

India’s Medical Device Sector: Increasing U.S. Export Opportunities

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India’s rapidly growing healthcare market is providing significant trade opportunities for U.S. medical device firms. From 2005–09, U.S. exports of medical goods to India increased by 73 percent. An estimated three-quarters of India’s demand for medical devices is currently met by imports, nearly 30 percent of which are supplied by the United States. The growth of U.S. medical goods exports to India is expected to continue as a result of India’s burgeoning middle-class, growing medical tourism industry, swelling private-sector healthcare investment, aging population, and heightened government commitment to provide health services to the rural population.

INCREASING U.S. MEDICAL DEVICE EXPORTS TO INDIA

Figure 1. The United States is India’s largest import source of medical goods



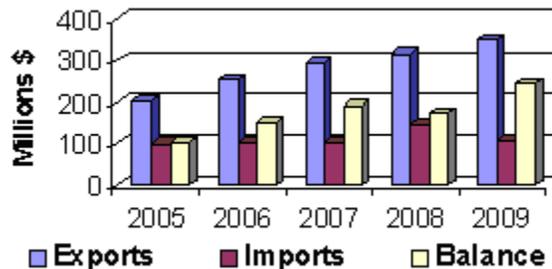
Note: Data is for 2008
 Source: Global Trade Atlas, GTIS

- India generally assigns lower tariffs to finished medical devices—which U.S. firms specialize in manufacturing (figure 1)—than to component parts; more than 100 types of devices face duties ranging from 5 to 7.5 percent, while the duties assigned to the parts associated with this equipment can reach 10 percent.

- Over the past five years, U.S. exports to India of cardiac devices, such as pacemakers and electrocardiograph machines, increased by \$14 million or 70 percent, while orthopedic devices, which include knee replacements and spinal cord devices, increased by \$50 million or 69 percent (figure 3). Further exporting opportunities are expected for x-ray machines and hospital beds due to continued investments in India’s healthcare infrastructure and the continued success of medical tourism.

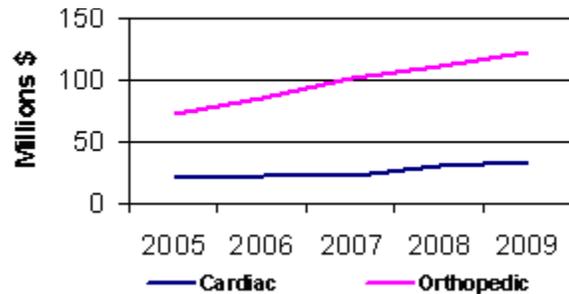
- From 2005–09, U.S. exports of medical goods to India increased by \$149 million (73 percent) (figure 2). Moreover, over the past two years, U.S. medical goods exports to India increased at a faster rate than to any other leading market, except China.

Figure 2. The U.S. trade surplus with India in medical goods is growing



Source: Official statistics of the U.S. Dept. of Commerce.

Figure 3. U.S. cardiac and orthopedic device exports to India, 2005–09



Source: Official statistics of the USDOC.

INDIA'S GROWING HEALTHCARE MARKET

- India's medical equipment market—valued at \$2.7 billion in 2008—is Asia's fourth-largest (behind Japan, China, and South Korea) and is projected to reach \$6 billion by 2015, as health insurance becomes more widely available and the country's middle-class consumers continue to demand better healthcare services.
- By 2050, India is expected to overtake China as the world's most populated country, with a projected population of 1.7 billion. By 2025, India's elderly population (aged 60 and above) is expected to reach nearly 200 million, which will place added demands on the country's healthcare sector. India's aging population is leading to an increase in spinal, bone, and joint-related afflictions—which commonly require orthopedic devices, such as prosthetic joint replacements. By 2015, the country's market for orthopedic devices is expected to reach nearly \$600 million.
- India is one of the world's leading destinations for medical tourism, providing treatments in complex areas such as cardiology, joint replacements, orthopedic surgery, and cosmetic procedures at nearly one-tenth of the cost incurred in the United States. The medical tourism industry is expected to grow by at least 30 percent annually, as international consumers look to reduce their healthcare expenditures.
- To encourage medical tourism, the Indian government now issues special “medical” visas for medical tourists (in order to expedite entry into the country) and has established public-private partnerships to build highly specialized medical facilities in cities such as New Delhi. India hosted an estimated 450,000 medical tourists in 2008.
- Affluence is contributing to an increase in lifestyle related ailments—including heart disease and diabetes—among India's upper-middle class (currently about five percent of the population, but expected to grow to more than 40 percent of the population over the next two decades). By 2020, India is forecasted to have the world's greatest incidence of cardiovascular disease and India is currently believed to have the world's highest number of diabetic patients.

FOREIGN INVESTMENT OPPORTUNITIES

- Since India's government began allowing private insurers in 2000 and removed limits on insurance premiums in 2007, the country's health insurance market has grown significantly and is expected to triple in size to \$3 billion by 2013. The private sector is expected to drive much of this expansion, having nearly doubled their market share since 2004. Foreign insurers, such as U.S.-based AIG and New York Life, are increasingly entering the market as well. National healthcare spending is expected to reach \$143 billion by 2014, more than double the 2008 level. A portion of this money is expected to finance health insurance for 400 million rural citizens.
- U.S. companies are increasingly becoming active participants in India's healthcare sector, as evidenced by General Electric's plans to invest \$3 billion over the next six years to finance research and development, develop healthcare information technology capacity, and invest in delivering healthcare services to the rural sector.

Sources: “India: Healthcare and Pharmaceuticals Report,” EIU, November 12, 2009; “Healthcare in India,” PriceWaterhouseCoopers, 2007; “India's Device Market Defies the Recession,” Medical Device Network, August 13, 2009; “India, World Diabetes Capital,” Hindustan Times, May 4, 2010; “Medical Devices Industry Assessment,” USDOC, March 2010. Contact author for a full list of sources.