Market Overview

Vietnam represents a potentially huge medical device market, with a population of 81 million and a steady GDP growth of 7 percent annually. However, the country's stock of medical equipment remains small and poorly utilized. Much of the country's healthcare infrastructure dates from colonial times and is in dire need of modernization. Recognizing the important role of public healthcare in the country's social-economic development, the government has increased funding to improve the sector. Since the 1990s, opportunities have emerged for foreign suppliers of medical equipment in this market owing to economic growth and more open governmental policies towards private sector participation. The more open attitude to the rest of the world has made Vietnam much more accessible to overseas suppliers. Since the U.S. – Vietnam Bilateral Trade Agreement (BTA) was implemented in 2001, economic links between the two countries have strengthened, producing a rise in U.S. imports of medical devices and equipment.

According to industry estimates, the market for medical equipment is worth USD $190 million and is growing by 10 percent each year. Since local production is small, the market relies entirely on imports. Top foreign suppliers include Germany, Japan and the United States, each having about 30 percent of the market. With a strong reputation for high quality and reliability, U.S. medical equipment is well received by the Vietnamese market. The best sales prospects for U.S. manufacturers of medical equipment are imaging diagnostic equipment (i.e., X-ray, CT Scanner, Color Ultrasound, M.R.I.), laboratory equipment, operating theaters and sterilizing equipment, patient monitoring equipment and emergency equipment.

Market Profile

According to the Vietnam Ministry of Health (MOH), the health care system consists of 13,051 facilities with 185,759 beds. These hospitals are generally overcrowded with a bed utilization rate of 15 per 10,000 inhabitants. A recent survey reveals that half of the existing medical equipment in Vietnam is obsolete, needing to be replaced. Many hospitals are short of specialized medical equipment, presenting problems for both patients and physicians.

As non-profit organizations, public hospitals in Vietnam are unable to earn the money necessary to upgrade their facilities and equipment. Budget allocations from the government and international aid groups are the main sources of income for Vietnamese hospitals, but they do not cover system demands. By comparison, the average budget expenditure for healthcare is USD $5 per capita in Vietnam, USD $8 in Laos, USD $7 in Indonesia, USD $44 in Thailand, and USD $63 in Malaysia.

Import Market

According to industry estimates, the market for medical equipment is worth USD $190 million, and is poised to grow at an average rate of 10 percent each year. Since local production is small, the market relies primarily on imports. Germany and Japan are key suppliers, each accounting for 30 percent of the market. U.S. products also account for 30 percent of the market and are growing at 10 percent per year. Imports from the U.S. in 2005 are expected to reach USD $48 million. Vietnam also imports medical equipment from France, Italy, Korea, and Taiwan.

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Competition

Domestic Production

Presently, 15 local manufacturers make 560 products officially licensed by the MOH. Sophisticated medical equipment is not developed in Vietnam. Local manufacturers make small-scale products limited to the following products: namely, plastic gloves, bandages, drips, compresses, clothes, masks, syringes and injection needles, sewing thread, surgery sutures, biomedical polymer membranes for burn therapy, lead rubber, barite powder and hospital furniture.

In order to meet the strong demand for medical equipment, a national policy has been devised to modernize the industry by 2010. This policy sets specific targets for the development and purchase of medical equipment, as well as modernization of research facilities. In particular, the recently issued Decision 18/2005/QD-TTg requires that local production of medical equipment meet 40 percent of the medical sector's demands by 2005, and 60 percent by 2010. According to industry experts, these stated targets are too ambitious. The reality is that the Vietnamese medical market will rely on imports of high-end equipment through 2010.

To date, Vietnam has not attracted significant foreign investment in the manufacture of medical equipment for domestic consumption. There are a few joint-venture companies operating here: namely, SHIMADZU Vietnam (Japan) assembling X-Ray machines, ultrasound apparatus, high-tension cables and ultrasound probes; B. Braun (Germany) manufacturing intravenous infusion sets; VIKIMCO (Korea); and VINAHANKOOK (Korea) producing disposable syringes.

Third Country Imports

The Vietnamese medical equipment market is competitive, with international suppliers from Germany, France, Italy, the United States, Japan, Korea, Spain, Switzerland, Taiwan, and China. The key third country suppliers are Germany and Japan, each of which account for one-third of the market.

German suppliers enjoy market incumbency and a reputation for high-end, durable and precise equipment. Siemens medical equipment is used in many hospitals, and end-users praise their technical expertise, customer support, and after-sales-service.

Japanese companies have established a firm position in the market. Their competitive edge is attributed to affordable pricing and customized products and services. Official Development Assistance (ODA) plays an important role in assisting Japanese exporters offer soft financing to the Vietnamese. Similarly, the Japanese International Cooperation Agency (JICA) is active in supporting and promoting Japanese-made medical products to large hospitals such as Cho Ray in Ho Chi Minh City and Bach Mai in Hanoi. As a consequence, Shimadzu, Toshiba, and Aloka equipment sales are the market's top suppliers. Nonetheless, end-users criticize Japanese suppliers for providing insufficient training and charging high fees for repair and replacement.

While France, Netherlands, Italy, Spain, Korea, and China supply the market, their sales in Vietnam are slumping because the Vietnamese prefer products made in the United States, Germany and Japan.

U.S. Market Position

The Vietnamese healthcare system is familiar with U.S.-made medical equipment and recognizes its superior quality. Soon after the U.S. trade embargo was lifted in 1994, local distributors and end-users shifted to U.S. suppliers. As a consequence, U.S. sales of medical equipment have been steadily increasing by 10 percent per year. U.S. companies have their own distinct advantages in quality, advanced technology and brand recognition. Many end-users have acknowledged that U.S.-made equipment would be their first choice if their purchasing budget were adequate.

Unfortunately, Vietnamese healthcare providers find that U.S. products tend to be priced 20 - 40 percent higher than those of their competitors. Since most purchasers are under strict budget restraints, they are price-sensitive and sometimes sacrifice quality for quantity, particularly with state-managed hospitals.

To be more competitive, U.S. companies should consider U.S. Government trade financing support. The U.S. Export - Import Bank and the U.S. Small Business Administration help U.S. exporters access export working capital and provide foreign buyers with direct loans and guarantees of commercial bank loans. These U.S. Government agencies may be instrumental in facilitating deals with creditworthy Vietnamese state-owned or private health care institutions.

End-User Analysis

Buyers of medical equipment can be grouped into four categories:

1. Government-funded hospitals, clinics, and health care centers purchase the largest quantity of medical equipment. With financial support from the government, they tend to look for advanced and brand name equipment.
2. Wholly foreign-owned and joint-venture hospitals, clinics, and health-care centers are big buyers, but they generally procure directly from their sponsoring country;
3. There are 26 local private hospitals nationwide that are keen to upgrade to advanced equipment; and
4. There are five medical education and research institutions that are open to experimenting with new, innovative methods and systems. These end-users present an excellent opportunity to strategically market U.S. equipment in Vietnam, given their desire to explore new technologies.

Geographically, there are two major medical equipment markets in Vietnam: Hanoi and Ho Chi Minh City, which together represent 80 percent of the entire market. Although Ho Chi Minh City has a larger population and more medical centers, Hanoi has the largest share of purchase contracts. The Ministry of Health (MOH) based in Hanoi is often the decision-maker for large projects. The MOH generally requires purchasing new equipment made in G-8 countries and advanced equipment made in the United States.

Market Access

Since 1996, imports of medical equipment enjoy a low import tax and have no quota restrictions. However, the MOH requires that imports of medical equipment in Vietnam go through a trading company that has an import license issued by the Ministry of Trade. Presently, only domestic businesses and foreign invested enterprises licensed to manufacture medical devices in Vietnam can import and export such products.

According to the Government's Decree 89/CP dated December 12, 1995, and Circular 05/2000/TT-BTM dated February 21, 2001, each year the MOH, in consultation with the Ministry of Trade, issues a list of imported equipment that must be registered and approved by the Ministry of Health. The current list includes the following products: CT scanners and gamma scanners; cobalt and accelerator equipment; simulator equipment; magnetic resonance equipment; blood filter/sterilizing equipment; ultra-sound color doppler equipment; x-ray equipment; emergency/recovery equipment; laboratory equipment; and specialty equipment (e.g., obstetrics, pediatric, optical and sterilizing equipment).

Most imports of used and refurbished medical equipment are strictly controlled by the MOH. Decision 2019/1997/QD-BKHCNMT dated December 1, 1997, stipulates that the Ministry of Science, Technology, and Environment (MOSTE) must inspect and certify all imports of used medical equipment. Such used medical equipment must retain at least 80 percent of its life expectancy and must have fuel or electricity consumption ratings that do not exceed 110 percent of the consumption of newer versions of the equipment.

The import tax for medical equipment is low, generally ranging from zero to five percent, but the imported equipment is subject to a general value added tax (VAT) imposed on most goods and services consumed in Vietnam. The standard VAT rate for medical equipment is five percent and ten percent for spare parts.

Under current Vietnamese law, the MOH or the appropriate provincial department of health is responsible for processing and responding to the overall application for registration. If approved, the resulting license is valid for two years. Most private companies and local state owned companies are familiar with registration process and can handle applications easily.

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Only Vietnamese companies are eligible to distribute medical equipment in Vietnam. Foreign suppliers sell their products through local distributors or agents. The agents provide immediate access to an established marketing network and in-depth knowledge about pertinent regulations. Buyers and end-users expect a local representative to handle after-sales service and stock spare parts. It is essential that U.S. companies seeking to import and market medical equipment in Vietnam have a local partner with strong technical skills and good connections with the MOH, hospitals and other healthcare facilities.

In medical institutions, there is usually a medical equipment procurement division that dictates the technical requirements for the desired equipment and then monitors the procurement process. According to the Government Decree 88/1999/ND-CP dated Sept. 1, 1999, hospital officials have the authority to buy directly equipment valued under USD $8,000. Above USD $8,000, the procurement has to go through a public tender.

Funding Sources

According to the MOH, from 2005 to 2010, the government is projected to spend USD $1.8 billion for building 57 new hospitals, in which over USD $1 billion will be spent on medical equipment. In addition, the MOH has launched an ambitious strategy to develop three hi-tech centers nationwide and increase the number of skilled and well-trained medical personnel. In 2005, the Vietnamese Government plans to spend USD $33 million on healthcare, a 24 percent increase over 2004 spending levels in the healthcare sector. Additionally, the Vietnamese Government will provide USD $23.9 million to develop new infrastructure and modernize district clinics nationwide. Foreign aid and loans will be used to upgrade provincial hospitals, district clinics and communal health centers, as well as fund epidemic prevention drives and medical check-ups for the poor. The MOH is also preparing to contribute corresponding capital to 25 foreign-assisted projects slated for 2005. Those projects address safe blood transfusion, HIV/AIDS prevention and care, upgrade central hospitals in the city of Hue, healthcare for people in the Central Highlands and poor people in the mountainous northern provinces.

From now until 2020, Ho Chi Minh City (HCMC) alone will spend USD $900 million to develop the municipal medical sector, mainly for building new clinics. The HCMC Service of Health has submitted to the city government a master plan to build and upgrade 41 public hospitals and 28 private hospitals. HCMC will cover part of the investment, borrow from local and foreign lenders, as well as invite investors to participate in the sector.

By 2020, numerous new medical centers and hospitals will be built, and many hospitals will be relocated to outlying districts. New facilities to be built include the Preventive Medical, Testing and AIDS Research Centers, the Blood Transfusion and Hematology Center, and the second Traumatology and Orthopedics Hospital. In addition, other projects include a hi-tech medical center in Binh Chanh District, a medical commercial center, a medical equipment factory, and clinics at districts.

These projects offer export opportunities to U.S. medical equipment suppliers, architects, and consultancy and training services providers.

Upcoming Trade Shows

U.S. exporters are encouraged to take part in exhibitions of medical equipment to showcase their products to the market. One of the largest in Vietnam is the annual International Medical & Pharmaceutical Trade Fair detailed below:

TYPE:	International Medical & Pharmaceutical Trade Fair
VENUE:	Ho Chi Minh International Exhibition & Convention Centre (HIECC) 446 Hoang Van Thu Street, Tan Binh Dist., Ho Chi Minh City, Vietnam
DATE:	4 days - Wed. 7th to Sat. 10th Sep., 2005
EDITION:	5th annual
SECTORS:	Pharmaceuticals, Medicine Materials, Oriental Traditional Medicine. Chemistry: Biochemical, Hematological Technical Medical Equipment, Medical Instruments. Nuclear Chemistry and Pharmaceutical Chemistries Dental and Surgical Instruments Laboratory Technology Emergency Services Diagnostics; Orthopedics; Surgery supplies Hospital Supplies; Hospital equipment Interior Decoration; Office Organization Disinfections; Cleaning Technology Disposal Textiles; Building Engineering