



CHILE MEDICAL DEVICE INDUSTRY

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What We Can Do for Massachusetts Companies

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Chile is one the region's better economic performers, with GDP per capita of US\$8,150 in 2006. In Latin America, only Mexico has a higher figure. Figure has generally avoided regional trading blocs such as Mercosur, preferring bilateral agreements such as the recent Free Trade Agreement with the USA. Chile produces very little medical equipment, so the market is largely supplied by imports. The USA is the dominant supplier, accounting for 40% of imports each year. The European Union supplies a further 25-30%, of which Germany accounts for half. The Chilean market for medical equipment & supplies is estimated at US\$279.9 million in 2007.

Given its limited production, Chile relies upon imports to supply its growing healthcare market. Annual increases in government spending since 1990 have raised the Chilean public healthcare budget to a record US\$3.4 billion in 2006 which also added US\$22.5 million allocated to the purchasing of 16 new mammogram machines, 151 ambulances, 23 mobile dental clinics, and refurbished operating rooms for regional hospitals.

Private health insurance spending and reimbursement in Chile is estimated at US\$1.8 billion which includes medical appointments, medicines, supplies, and sick leave.

Chile in Numbers

Nestled between the Andes mountain range and the Pacific Ocean, Chile is one of Latin America's most open, stable and attractive markets. Its strengths include sound economic policy-making, a transparent regulatory system, an educated workforce and good basic infrastructure. Prudent economic policies and an open attitude towards trade and investment have provided Chile with stable long-term growth.

The U.S. - Chile Free Trade Agreement (FTA) came into force January 1, 2004. Since then, 97 percent of U.S. exports to Chile enter duty free, with all remaining tariffs to be phased out by 2015. Bilateral trade between the United States and Chile totaled \$16.35 billion in 2006, an impressive increase of 154 percent over bilateral trade in 2003, before the FTA took effect, which totaled \$6.43 billion.

Chile ended 2006 ranked as the 28th largest export market for the United States, climbing from 29th place in 2005, 30th place in 2004 and 35th place in 2003. The United States was the top source of Chile's imports for 2006 and remained the top destination for Chile's exports in 2006.

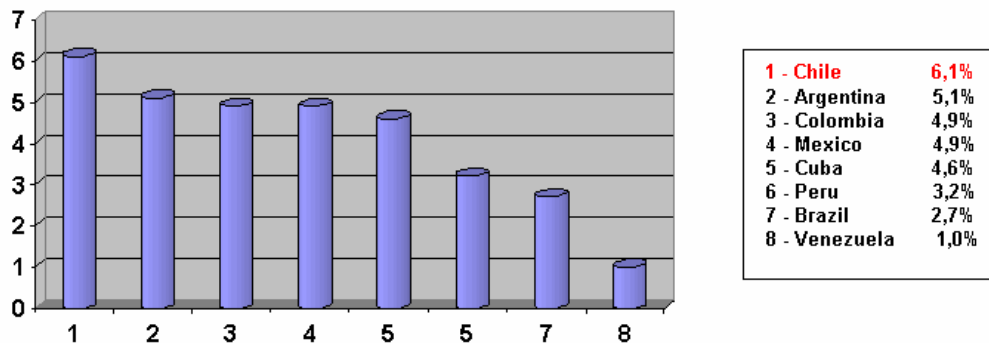
U.S. exports to Chile in 2006 increased by \$4.07 billion over exports in 2003, growing from \$2.72 billion in 2003 to \$6.79 billion in 2006, or by 150 percent. Chile has also benefited tremendously from the FTA; U.S. imports from Chile grew from \$3.71 billion in 2003 to \$9.56 billion in 2006, an increase of 158 percent. The U.S. is the largest investor in Chile, representing 25.7% of all foreign direct investment. Spain follows closely with 22.0%, and Canada makes a distant third at 15.6%. Chile's economy grew by 4.3 percent in 2006. The Central Bank of Chile projects 2007 GDP growth rates of over 5 percent. Sustained GDP growth, low inflation, macroeconomic stability and growing integration with international capital markets mean Chile's credit rating remains the best in Latin America, with a long-term foreign currency sovereign credit rating of A.

Latin American Market Overview

The eight Latin American markets covered by Espicom represent a market of 468 million people with a GDP of US\$2.7 trillion in 2007. Fuelled by Mexico, Brazil, Argentina and Venezuela, they represented a medical market value of US\$6.3 billion in 2007, and significant growth could see that figure rise to US\$7.7 billion by 2012. Trade in medical devices and equipment is key to the region's development with all markets dependent on imports, particularly of high specification medical technology products. Plans to increase the region's global position in the face of strong emerging economies such as China and India are being frustrated by the varying policies of each country. Bilateral free trade agreements with the USA continue with Uruguay being the last to follow Chile's successful move and Peru and Colombia going down the same path. Pan regional organizations such as the Mercosur and Andean groups have not been able to align their members in a common front in this critical area.

After a sustained period of political instability over many years the region is now seeing all markets re-evaluate their health provision. Levels of service in the buoyant private health sector are among the best to be found, but the challenge is provide better levels of basic healthcare to the mass of the population.

Latin America Medical Equipment Market AAGR, 2006-11 %



Source: Espicom

Latin America Medical equipment Import Growth, 2001-05 (%)

Rank	Country	2001	2002	2003	2004	2005
1	Cuba	105.2	-25.3	58.2	78.9	140.3
2	Venezuela	21.1	-24.8	-7.3	56.2	72.5
3	Argentina	-24.0	-60.2	35.2	36.1	37.8
4	Brazil	23.1	-14.7	-14.0	22.5	29.2
5	Colombia	4.1	1.2	14.8	27.4	27.5
6	Chile	16.3	-5.1	4.7	24.7	25.2
7	Mexico	7.5	7.4	27.1	7.6	22.5
8	Peru	-20.1	19.7	-7.5	28.5	18.5

Source: Espicom

Chile Market Overview

Chile currently spends approximately 7% of its GDP on health care and has yearly increased its health budget since 1990. Its medical sector is small but extremely competitive. Chile produces and exports a limited amount of medical products.

The Universal Access with Explicit Guarantees (AUGE) health care reform plan has recently been approved by the Chilean Congress and is now a law. The plan guarantees government funded healthcare coverage for individuals regardless of age, class, or-most important-ability to pay. The Ministry published the list of 56 major illnesses for which the government guarantees medical coverage beginning in 2004.

The number of diseases covered by the plan, were gradually increased from the current 25 to 40 in 2006 and to 56 by 2007.

After the signing of the Free Trade Agreement between United States and Chile most medical equipment pay no customs duties but do have to pay the 19% VAT (Value Added Tax).

Medical Equipment			
	2005	2006	2007 (estimated)
Total Market Size	172.2	226.2	265.2
Total Local Production	20	22	24
Total Exports	4.2	5.3	6.2
Total Imports	156.7	209.5	247.2
Imports from the U.S.	56.5	68.2	80.4

(In millions of U.S. Dollars. Source: Chilean Customs)

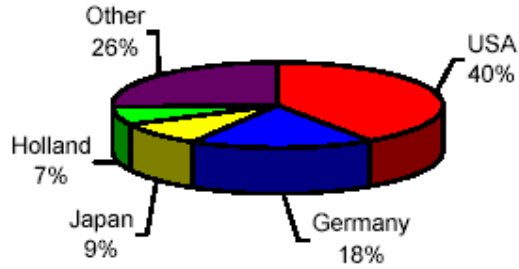
The market is divided into its three principle sub-sectors: medical equipment, medical instruments, and medical disposables.

Medical equipment includes microscopes, incubators, x-ray machines and components, and related items.

Medical Equipment (in U.S millions)			
	2004	2005	2006
Total Exports	0.2	2.7	16.8
Total Imports	50.6	68.5	67.2
Imports from the U.S	21.8	27.7	24.0

Source: Chilean Customs

Medical Equipment – Market share 2005



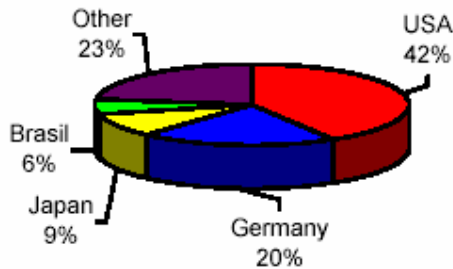
Medical Instruments include surgical apparatus, stethoscopes, scalpels, scissors, and related items.

**Medical Instruments
(in U.S millions)**

	2004	2005	2006
Total Exports	0.2	0.3	0.2
Total Imports	21.3	26.1	24.0
Imports from the U.S	9.1	10.8	9.6

Source: Chilean Customs

Medical Instruments – Market share 2005



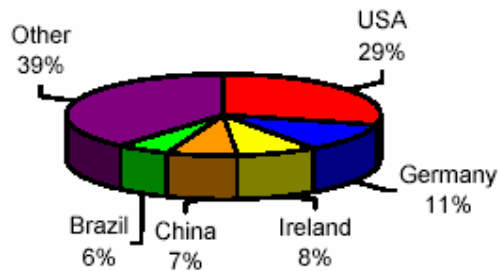
Medical Disposables include adhesives, syringes, rubber gloves, and related items.

**Medical Disposables
(in U.S millions)**

	2004	2005	2006
Total Exports	1.1	1.2	1.2
Total Imports	52.3	62.1	66.0
Imports from the U.S	15.2	18.0	19.2

Source: Chilean Customs

Medical Disposables – Market Share 2005



Trade Barriers

Chile generally has few barriers to imports or investment, and foreign firms operating in the country enjoy the same protection and operate under the same conditions as local firms. Chile has the lowest external tariffs in Latin America, with a flat import tariff of 6% for all but a few products. Imports are subject to the same 19% Value Added Tax (VAT), as are domestic goods. Products from countries with which Chile has trade agreements enter the country with lower or no duties. Duties on capital goods purchased for use in export production may be deferred for a period of seven years and waived under some circumstances.

In 2003, Chile and the United States signed a Free Trade Agreement that went into effect at the beginning of 2004. Under this agreement most products imported from the U.S. to Chile enjoy zero percent import tariffs. Medical devices are listed among those products to have the 0% tariff.

Chile also concluded free trade agreements with the European Union and Korea in 2002. Chile and the European Free Trade Association -- whose members are Liechtenstein, Iceland, Norway and Switzerland -- signed a Free Trade Agreement in mid-2003. Also in 2003, Chilean and Bolivian negotiators have submitted drafts for a free-trade agreement between the two Andean neighbors. In addition, Chile currently has free-trade agreements with Canada, Mexico, Colombia, Venezuela, and Ecuador. The country also has bilateral investment treaties and/or trade agreements, providing for duty-free trade in most products, with Mercosur (Argentina, Brazil, Paraguay and Uruguay) and 51 other countries in Latin America, Asia, Europe and Africa. This openness and exposure to international markets has forced local companies to explore overseas markets, and expanded the volume, number of products, and destinations of Chilean exports. As a result, the Chilean market is price sensitive, with lower profit margins than its regional competitors.

Market Issues and Obstacles

The best way to enter Chilean market is through a well-established importer. Considering the small size of the market, personal contacts play an important role when selling to end-users or to the national healthcare system. While the National Health Service is the leading purchaser of medical devices in Chile, it encourages public hospitals to make purchasing decisions on their own. Government procurement is processed through the ChileCompra and requires government suppliers to have local representation. Product reputation and market position will be the influencing factors in the buying decision.

Importing into Chile is reportedly simple. Regulation of the Chilean healthcare market is administered by the (MINSAL) and requires that medical devices that enter Chile possess proper certification in accordance with Article 101 of the Sanitary Code. Article 3 of these regulations states that parties intending to manufacture, import, distribute, or otherwise enter medical devices into the market must obtain proper certification of conformity by the Institute of Public Health (ISP). Likewise, medical devices must also receive Certificate of Quality from the ISP before entering the market.

Business Opportunities – Prospective Buyers

Public Sector

The public health system provides healthcare to approximately 70% of Chile's population. The Ministry of Health oversees the entire public sector, which includes the following: The National Health Service (*Sistema Nacional de Servicios de Salud*, or SNSS) The Institute of Public Health (*Instituto de Salud Publica*) The National Health Fund (*Fondo Nacional de Salud*, or FONSASA) The Central Supply Agency (*Central de Abastecimiento*) The Superintendent of ISAPREs (regulating the *Institutos Previsionales de Salud*, privately owned health-insurance entities)

Private Sector

30% of the Chilean population participates in the private healthcare system. For-profit organizations include medical centers, clinics, hospitals, laboratories, and pharmacies. Non-profit organizations including Employers' Occupational Health Insurance Funds (mutuales) meet part of the work-related health needs of approximately two million workers, and a variety of philanthropic

Leading Importers and Market

Medical Instruments

1. Siemens S.A. (11.45%)
2. General Electric (6.95%)
3. Hoser Ingernieria (5.51%)
4. INM Clinica San Carlos de Apoquindo (5.27%)
5. Tecnoimagen S.A (4.57%)

Medical Disposables

1. Braun Medical (7.87%)
2. Comercial Kendal Chile (6.56%)
3. Boston Scientific (5.27%)
4. General Electric (5.25%)
5. Johnson & Johnson (3.9%)

Medical Instruments

1. Stryker Corp. Chile (9.48%)

2. Alcon Laboratories Chile (8.62%)
3. Dental Laval Ltd. (3.86%)
4. Oftomed Ltd. (3.65%)
5. M-Dent Ltd. (3.52%)

Best Prospects

- Medical, surgical and laboratory sterilizers
- Medical and surgical instruments and appliances
- Cardiac monitors
- Electro-medical instruments and appliances
- Anesthetic instruments and appliances
- Ultrasonic therapeutic instruments and appliances
- X-Ray equipment

Trade Shows

ExpoSalud:

Latin America's premier medical and dental equipment exhibition held every two years.

Dates: June 2008

<http://www.exposalud.cl/exposalud/>

Sources:

- The Chilean Ministry of Health: www.minsal.cl
- International Market Research: <http://strategis.ic.gc.ca>
- USCS: Trade Reports: www.buyusa.gov/chile
- USCS Santiago Medical Equipment Specialist: Patricia.Jaramillo@mail.doc.gov
- Public Health Institute: www.isp.cl
- Medical Professional Association: www.colegiomedico.cl