

The Russian Market: Opportunities for the U.S. Healthcare & Pharmaceuticals Industries

Russia's Market for Healthcare & Pharmaceuticals Holds Vast Potential

The country's large and aging population opens up tremendous opportunities for U.S. pharmaceutical firms and healthcare service providers. The fastest-growing sections of the Russian population fall between the ages of 50 and 64.¹ These demographic trends, combined with rising disposable incomes, suggest that current growth in the Russian healthcare market will continue.

Russia Is a Bright Spot for U.S. Firms Looking to Expand Their Sales

Russian demand for quality brand name pharmaceuticals is growing as personal wealth and education continue to increase.² Russia's WTO commitments should help U.S. firms expand their market share even further – Russian tariffs on imported medicines will fall from 15% to around 5-6%, and tariffs on medical substances used in medicine production will be cut to 2-3%.³

- Russia's medicine consumption is the fastest-growing in the world.⁴
- In 2005, sales in Russia's pharmaceuticals market increased 30% to reach US\$9 billion.⁵
- Some experts predict Russia's drug market will be worth US\$15.5 billion by 2010.⁶
- Johnson & Johnson's sales in Russia grew 80% in 2006.⁷ Other U.S. companies doing business in the market include Abbott Laboratories, Eli Lilly, Pfizer, and ICN-Pharmaceuticals.⁸
- By some estimates, 75-80% of total dollar amounts in pharmacy sales in Russia are spent on imported medicines and related products.⁹ Russia imported more than US\$67 million worth of U.S. medicinal and pharmaceutical products in 2006.¹⁰
- 88% of the US\$1.58 billion provided to the Russian state drug program (for pensioners and low-income families) in 2005 was spent on foreign-made drugs.¹¹

Medical and Dental Equipment Are in Growing Demand in Russia

Experts expect Russia's medical equipment market to expand 9% annually and reach US\$2.7 billion by 2011.¹² Additionally, as incomes grow, dentistry is becoming a greater spending priority for Russians, opening up opportunities for U.S. manufacturers of dental equipment.¹³

- Russia has agreed to substantial tariff reductions for medical equipment following WTO accession – Russian tariffs on these products will average 5%.¹⁴
- According to one report by the U.S. Commercial Service, the U.S. ranks #2 in terms of market share (22%) in the Russian market for imported medical equipment.¹⁵ The U.S. maintains a competitive edge, for example, in surgical equipment and supplies, orthopedic implants, and disposables.¹⁶
- In 2006, U.S. exports to Russia of medical, dental, orthopedic and x-ray equipment, and parts grew 70% to US\$50 million.¹⁷
- GE Healthcare supplies diagnostic equipment to more than 750 hospitals in Russia.¹⁸

¹ *Wall Street Journal*, (September 25, 2006).

² "Opportunities in Energy & Medical Industries: Doing Business with Russia," (April 29, 2005). See: http://www.bawtc.com/events_detail.asp?PartnerID=&EventsRegionID=bayarea&offset=10&EventID=576%20

³ Heli Simola, "Russia getting closer to WTO membership," *BOFIT Online* (March 2007).

⁴ *Interfax*, (October 23, 2006).

⁵ *Wall Street Journal*, (September 25, 2006).

⁶ The company is DSM. See: *Ibid*.

⁷ "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

⁸ See fn #2 above.

⁹ *Tyumenskaya Liniyz*, (July 31, 2006).

¹⁰ International Trade Administration, SITC 54 (2006) – "Medicinal and Pharmaceutical Products."

¹¹ *Wall Street Journal*, (September 25, 2006).

¹² "The Market for Medical Devices in Brazil, Russia, India & China 2007," Espicom Business Intelligence.

¹³ Ludmila Maksimova, "Recent Trends in the Russian Dental Market," BISNIS, (January 2004).

¹⁴ "Non-Agricultural Goods Market Access," USTR Fact Sheet (November 19, 2006).

¹⁵ Ludmila Maksimova, "Russian Medical Equipment Market," BISNIS (November 2004).

¹⁶ See fn #2 above.

¹⁷ ITC Dataweb, Total U.S. Exports to Russia, (HTS-9018 + HTS-9021 + HTS-9022), 2006 by FAS Value.

¹⁸ Company Fact Sheet on Business in Russia. See: <http://www.ge.com/ru/en/ourCompany/activities/gerussia.html>