Overview

China is currently the world’s second largest market for medical devices. In 2014, sales of medical devices grew 20.6 percent, totaling RMB 256 billion. Fueled by an increase in disposable income and a large, ageing population, the Chinese medical devices industry has experienced 20 percent annual growth since 2009.

The Chinese medical industry relies heavily on foreign medical supplies. The U.S., Germany and Japan are the primary sources of high-tech, high-priced medical equipment. Although there are several thousand local manufacturers of medical devices in China, most of the Chinese companies are small. Approximately 90 percent produce low-tech products such as syringes and thermometers. The majority of high-tech equipment, such as CT scanners, ultrasound and MRI equipment is imported.

Medical Devices vs Medical Equipment

The U.S. is home to two-thirds of the world’s top 30 largest medical device manufacturers and is the top exporter of medical devices to China. In 2015, more than 12,000 enterprises were actively exporting medical devices to China, including Johnson & Johnson Medical, Medtronic Shanghai, Olympus Shanghai, and Roche Diagnostics China. According to the China Medical Pharmaceutical Material Association, imported medical devices typically sell for prices which are 50-100 percent higher than they would be in their origin countries, making China an attractive market for foreign producers of medical devices.

Foreign companies can, however, face significant barriers to the Chinese medical devices market. This is due in part to China’s strict regulatory environment regarding foreign investment into its medical device industry. According to China’s Guidance Catalogue for Foreign Investment, foreign investors are not allowed to set up wholly...
foreign-owned medical institutions. Also, the classification system for medical devices in China differs significantly from that in the U.S. However, companies which export high-tech medical equipment to China may face fewer barriers and greater business opportunities than those who export medical devices.

The table below shows China’s import of medical devices during the past three years:

**China’s Import of Medical Device (2013-2015)**

<table>
<thead>
<tr>
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<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td><strong>Total Imports</strong></td>
<td>14,975</td>
<td>15,771</td>
<td>17,319</td>
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<tr>
<td><strong>YoY Growth Rate</strong></td>
<td>20.07%</td>
<td>5.32%</td>
<td>9.81%</td>
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<td><strong>Imports from the U.S.</strong></td>
<td>3,972</td>
<td>4,291</td>
<td>4,715</td>
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<tr>
<td><strong>U.S. Share of the Total Imports</strong></td>
<td>26.5%</td>
<td>27.2%</td>
<td>27.2%</td>
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*Source: China Customs, TradeStats Express (HS Code 9021 9018 3822 9019 9020 9022 902780 902750 902730 902700)*

Shanghai remains the largest importer of medical device in China, with imports totaling RMB 22.57 billion (US$3,481 million) last year. The U.S. is Shanghai’s top trading partner of medical devices, exporting US$1,087 million to the city in 2015. Major imports in the medical devices sector include endoscopes (number one), x-ray machines (over 70 percent growth compared to 2014), and kidney dialysis equipment (164 percent increase).

**Selling to Chinese Hospitals**

With 80 percent of the market share, hospitals are currently the largest distribution channel for medical devices in the Chinese market. By the end of 2014, China had established 25,860 hospitals, which are classed into three levels (tier-3, tier-2, and tier-1) based on hospital size and capability. Nearly 100 percent of medical devices are imported for use in tier-3 hospitals, and 66 percent for use in tier-2 hospitals.
Best-selling Prospects

In 2015, 43 categories of medical devices imported into China exceeded the value of US$100 million, including:

- General diagnostic equipment
- Ultrasound diagnostic equipment
- Rehabilitation appliances
- X-ray tomography instruments
- Endoscopes and artificial joints
- Orthopedic equipment
- Fracture equipment
- Medical accelerators
- Medical catheters and Magnetic Resonance Imaging (MRI) equipment.

China became the world’s top importer of X-ray equipment in 2015. The U.S. exported US$ 677 million of goods under HS Code 9022 (i.e., X-ray Etc Apparatus, Tubes, Panels, and Screens) to China in 2015 – a one-year increase of 34.9 percent. Major companies engaged in exporting medical equipment include Philips Medical Systems, Siemens Healthcare, Siemens Ag Healthcare Sector, and Sirona Dental Systems Gmbh. Additionally, in 2013, diagnostic imaging equipment accounted for 40 percent of China’s medical devices market and has been growing at a rate of over 30 percent per annum for the past three years.