue, and as a result of the sharp decline in global oil prices (from US$105/barrel to below US$50/barrel), the government will miss its initial 2015 revenue targets. To ensure the country remains on a strong growth trajectory and meets its deficit-reduction targets, the government subsequently revised its 2015 budget, reducing operating expenditure by RM5.5 billion (US$1.5 billion) and implementing several measures to boost goods and service exports, enhance private consumption, and accelerate private investments. The government has revised its GDP growth rate for 2015 to 4.5%-5.5%, with a fiscal deficit target of 3.2%. The initial 2015 budget, tabled in October 2014, set the GDP growth rate at 5%-6%, with the fiscal deficit at 3%. The ringgit has also depreciated sharply against the US dollar, falling to its lowest level since 2010, largely due to the impact of declining oil prices. The ringgit is expected to remain volatile for the first half of 2015.

The implementation of a 6% goods and services tax (GST) took effect on April 1. The Ministry of Health is considering a proposal to append the letter “Z” to marketing authorization (MAL) numbers on products to identify those that are zero-rated and thus not subject to GST. At present, 320 chemical entities comprising over 3,000 products are zero-rated. The Ministry of Health also plans to introduce a list of reference pricing by mid-2015 for more expensive drugs that are not classified as zero-rated. This is intended to protect consumers, as rising prices are a growing burden to many Malaysians and remain a politically challenging issue.

Private hospital services are GST-exempt, which means hospitals cannot impose GST on patient service fees. However, hospitals are required to pay GST on operational expenditures, such as security, laundry, and housekeeping services. To recover these additional costs, it is expected that private hospital fees for patients will increase by at least 5% with GST now in effect.

Medical tourism has been gaining traction and is becoming increasingly important to both Malaysia’s travel and healthcare industries. The medical tourism industry grew by 18.5% in 2014, with revenue of approximately RM700 million (US$191 million). Such growth is faster than neighboring countries such as Singapore or Thailand at 8.4% and 11.6%, respectively. The government has been aggressively promoting Malaysia as a medical hub due to the considerably lower cost of medical procedures compared with the same procedures in developed countries, and the availability of top-class medical services and facilities. The Healthcare Travel Council has been established to promote private hospitals for medical tourism, and tax breaks and incentives introduced for hospitals participating in medical tourism programs or with an interest in expanding their facilities. Private hospitals now receive a 100% tax exemption for construction of new facilities as well as expansion, modernization, and renovation of existing structures.

Overall, the pharmaceutical industry saw marginal growth for the year ending 2014. The Pharmaceutical Association of Malaysia (PhAMA),
representing multinational companies, reported a 2.78% growth for year-to-date December 2014 compared with the previous corresponding period. PhAMA’s participating multinational companies recorded combined sales of RM3.3 billion (US$903 million) in 2014.

In Q3 2014, GDP for Brunei recorded a decline of 0.2% year on year compared with 0.8% growth in Q2 2014. The contraction was mainly attributed to the -3.2% figure recorded in the oil and gas sector. GDP decline can also be credited to a drop in goods and services exports, which achieved -2.2%. Meanwhile, the non-oil and gas sector increased by 1.8%.

Recent statistics from the Department of Economic Planning and Development (JPKE) showed that cancer is the leading cause of death in Brunei. This trend is in marked contrast to the West, where cancer death rates have been falling due to early detection. At present, Brunei does not offer radiotherapy services. Thus, most patients are sent either to Singapore or Malaysia for advanced cancer treatment. Due to the rising cost of this practice, the Ministry of Health is making efforts to conduct treatments locally by investing in the necessary equipment and ensuring local expertise is available.

Santiago Garcia
sgarcia@zuelligpharma.com

Fast Fact
Medical tourism is now an important growth industry in Malaysia, with the Healthcare Travel Industry Council established to promote such services.

Thailand’s newly appointed National Legislative Assembly has banned Ms. Yingluck Shinawatra, Prime Minister prior the military coup in May 2014, from participation in politics for five years over a multibillion-dollar global rice pricing scheme. Ms. Shinawatra also faces criminal charges in the Supreme Court over this matter, which could result in a 10-year jail sentence. The ban and legal case are the latest twist in a decade-long struggle for power between much of the Thai elite and supporters of ex-Prime Minister Mr. Thaksin Shinawatra, highlighting the desire of the military-backed elite to entrench its power ahead of elections announced for early 2016.

The political divide remains unresolved and, despite the coup, the potential for renewed instability will continue to undermine the country's long-term economic growth potential, especially if the military junta fails to address the concerns and aspirations of rural Thais, who comprise over 80% of the population. The Thai economy continues to be sluggish, illustrated by expected GDP growth for 2014 that ranges from 0.5%-1%, well below the 2.9% recorded in 2013.

The gains from lower oil prices (oil represents 22% of Thailand’s merchandise imports) have been offset by weak global demand for the country’s exports. Consumer demand has also been extremely weak over the past two years, growing at around 0.3% per annum, probably as a result of overall political instability. The military junta is keen to revive growth through a string of large infrastructure projects, such as a US$60 billion transport undertaking, which includes a US$12.2 billion rail connection linking China’s Kunming to Bangkok. GDP growth of 3%-4% is expected in 2015.

Regarding healthcare, a conflict between the Public Health Ministry and National Health Security Office has erupted over the management of the budget for government hospitals.

The conflict has intensified recently and has the potential to disrupt the welfare of 48 million people currently under the Thai Universal Healthcare scheme, as well as to aggravate the situation of government hospitals, which are already suffering from significant financial challenges.

Yves Hermes
yhermes@zuelligpharma.com

Fast Fact
Conflict over government hospital budget management could disrupt millions under the Thai Universal Healthcare scheme.

Indonesia’s GDP rose by 5.02% in 2014, the slowest pace of expansion since 2009. Last year, the figure was 5.78%. However, growth beat expectations in Q4, with GDP rising 5.01% year on year.

Growth in Southeast Asia’s largest economy has slowed due to weak demand from China for resources such as coal and rubber, as well as struggling mining exports as a result of the outgoing government’s ban on the export of mineral ores. A tighter monetary policy targeted at stemming capital outflows has further restricted expansion.

President Joko Widodo (Jokowi) achieved a significant reform by eliminating petrol subsidies and moving to a fixed subsidy for diesel in January, freezing up around 200 billion rupiah (US$15.8 billion) from the budget. The savings will mostly be diverted to the infrastructure budget, which is slated to rise by more than 100% in 2015.

Jokowi has disappointed some of the many foreign governments that initially welcomed his election victory last year with his rejection of appeals for clemency for 64 drug smugglers and manufacturers sentenced to death. Six, including five foreigners, were executed by firing squad on January 17. Governments of two of the prisoners’ countries of citizenship — Brazil and the Netherlands — withdrew their ambassadors from Jakarta in protest. Among those still on death row are Australian, British, and Chinese citizens.

The President has also faced difficulties with his nomination of Budi Gunawan, a three-star police general and governor of the National Police Academy, as the new national police chief. Later, Indonesia’s independent Corruption Eradication Commission announced that General Budi was a suspect in a bribery investigation involving millions of dollars. General Budi has insisted the transactions involving millions of dollars. General Budi announced he had delayed General Budi’s appointment until the legal problems are resolved.

The government instructed Indonesia’s largest pharmaceutical firm, Kalbe Farma, to stop production of anesthetic and antibleeding products at the center of investigations into the death of two women while undergoing surgery at Siloam Hospital in Tangerang, near Jakarta. Siloam Hospitals is Indonesia’s largest and fast-expanding healthcare provider, with 20 national hospitals and nine medical centers treating more than two million patients per year.

Preliminary findings of the on-going investigation by the Ministry of Health and Food and Drug Monitoring Agency (BPOM)
suggest Kalbe Farma incorrectly packaged the two drugs, resulting in the death of one woman in surgery on February 12 and another on February 13. Scrutiny was also extended to other pharmaceutical manufacturers in Indonesia. The Ministry of Health has said preliminary investigation results show Siloam Hospitals followed standard operating procedures, including those for medicine storage.

Media reports state that the Jakarta administration is set to construct its own cancer hospital next year catering for poorer residents. The new hospital will be situated on a 3.7-hectare site in West Jakarta. The city government purchased the land for 720 billion rupiah (US$57 million). The public cancer hospital is targeted to be operational in 2017. Last year, the city constructed the Pasar Minggu public hospital in South Jakarta and increased the capacity of three hospitals to cater for more patients under the Jakarta Health Card scheme. The city government has also upgraded several community health centers into small hospitals to provide more hospital beds.

**John Hoeft**
jhoeft@ zuelligpharma.com

**Fast Fact**
New government hospital for cancer patients is set to be constructed in West Jakarta and operational in 2017.

The country’s GDP accelerated in Q4 2014, growing by 6.9% compared with 6.3% growth for the same period in 2013. The robust performance of the industry sector, particularly communications, construction, manufacturing, real estate, and transportation, paved the way for annual GDP to post growth of 6.1%. However, this was lower than the government target of 6.5%-7.5%. It was also lower than the record 7.2% growth in 2013 at prevailing rates.

President Benigno Aquino signed into law the P2.606 trillion (US$59.12 billion) national budget for 2015, which is 15.1% higher than for 2014. The agencies with the biggest allocation for 2015 are education (P367.1 billion – US$8.32 billion), public works and highways (P303.2 billion – US$6.87 billion), national defense (P144.5 billion – US$3.27 billion), interior and local government (P141.4 billion – US$3.20 billion), health (P108.2 billion – US$2.45 billion), and social welfare and development (P103.9 billion – US$2.35 billion).

In November 2014, the government also approved RA 10645, which grants automatic lifetime membership of the Philippine Health Insurance Corp. (PhilHealth) to senior citizens. Under this law, all 6.1 million seniors will be covered by PhilHealth.

On the retail side, the country’s six largest chain accounts (Mercury, Rose, Watsons, South Star, St. Joseph, and Negros Grace) continued to expand their branch outlets, with over 300 new store openings in 2014. All showed growth in 2014, with the exception of Rose Pharmacy. Dairy Farm recently acquired 49% of Rose Pharmacy, and it is anticipated that new store openings and improvements in operations and portfolio mix will be key to driving growth. Watsons had another strong year, growing by double digits to become the second-largest drugstore chain in sales revenue behind Mercury. The top two generic drugstore chains, The Generics Pharmacy (TGP) and Generika, also enjoyed firm growth, posting double-digit increases in 2014. In addition, the market saw the rapid expansion of Medxpress drugstore chains in partnership with key hospitals. Medxpress has now established its footprint in more than 15 major private hospitals, offering innovative patient-education and compliance programs. It is anticipated that it will add another 10-15 branches in 2015.

It is projected that the pharmaceutical market achieved growth of 6.1%. However, this was lower than the record 7.2% growth in 2013 at prevailing rates. The consumer price index decreased in December 2014 by 0.24% compared with November 2014 while prices of medicine and health services remained stable (+0.03%). The consumer price index increased moderately by +0.09% in 2014 compared with 2013, with an increase in the medicines and pharmaceuticals index of +5.41%.

According to the General Statistics Office, Vietnam’s GDP grew by 5.98% in 2014. For the first time in 10 years, the consumer price index decreased in December 2014 (-0.24%) compared with November 2014 while prices of medicine and health services remained stable (+0.03%). The consumer price index increased moderately by +0.09% in 2014 compared with 2013, with an increase in the medicines and pharmaceuticals index of +5.41%.

The country has generated a trade surplus of US$2 billion as a result of a US$7 billion surplus from foreign direct investment (FDI) and a US$15 billion trade deficit from its local counterpart. Leading export markets were the US (US$28.5 billion, +19.6%), EU (US$27.9 billion, +14.7%), and ASEAN (US$19 billion, +3.1%). Leading import markets were China (US$43.7 billion, +18.2%), ASEAN (US$23.1 billion, +8.2%), and the EU (US$8.9 billion, -5.9%).

2014 saw a number of regulatory changes affecting the healthcare market, in particular a focus on better control of public spending on medicines. In Q1, Decision 68 outlined a development strategy for preparing the domestic industry to become the main source of the country’s drug supply. Circularties 36 and 37 defined tender packages differentiating ICH generics from other generics. Q2 saw Decision 2614, which marked the deployment of Decision 68, while Decree 63 set limits on the purchase of imported drugs. In addition, a new health insurance law reduced reimbursement for costly medicines for illnesses such as cancer or Hepatitis C while encouraging whole family participation and significantly reducing co-payment for the poor.

In Q3, Circular 31 guided the technical scoring of public tenders to ensure reduced drug spending would not result in diminished quality while, in Q4, Circular 44 clarified the requirements for registration of domestic and imported drugs. A new tender circular is expected by the end of Q1 2015, dictating that the imported drug market will not be allowed to bid where there is already a sufficient domestic supply. In addition, the circular details rules that imported drugs are purchased either through centralized tender at
The pharmaceutical market achieved a fourth consecutive year of double-digit growth, with a 10.8% increase in sales to US$228 million and total healthcare market increase of 6.4% to US$870 million in 2014. Growth is expected to be predominantly volume-based for several years due to a lack of public funding and limited per-capita revenue. Recently, the Ministry of Health has faced pressure to drive compliance to regulations. Authorities have taken strong action against unlicensed pharmacies and practitioners, especially as massive HIV outbreaks in remote areas have been traced back to poor practices led by unlicensed healthcare workers. More than 65% of unlicensed pharmacies, representing half the market, have been closed. Similar action is expected to be rolled out in other channels, including dental clinics and modern trade.

Cambodia’s current development and lifestyle evolution is also bringing an epidemiologic shift as non-communicable diseases become more and more recurrent. In December 2014, the government announced a plan to implement a national healthcare system by 2025, though there was no commitment to the means to achieve this.

Jean-Gaetan Guillemaud
jguillemaud@zuelligpharma.com

Fast Fact
Over 65% of unlicensed pharmacies have been closed.

In early January, the Bangladesh Nationalist Party (BNP) declared a continuous blockade and strikes. As a result, road, rail and water transportation systems in the country have collapsed. Trucks and other vehicles have virtually stopped or are moving slowly and under extreme risk of attack. Owners within the transport sector have incurred huge losses as they are paying interest on loans for buses and trucks that remain idle, according to media reports citing Bangladesh Bank sources. In addition, thousands of workers remain without daily wages. Media reports state around 1,200 vehicles across the region have been burned and more than 100 people have been killed to date.

The general inflation rate eased further in January to 6.04% compared to 6.11% in the previous month. However, food inflation appears to be on the rise due to the disruption in supply amid the ongoing political unrest. The average one-year inflation rate from February 2014-January 2015 decreased to 6.86% compared with 7.60% over the same period in 2013-14.

Bangladesh has begun lobbying the World Trade Organization (WTO) to extend the special transition period of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement on humanitarian grounds. This would allow the country to continue to make cheaper drugs available to disadvantaged communities. In Geneva, Bangladesh trade officials, along with other least developed countries, have lobbied WTO members to allow the continued production of patented drugs until 2026 so that affordable treatment options will remain available to the most poverty-stricken populations.

As media reports have pointed out, Bangladesh is one of the world’s most densely populated nations with 160 million people. Nearly 26% live below the poverty line. The TRIPS agreement waiver is set to expire in December 2015. Without the extension, least developed countries will be left open to competition from the global medicine market and be required to pay high royalties to those holding the patents to pharmaceutical products.

The impact of climate change is also being raised. Vector-borne diseases such as malaria, dengue, and hemorrhagic fever, as well as water-borne diseases caused by giardia, salmonella, and cryptosporidium could become more prevalent in Asian countries, including Bangladesh, because of global warming. Implementation of TRIPS in 2016 would further increase the burden and overall health expenditure of people in Bangladesh, in particular, the poorest.

On the pharmaceutical front, Beximco Pharmaceuticals Ltd., a leading local exporter of medicines, has made a foray into the Australian market with the launch of Pantoprazole, a drug for treating gastrointestinal disorder. This is the first time a pharmaceutical product from Bangladesh has been exported to Australia. The company’s state-of-the-art manufacturing facilities have been certified by global regulatory authorities, including TGA Australia, AGES Austria (for the European Union), Health Canada, ANVISA Brazil, INVIMA Colombia, and TFDA (Taiwan), among others.

Philip Kan
pkan@zuelligpharma.com

Fast Fact
The country is lobbying to extend the TRIPS agreement waiver beyond December 2015.

Fast Fact
Numerous regulatory changes affecting the healthcare sector were announced in 2014.
Corporates
Zuellig Pharma Asia Pacific

1303, Shui On Centre
No. 6-8 Harbour Road
Wanchai, Hong Kong
Tel: +852 2845 2677
Fax: +852 2877 5647

Contacts
Mr. John Davison
Chief Executive Officer
Zuellig Pharma
davison@zuelligpharma.com

Mr. Imran Chughtai
Chief Financial Officer
Zuellig Pharma
ichughtai@zuelligpharma.com

Mr. Douglas Stanton
Chief Human Resources Officer
Zuellig Pharma
dstanton@zuelligpharma.com

Mr. Timothy Hui
General Counsel
Zuellig Pharma
thui@zuelligpharma.com

Mr. Andrew Paterson
Chief Information Officer
Zuellig Pharma
apaterson@zuelligpharma.com

Mr. Michael Becker
Area Director, Philippines & Indonesia
Zuellig Pharma
mbecker@zuelligpharma.com

Mr. George Eassey
Senior Vice President
Commercialization
Zuellig Pharma
eassey@zuelligpharma.com

Ms. Jessie Tang
Area Director, South East Asia
Zuellig Pharma
tang@zuelligpharma.com

Mr. Maarten Kelder
Project Director
Zuellig Pharma
mkelder@zuelligpharma.com

Mr. Maikel Kuijpers
Head of Business Transformation/SAP
Zuellig Pharma
mkuijpers@zuelligpharma.com

Mr. Darren Wedding
Senior Vice President Operations
Zuellig Pharma
dwedding@zuelligpharma.com

Mr. Tom Vanmolkot
Regional Director
Medical Devices & Diagnostics/Area Director, North Asia
Zuellig Pharma
tvanmolkot@zuelligpharma.com

Mr. Laurent Levan
Regional Director, Retail
Zuellig Pharma
levan@zuelligpharma.com

Ms. Clare Dally
Regional Head, Patient Solutions
Zuellig Pharma
cdally@zuelligpharma.com

Mr. Giuseppe Leo
Chief Executive
Speciality Solutions Group
Zuellig Pharma
gleo@zuelligpharma.com

Mr. Moses Hee
Chief Executive
MiCare & Regional Head,
Payor Solutions
moshees@micaresvc.com

For information about Zuellig Pharma Asia Pacific or any of its business entities, please contact the Corporate Office:
Zuellig Pharma Asia Pacific
1303 Shui On Centre
No. 6-8 Harbour Road
Wanchai, Hong Kong
Tel: +852 2845 2677
Fax: +852 2877 5647
Email: help@zuelligpharma.com

Country offices
Zuellig Pharma

Bangladesh
Mr. Philip Kan
Managing Director
Zuellig Pharma Bangladesh Ltd.
Tel: +880 (2) 887 0391
pkkan@zuelligpharma.com

Hong Kong & Macau
Mr. Charles Tang
Chief Executive
Zuellig Pharma Ltd.
Tel: +852 2856 3632
tang@zuelligpharma.com

Indonesia
Mr. John Hoeft
Managing Director
P.T. Anugerah Pharmindo Lestari
Tel: +62(21) 345 6008
jhoeft@zuelligpharma.com

Korea
Mr. Christophe Pignaniol
President
Zuellig Pharma Korea Ltd.
Tel: +82 (2) 2006 0600
cpignaniol@zuelligpharma.com

Malaysia & Brunei
Mr. Santiago Garcia
Chief Executive
Zuellig Pharma Sdn Bhd
Tel: +60 (3) 5566 2288
garcia@zuelligpharma.com

Philippines
Mr. Raymund Azurin
Chief Executive
Zuellig Pharma Corporation
Tel: +63 (2) 908 2222
azarin@zuelligpharma.com

Singapore
Mr. Giuseppe Leo
Chief Executive
Zuellig Pharma Pte Ltd.
Tel: +65 6546 8188
gleo@zuelligpharma.com

Taiwan
Mr. John Chou
Chief Executive
Zuellig Pharma Inc.
Tel: +886 (2) 2570 0064
jchou@zuelligpharma.com

Thailand
Mr. Yves Hermes
Chief Executive
Zuellig Pharma Ltd.
Tel: +66 (2) 656 9800
yhermes@zuelligpharma.com

Vietnam
Mr. Robert Kruit
Chief Executive
Zuellig Pharma Vietnam Ltd.
Tel: +84 (8) 3910 2650
rkruit@zuelligpharma.com

Cambodia
Mr. Jean-Gaetan Guillemaud
General Manager
Zuellig Pharma Ltd.
Tel: +855 12865297
jgguillemaud@zuelligpharma.com

For information about Zuellig Pharma Asia Pacific or any of its business entities, please contact the Corporate Office:
The Market Partner: company background


Serving the Asian healthcare markets since 1922, Zuellig Pharma is the region's leading healthcare services provider. Through a broad range of innovative tailored services, the company's objective is to help healthcare companies capture and realize the full market potential of the fast-growing dynamic healthcare markets in Asia.

The company provides targeted solutions aimed at meeting the constantly evolving needs of healthcare companies, from distribution of pharmaceuticals, medical devices and clinical trial materials, sales and marketing outsourcing to patient-centered programs and a full range of retail pharmacy services.

With established networks and facilities across 13 Asian countries, and serving over 290,000 doctors, hospitals, pharmacies and clinics, Zuellig Pharma provides healthcare companies with critical market insight, enabling them to keep pace with market expansion, implement best practices, and reach new levels of growth and profitability.

zip-online® is a sales and inventory information tool designed to give clients efficient information, market intelligence and business insight through online business intelligence tools and scheduled reporting.

AsiaRx

AsiaRx® is our online pharmaceutical and medical supply marketplace that helps hospitals, pharmacies, clinics and clients run their business via the internet. It is unique in its regional scope, multilingual capabilities, tight real-time integration with supplier systems, plus the absolute focus on the customers perspective and business processes. Strong B2B integration enables rapid Client Price Approval and greater end-to-end transparency of order fulfillment.

PharmaLink, a division of Zuellig Pharma, has accumulated decades of experience in the provision of sales and marketing services to the pharmaceutical industry in Asia-Pacific. Backed by a highly experienced team of pharmaceutical professionals, we deliver business growth solutions to clients so they can focus on their core business. Leveraging Zuellig Pharma's extensive network, our current coverage – the Philippines, Indonesia, Malaysia, Thailand, Hong Kong, Vietnam and Taiwan – is set to expand across the region. Service areas include contract sales, contract sales and marketing, agency, strategic market planning, consulting as well as regulatory services. With our extensive doctor database, and pharmaceutical market data and knowledge gathered over years of service, PharmaLink is your dedicated commercialization partner for the healthcare industry in the Asia-Pacific region.

For more information about Zuellig Pharma, please visit www.zuelligpharma.com or write to help@zuelligpharma.com

Affiliated Companies

Pharma Industries has a long-established history in providing contract manufacturing services to the Asian pharmaceutical healthcare industry through its operations in Thailand and the Philippines. With a client base of over 50 multinational companies, and over 1,200 formulations currently in production, the Philippines plant of Pharma Industries is the largest, most advanced contract manufacturing facility in Asia. The group's Thai operations are certified to the same top GMP standards, providing manufacturing services to over 30 research-based companies from around the globe.

PharmaKPO is a joint venture between Zuellig Pharma and the ADEC Group, a global provider of customized outsourcing solutions to Fortune 1000 companies. PharmaKPO provides a wide range of business process outsourcing (BPO) and knowledge process outsourcing (KPO) services to multinational pharmaceutical companies. Working with PharmaKPO offers companies the opportunity to maintain their focus on core competencies while simultaneously reducing operating costs and improving operational efficiencies. PharmaKPO also delivers strategic, knowledge-driven outsourcing solutions tailored to the specific needs of pharmaceutical industry clients.