

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

Russia Represents a Large and Significant Market for Medicines and Healthcare Products

The ongoing healthcare needs of Russia's 142 million citizens make the country a major emerging market for life science products.

- Drug sales in Russia grew **18%** in 2009 to a total of \$18.3 billion.¹
- The government's *Health 2020* plan is designed to increase Russians' life expectancies and provide medical insurance to the country's entire population.² The program is likely to increase already strong demand for retail prescription drugs that Russian consumers currently pay for out-of-pocket.³
- Russia's market for medical devices and supplies grew **38%** in 2009 to \$3.3 billion and is projected to grow 5.5% annually to reach \$4.3 billion by 2014.⁴

U.S. Firms See Growth Opportunities in the Russian Pharmaceutical Market

Foreign drug manufacturers dominate the Russian pharmaceutical market, accounting for 77% of the country's drug sales as of 2008⁵, and U.S. companies are well positioned in this "pharmerging" market.

- The U.S. exported more than \$40 million worth of medicinal and pharmaceutical products to Russia in 1H 2010, marking growth of 50% over the same period in 2009. At this pace, full-year 2010 U.S. medicinal and pharmaceutical product exports to Russia will approach record high levels of \$81 million seen in 2007.⁶
- Once implemented, Russia's WTO commitments should help U.S. pharmaceutical manufacturers maintain a strong position in the Russian market. After WTO accession, 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%.⁷
- Since 2009, **Eli Lilly and Co.**, in partnership with Purdue University's Chao Center for Industrial Pharmacy & Contract Manufacturing, has provided hands-on Good Manufacturing Practices training to Roszdravnadzor, Russia's federal medicine inspection agency.⁸
- Active in Russia since 1992, **Pfizer** has more than 100 drugs registered in Russia⁹ and was the top-selling U.S. pharmaceutical firm in the Russian market in 2008, with **sales reaching \$164 million**.¹⁰
- Illinois-based **Abbott Laboratories** maintains a facility near Moscow that provides nutritional products, glucose meters for diabetes patients and products to address vascular diseases.¹¹

Russia is a Promising Market for U.S. Companies' Medical Equipment Sales and Exports

Nearly two-thirds of Russia's medical equipment is obsolete, creating demand for new medical devices. Russia imports 60% of its medical devices, and 20-25% of those imports come from the U.S.¹²

- In 1H 2010, U.S. exports to Russia of medical, surgical, dental, orthopedic and x-ray equipment and parts totaled more than \$47 million, representing growth of 65% over the same period in 2009. The sector had seen steady significant increases before the economic crisis: in 2009, these exports totaled more than \$103 million, and they had reached \$137 million in 2008, a 69% increase over the previous year.¹³
- General Electric Company's **GE Healthcare** unit has provided more than 2,000 pieces of advanced diagnostic medical equipment to more than 750 hospitals in cities across Russia.¹⁴
- Russia has agreed to substantial tariff reductions for medical equipment following WTO accession – Russian tariffs on these products will average 5%.¹⁵

¹ "Drug Market May Expand," Bloomberg via *The Moscow Times*, March 16, 2010.

² James Class, PHRMA, "The WTO and Russia's Future: The Pharmaceutical Industry's Perspective," Presentation at the Woodrow Wilson International Center for Scholars, November 3, 2008.

³ "Life Sciences Insights: Winning in Emerging Markets," Ernst & Young, June 2009, [http://www.ey.com/Publication/vwLUAssets/Life_sciences_insights_Winning_in_emerging_markets/\\$File/Life%20Sciences%20Insights%20June%202009.pdf](http://www.ey.com/Publication/vwLUAssets/Life_sciences_insights_Winning_in_emerging_markets/$File/Life%20Sciences%20Insights%20June%202009.pdf), (accessed November 11, 2009).

⁴ *Doing Business in Russia: 2010 Country Commercial Guide for U.S. Companies*, U.S. Commercial Service and U.S. Department of State, 2010.

⁵ "Russia's Pharmaceutical Market Growth to Slow," *RBC News*, December 9, 2008.

⁶ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, U.S. Total Exports to Russia, (SITC-54), 2004-2009 and 1H 2010, by FAS Value.

⁷ Heit Simola, Bank of Finland, "Russia Getting Closer to WTO Membership," *BOFIT Online*, March 2007.

⁸ "Lilly, Chao Center, PDA Partner with Russian Officials to Improve Quality of Global Drug Manufacturing, Distribution," Purdue University Press Release, August 3, 2009.

⁹ "Pfizer in Russia," Pfizer Website, <http://www.pfizer.ru/eng/about/?id=6>, (accessed July 15, 2010).

¹⁰ "Continuous Market Insight: Retail Market," IMS Health, February 2009, <http://www.rmbc.ru/upload/iblock/b0d/Russian%20Retail%20Pharma%20Market%20042008.pdf>, (accessed November 11, 2009).

¹¹ "Russia," Abbott Laboratories Website, http://www.abbott.com/content/en_US/10.40.187-187/general_content/Global_Location_Profile_0018.htm, (accessed November 11, 2009); and "Производство," Abbott Diabetes Care Website, <http://www.abbottdiabetescare.ru/product>, (accessed November 11, 2009).

¹² *Doing Business in Russia: 2010 Country Commercial Guide for U.S. Companies*, U.S. Commercial Service and U.S. Department of State, 2010.

¹³ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-9018, HTS-9021, and HTS-9022), 2004-2009 and 1H 2010, by FAS Value.

¹⁴ "GE: Russia & CIS: Our Company: Products & Services," General Electric Company Website, http://www.ge.com/ru/en/products_services/index.html, (accessed July 15, 2010).

¹⁵ "Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO): Non-Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.