

## **CHINA'S MEDICAL DEVICE INDUSTRY POTENTIAL**

By Xingzhou Liu M.D. MBA  
North Carolina Chinese Business Association

China's economy has grown, on average, eight percent per year for almost a quarter century. This growth has created a huge demand for the products, services and knowledge that Western companies can supply, especially those in the medical devices industry, since the young domestic manufacturers can only provide about half of the present market needs. China still has long way to go to build the necessary infrastructure to produce medical devices to satisfy the drastically increasing demands.

China has the world's largest population (1.3 billion people) and robust and fast growing medical devices market (\$ 6.4-10.6 billion according to 2004 estimation), which is growing 15% annually – double the growth rate of the industry worldwide). After its entry into WTO about four years ago, China's market has been more open to the foreign companies. Because domestic manufacturers, whose products are mainly at low ends, can only meet about half of market needs for medical devices, most of the leading medical devices companies in the US have penetrated into China's market systematically.

But for small and medium size medical devices companies, the backbone of medical devices industry in the US, one particular significant problem is the lack of a safe harbor for their investment. Unlike big multinational companies, due to the financial, personnel and other constraints, small and medium size companies can not afford too much short term loss to serve their long term strategic purposes. Although China's market seems enticing, the gap is more than the Pacific Ocean.

Among all the concerns small and medium companies have, two of them are conspicuous. The first one is the intellectual property protection and the other is the effective and efficient penetration into the market.

For the IP issue, over the past 20 years since China launched economic reform and open policy, China has made substantial progress in putting in place a modern, transparent and effective patent system. In the WTO era, the government has been constantly adopting and revising its patent law to bring China further into line with international practice.

For market development in the medical device industry, there are additional issues other than the differences in culture, economic and political environment commonly encountered by all entrants in any other industries. These include the maze of rules, regulations, and multi-layered bureaucracy.

The solutions to navigating these issues are found in the insightful understanding of the market and personal relationships. North Carolina in general, and RTP in particular as a stronghold, has attracted a lot of people with solid practical experience and strong network in Chinese. These people spread widely in many professions such as university professors, doctors, lawyers, researchers, middle or senior level business managers, entrepreneurs, etc. North Carolina's world-renowned business schools in Duke, UNC and NS State have attracted numerous high

quality MBA students from China. It is within this community that developing relationships can lead to capitalizing on the strong potential of the Chinese market.

**About the North Carolina Chinese Business Association (NCCBA):**

NCCBA was founded in 2004 in North Carolina's Research Triangle Park. It is the premier nonprofit charitable and educational business organization in the state. One of NCCBA's missions is to represent, serve, and promote the common interests of our membership, both from China and the US, and the North Carolina business community. NCCBA is determined to serve as a major catalyst in bridging the China - North Carolina business relationship. To learn more about NCCBA, please visit the web site at <http://www.nc-cba.org>.

For additional information about the NCCBA and Medical Device opportunities, please take a look at the following slide presentation:

<http://www.ncmedicaldevice.org/updates/china-slides.pdf>