The 4th EU – Indonesia Business Dialogue Conference

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Introduction

- **Economic Relations**
  - The EU and Indonesia have built robust commercial relations, with bilateral trade accounting for approximately EUR 25 Bio in 2012 and a trade surplus for Indonesia of around EUR 3 Bio.
  - The EU is the second largest investor in the Indonesia economy, around 1000 European companies have invested about EUR 130 Bio into the economy and directly employ 1.1 Mio Indonesians. However, compared to other countries in Asia, the EU's direct investment in Indonesia is still relatively small.
  - Indonesia is a very attractive market for the EU pharmaceutical industry, while EU companies are set to assist the Indonesia industry to become a major supplier and exporter of drugs as well as new herbal medicine (jamu) products.
  - The EU pharmaceutical market is the world's second largest after the USA, has grown substantially during the last 10 years. Around 80% pharmaceutical imports to the EU come from Switzerland and the USA, Indonesia only 0.02% of EU imports (2010)
  - The EU market constitutes a large and important market for Indonesia (500+ mio citizens) – also the source of investment, innovative technological solutions.

Introduction

- **The Indonesian Pharmaceutical Market**
  - Last year, the market grew from US$ 4.58 Bio (2011) to US$ 4.85, and continue growth with CAGR 12-13% till 2018. Key drivers are the growing middle class, and increased awareness, understanding of importance of health and GDP growth. However only 2.7% government healthcare spending.
  - There are more than 200 local companies (including SoE) and around 30 international pharmaceutical companies in Indonesia, approximately 20 European companies have an active presence. Local manufacturers dominate 71% market share.
  - Distribution of pharmaceutical products take places through distributors who later distribute the products to around 11,000 pharmacies, 2,200 hospitals and million retail outlets.
  - Apart from the generic markets, the price of pharmaceutical products in Indonesia is not controlled.
  - The generic market is also very important in Indonesia, majority of drugs sold in Indonesia being generics. But, despite the country possessing huge in domestic companies could cause the market to stagnate, if IPR regulations are not tightened.

Introduction

- **Regulatory Issues**
  - Indonesia is preparing towards the implementation of National Health Insurance (Jaminan Kesehatan Nasional) by 1st January 2014. This program is implemented based on Law No.40/2004 of SJSN and Law No.24/2011 on BPJS. The aims of the UHC scheme are to ensure that the scheme is introduced in line with the principles of affordability, accessibility and rational use of medicine.
  - FORNAS (National Formulary) and e-catalogue, which is scheduled to be compiled before implementation, will record over 500 safe and cost-effective medicines.
  - UHC road map, starting 1st January 2014, all JAMKESMAS, ASKES, Military and Police members, JAMSOSTEK will be covered by JKN. Gradual implementation will begin in 2014 with full coverage expected by 2019.
  - To successfully implement the JKN, Government needs to ensure that all relevant regulations are in place, which remains as uncertainty, as many of the regulations have not been released. There are 14 regulations should be before 31st December and 3 afterwards as planned by the government.
  - It is expected that there will be challenges in the implementation considering the lack of implementation guidelines to date.

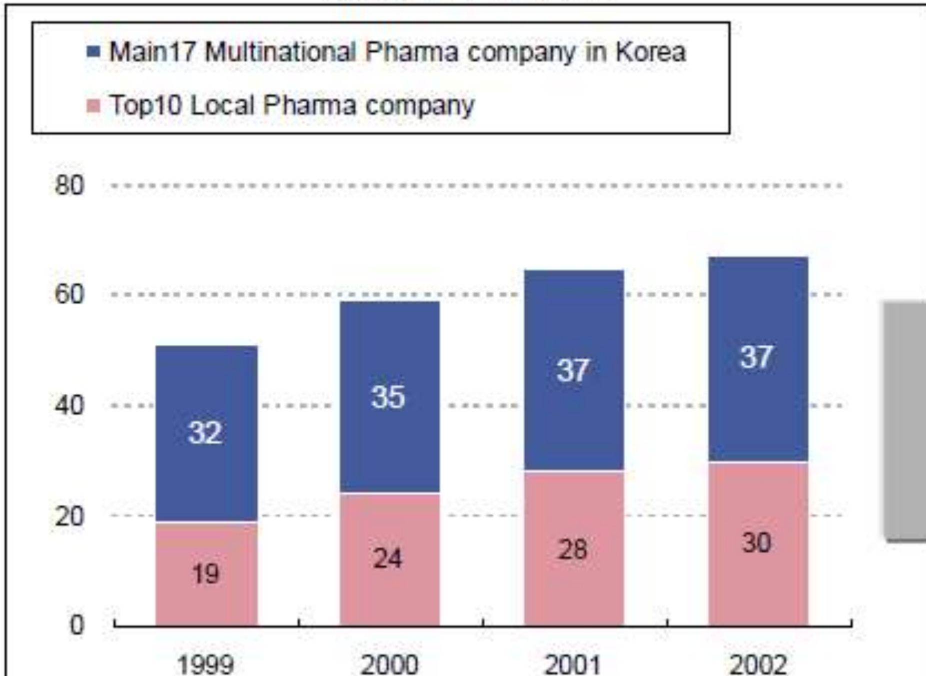
Key Points for Discussion

- Enlarging trade and investment opportunities in the pharmaceutical sectors benefitting both Indonesia and the EU.
- Indonesia spends very little on medicines – US$ 22 per capita per annum. With the upcoming UHC, effective as of January 1st, 2014, an opportunity for both local and foreign companies to increase the market share.
- The products covered under the UHC are required to be listed in FORNAS and e-catalogue.
- Generics and local companies are more favorable. Cost effectiveness meant price.
- Less innovative medicines to be access for broaden patients
- Consider introduce Health Technology Assessment (HTA) and Innovative Pricing Model
- Manufacturing capacity to serve a growing market will be key.
- The distribution across such a vast nation as Indonesia
- Government should invites representatives from local and foreign to sit together and provide input into the implementation challenges and offer solutions with trust worthy and partnership.
- Forming a technical working committee to address any issues.

Benchmark from Korea

After SPD in 2000, industry growth was led by multinational companies with branded drugs…

Market Share: Multinational vs. Local Pharma Company after SPD* in 2000



Source: Special report of "Multinational Pharma company in Korea after SPD", Korea Investor Service, 2005

(Top 17 Multinational Pharma Company: Pfizer, GSK, MSD, Bayer, Janssen, J&J, BMS, Lilly, Sanofi, BI, Roche, Schering, Otsuka, Novartis, Wyeth, Aventis, Handok)

Top 10 Drugs by Reimbursement Claimed Value in 2009

"7 out of Top 10 drugs are Multinational Pharma company"

1	Plavix	Sanofi Aventis
2	Stiren	DongA
3	Glivec	Novartis
4	Novarsc	Pfizer
5	Lipitor	Pfizer
6	Amodipine	Hanmi
7	Baraclude	BMS
8	Crestor	AZK
9	Ultrabist	Bayer
10	Gliatirin	Daewoong

Source: Health Insurance Review & Assessment Service (HIRA)

Thank You