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MEDICAL AND HEALTH-CARE PRODUCTS AND SERVICES

CANADA'S EXPORT STRATEGY

The International Trade Business Plan

1995/96

An Integrated Plan for Trade, Investment and Technology Development

The International Trade Business Plan is made up of an **Overview** highlighting Canada's international business development priorities, and a series of **Industry Sector Strategies**, which include lists of planned international activities. The following documents are available:

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Medical Devices

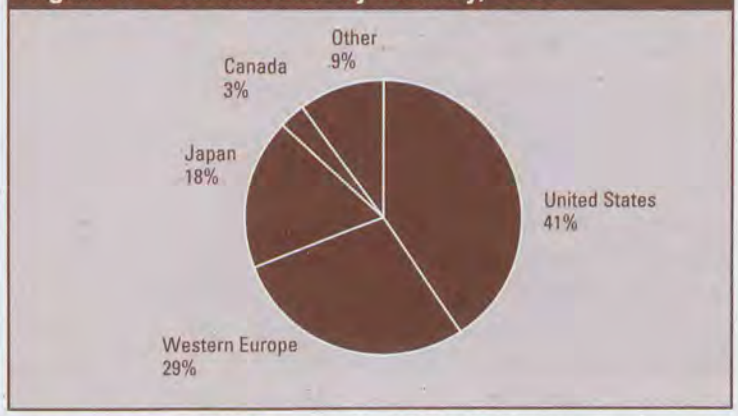
This sector includes firms providing a wide range of products and services used for diagnosis and treatment of ailments. This includes medical, surgical and veterinary equipment, orthopedic appliances, prosthetics and electro-medical equipment.

International Environment

Cost-containment pressures, changing demographics and increasing health consciousness are among the forces driving the growth of health-care equipment and services worldwide. An aging population has fuelled health-care costs and has resulted in a dramatic increase in demand for products such as electronic cardiovascular devices and assistive devices such as mobility aids. In 1993, the world market for medical technology grew at about 7 percent to US$92.9 billion. The global market is expected to maintain this rate of growth for several years. For certain market segments, growth rates in excess of 20 percent are clearly indicated.

- Cost Containment: In North America and much of the industrialized world, pressures to contain burgeoning health-care costs are moving away from labour-intensive health-care practices (almost 70 percent of costs today) to more technology-intensive methods, and greater emphasis is being placed on health promotion and community-based care.

Figure 1 — Market Size by Country, 1993



Source: Health Industry Manufacturers Association, Medical Device Industry Handbook, 1993

- Home Health Care: Health-care products now being used at home include mobility and rehabilitation equipment, incontinence and ostomy products, diagnostic kits, health monitors (blood pressure, blood glucose levels, cholesterol), ventilators, apnea monitors and dialysis units.
- AIDS Products: An enormous market has emerged from the AIDS crisis in response to both patient and health provider needs (e.g. diagnostic kits, blood-handling products and blood-screening tests).
- Transportable Products: Simple, easily transportable products, such as mobile hospitals, blood analysers and portable X-ray units have witnessed high growth rates in the past five years in emerging Third World markets.
- Economic growth in developing countries: Figure 1 illustrates the markets of the United States, Canada, Western Europe and Japan, which have begun to slow. However, consumption of medical products has begun to grow rapidly in the economies of developing markets, particularly Asia. To illustrate this buying power, Asia is predicted to overtake Europe in economic output by the year 2020, and to represent half of the world's economic output by 2050 (compared to 30 percent for Organization for Economic Co-operation and Development [OECD] countries).

While the United States remains the world's largest consumer of medical devices, this market is expected to be less than 35 percent of the world market by the year 2000. Cost-containment pressures and debate over health-care reform in the United States, as well as growth in other markets, particularly Asia and Latin America, account for this trend.

In the European Union (EU), the economic slowdown and related cost-control measures by member states have resulted in slower market growth. This trading bloc is, however, still huge, and will remain a market of great importance to Canadian manufacturers. The implementation of a harmonized regulatory system for devices within the EU should allow for more efficient product approvals for firms that are adequately prepared.

The Japanese market has shown slower growth than expected, due largely to government pressure on health-care costs. However, it remains an important market, showing annual growth of 5 percent to 6 percent in yen terms, but stronger growth in dollar terms due to appreciation of the yen. The expanding "silver market" (products for the elderly) is seen as an area of opportunity for Canadian companies.

Canada's market has been subject to enormous pressures. While Canada spent 10.1 percent of its gross domestic product (GDP) on health care in 1993, provincial governments have implemented health-care reform with the principal objective of reducing costs. As a result of such measures as caps on physicians' fees, procedures that shorten hospital stays, de-insurance of certain products and product-use guidelines, the Canadian market for devices may shrink by up to 30 percent by 1997 (Armar International, Montréal, July 1994). As a result, survival and growth in the device manufacturing sector must come primarily from exports. The need and drive for this sector to export has been supported through such broad government efforts as the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT).

The United States, the EU and Japan still account for nearly 90 percent of the global market for medical devices. However, while annual growth rates in Asian markets were in the range of 8 percent for the period 1985 to 1989, they jumped to 18 percent from 1991 to 1993, and to an estimated 22 percent for the period 1994 to 1995, representing a growth rate of three times that of the industrialized countries. Examples of 1993 growth rates by country in the device market are: Taiwan 15 percent, Korea 18 percent, China 23 percent, Thailand 24 percent. With respect to relative global wealth, it is anticipated that the Asian economies will surpass those of Europe by the year 2020.

Parts of Latin America, particularly Chile and Argentina, have also shown market growth greater than the world average. Brazil represents the largest South American device market, although economic doldrums in 1993 to 1994 hampered market growth. While the Mexican economy is not yet at the point where health-care spending is growing rapidly, it is expected that improvements in income levels in the next few years will result in accelerated market growth. The reduction of tariffs under the NAFTA, as well as the positive reception afforded Canadian products among companies that have already entered that market, suggest that Mexico may be an important stepping stone to companies first venturing into Latin America.

Certain markets of the Middle East show good potential and receptivity to Canadian health-care expertise. A significant number of Canadian and Canadian-trained medical professionals are employed in Saudi Arabian hospitals. The Saudi Arabian and Iranian markets for medical equipment and supplies stood at US$200 million and $250 million respectively in 1991 (MediStat, June '93) and in the United Arab Emirates (UAE) at US$70 million in 1993 (MediStat, August '94).

Some parts of Eastern Europe show substantial market growth. For example, Poland's medical technology market is predicted to grow by 30 percent in 1995, with most of this served by imports (Clinica, July 18, 1994). Many health-care needs in Russia and the newly independent states have not been addressed; however, projects in that area are subject to serious hard currency constraints. Nonetheless, Russia has significantly increased its purchases of Western medical equipment since 1992.

1993 Markets in Developing Countries (US$ million)

Brazil	820
China	750
Korea	730
Mexico	615
Taiwan	480
India	475
Argentina	270
Thailand	205

The key players in medical device production are the United States (with 46 percent of world market share in 1993 or $42.9 billion), Western Europe (29.4 percent) and Japan (17.9 percent). Over a number of years, U.S. companies have made enormous commitments to research and development (R&D) in medical technologies to develop this leading position. However, in the United States, constraints in the domestic market have caused retraction of activity among some large companies, and there has been a significant shift to offshore manufacturing, in some instances because of lower labour costs, but to a large extent because of the repressive regulatory climate engendered by the U.S. Food and Drug Administration (FDA).

While some of the industrial giants of the EU such as Siemens and Philips have dominant positions in certain types of medical equipment (particularly imaging), much of the medical industry strength in the EU consists of small- to medium-sized enterprises (SMEs) specializing in niche areas.

Japanese device firms have not been substantial exporters. They do, however, supply 71 percent of the Japanese market for medical devices.

Within the developing world, local industry frequently lacks the expertise and innovation to adequately supply the domestic market. However, Mexico, Taiwan and Korea now have device industries that are entering international markets.

In many developing countries, international financial institution (IFI) expenditures play an important role in infrastructure development. Despite Canada's role as a leading donor to IFIs, Canadian companies have not taken full advantage of associated procurement opportunities. Total lending from these institutions exceeds US$40 billion a year, a significant portion of which could be of interest to Canadian suppliers. IFI procurement activity can represent a major source of financing for penetration into developing markets and regions that can otherwise be difficult markets.

How Companies Compete

Research and development appears to be a critical feature for the medical and health-care products industries. Producers of medical products have enjoyed relatively high commercialization rates for R&D, which has led to increased investment in new medical technologies. Relatively fast product development rates are crucial for developing market demand.

For smaller companies without significant financial resources to conduct wide-scale R&D, production for niche markets appears to be the key, as supported by the European experience. Many of these smaller companies have been able to support focussed R&D efforts through co-operative arrangements with other companies and research organizations.

Canada's regulatory climate supports the development of export manufacturing from a Canadian base. However, pending regulatory changes (a risk-based classification system that may result in a greater level of pre-market scrutiny by Health Canada of a larger number of products, with resulting delays in market entry; and cost recovery) will increase the cost of selling devices in Canada. These measures will make Canada a less "friendly" market for devices of both domestic and foreign origin, and are likely to have a negative impact on the competitiveness of Canadian manufacturers.

Canadian Position

Although Canada remains one of the world's top 10 device markets, consumption in 1993 increased to only US$2.5 billion from $2.4 billion in the previous year. The market is dominated by imports. Canada's trade deficit in devices was in the range of $1.2 billion in 1993.

Number of Firms	800 companies, approximately 90 percent of which are Canadian-owned
Canadian Production	$1.3 billion* (1993); one third to one half, or 30 to 50 percent of this is exported, with 60 percent going to the United States
Domestic Consumption	$2.5 billion
Imports	Approximately 60 to 70 percent of the domestic market is served by imports
Employment	17 000 to 20 000

* This figure is U.S.-derived (Health Industries Manufacturing Association). As Statistics Canada does not treat the medical devices manufacturing sector as a distinct industry for purposes of data collection, Medical Devices Canada (the national industry association) is taking measures to arrive at an estimate of Canadian production based on information gathered domestically.

The medical/health-care industry in Canada consists of 800 companies producing 1500 categories of products. Three quarters of these firms employ less than 50 people, and almost all are Canadian-owned. Many of these companies are export-oriented and a number of them have developed leading technologies and unique innovative devices. This is largely a result of significant investments in R&D. Challenged by international competition, Canadian companies are expected to increasingly introduce higher value-added products to serve global markets. Overall, this Canadian sector spent 2 percent of sales on R&D.

Although representing only 10 percent of the companies operating in Canada, subsidiaries of foreign-based multinational enterprises (MNEs), mainly U.S.-owned, dominate the Canadian marketplace. These are mostly larger companies manufacturing some product lines in Canada for the domestic market, as well as marketing and distributing parent-company products. Recently, rationalization in some of these companies has resulted in plant closures and job losses in Canada, while others have gained geographic manufacturing mandates. Some export manufacturing mandates of new products have been facilitated in part through the Medical Devices Technology Assistance Plan (MEDTAP). MEDTAP, an Industry Canada (IC) program administered through the offices of the National Research Council (NRC/IRAP), shares the cost with manufacturers of commercializing innovations that have the potential to be competitive internationally.

Where closures have occurred among MNEs, they have been among firms that have little or no in-house investment in R&D, and whose product line has been a low value-added one, manufactured only or principally for the Canadian market. With some encouraging exceptions, there has been limited investment in in-house R&D by MNEs.

While estimated production remained in the range of $1.3 billion from 1991 to 1993, it should be recognized that Canadian-owned production has grown as some MNEs have closed down manufacturing, and a significant number of these smaller firms are poised for growth and greater exports.

The negative regulatory climate in the United States has resulted in a number of high value-added U.S.-owned SMEs, particularly in the cardiovascular area, establishing export manufacturing facilities in Canada. While U.S. MNEs have tended to retrench during the recent recessionary period, some of the more nimble SMEs from high-tech industry areas such as California and Houston have shown an increasing inclination to seek alliances with Canadian firms or to establish manufacturing in Canada. Likewise, strategic alliance activity has been developing between

Canadian and European firms, as manufacturers in both areas seek not only new technological advantages but also market access to the other trading bloc.

Over the period 1990 to 1993, three product areas recorded double-digit increases in their export/import ratios: diagnostics (60 percent), equipment and supplies (20 percent) and imaging (19 percent). Other areas that recorded some growth included orthopedics (9 percent) and rehabilitation devices (6 percent).

Highlighted below are some of the infrastructural advantages and strengths of this industry.

Canadian Medical Device Industry

Infrastructural Advantages:

- world-class network of universities and hospitals, as well as government laboratories (e.g. NRC);
- generous R&D tax credit policy;
- regulatory environment favouring export manufacturing;
- an internationally well-regarded health-care system that contributes to a positive image and support for Canada's health-care manufacturing sector.

Recognized Strengths:

Pioneering work such as:

- development of the world's first heart pacemaker;
- world's first Cobalt 60 cancer therapy unit;

Technology applications in:

- cardiovascular devices;
- diagnostic equipment;
- orthopedics/prosthetics/orthotics;
- assistive devices;
- medical imaging/brain mapping techniques;
- biomaterials.

Further development of this industry can be enhanced through the following:

- improved information on such elements as foreign marketing channels, foreign regulatory requirements and potential foreign partners;
- easier access to investment capital for start-up and early-stage firms;
- development of export manufacturing mandates for more Canadian subsidiaries;
- support for SMEs to explore and develop some of the emerging international markets that may not in the short term generate substantial sales.

Strategic Direction

International business development opportunities for Canadian medical device manufacturers and service providers exist in the following areas:

- imaging (software, therapy and diagnostic, e.g. ultrasound);
- in-vitro diagnostics;
- assistive devices (wheelchairs, patient lifts);
- cardiovascular devices;
- dental.

As well, certain companies in the disposable area, by virtue of outstanding quality, product design or efficient process, are making significant inroads in foreign markets.

These promising subsectors will be targeted for participation in international trade and strategic partnering activities by the responsible recruiting departments. Priority will be given to companies producing devices that are sensitive to cost-containment pressures, and those focussing on the commercial development of other higher value-added devices.

The U.S. and European markets remain the "bread and butter" of many Canadian exporters, with Germany being the focal point of device activity in the EU. Many SMEs will still require support in penetrating these areas. Emphasis within these two areas will focus increasingly on educating Canadian firms about how to meet regulatory requirements and create strategic linkages, and at the policy level will promote international regulatory harmonization and

mutual recognition agreements. Significant emphasis of support for international business development must begin to shift to some extent to emerging markets.

In all of these marketplaces, Canadian health-care firms will be encouraged to gain certification under International Standards Organization (ISO) 9000 series quality systems to enhance their international supply capabilities. Industry Canada (IC), through its Medical Devices Sector Campaign and Toolbox program, will provide mechanisms for industry training in the area of quality systems. IC will collaborate with the Department of Foreign Affairs and International Trade (DFAIT) to build the industry knowledge base regarding harmonized regulatory requirements being implemented within the European Union.

As well, DFAIT will provide information tools to industry on emerging market opportunities, including access barriers (e.g. regulatory, product servicing), product needs served by imports and potential distribution channels within these emerging markets.

In addition to efforts to attract investment from large foreign companies, it is recognized that much of the core innovative strength of the Canadian device industry resides increasingly in small- to medium-sized manufacturers, and these should be the main focus of government efforts.

Geographic Markets

Major Markets

Figure 2 indicates the major importers, by country, of Canadian health-care/medical devices in 1993.

Emphasis:

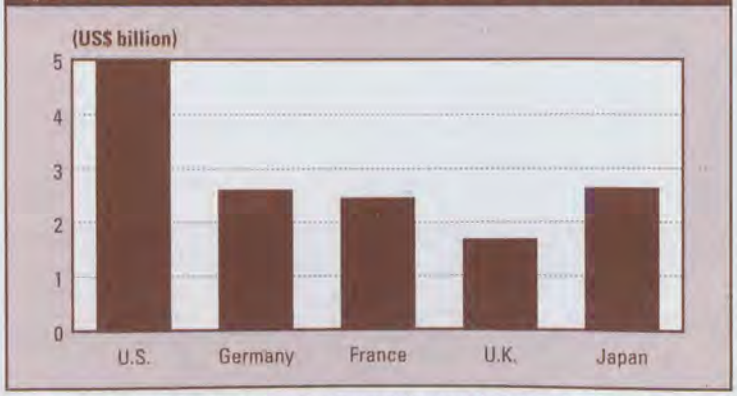
- Strategic Partnerships;
- Export Development;
- Investment/Product Mandates.

Canadian government departments will support Canadian participation in a limited number of U.S. and European health-care trade shows to facilitate the development of strategic partnerships and export opportunities for Canadian companies. Further government efforts will focus on attracting investment from both U.S. and EU manufacturers.

There will also be a greater emphasis on informing Canadian companies about new EU directives for harmonized, device regulation, compliance requirements for the U.S. FDA and other jurisdictions and emerging opportunities. As well, government efforts will continue in negotiations and discussions toward mutual recognition of conformity assessment requirements with the EU and, to some extent, the Asia-Pacific Economic Co-operation forum (APEC).

Although the Japanese market, currently estimated at US$16.7 billion, is a major one in terms of size, it is an expensive market for new business development. Support for Canadian companies in this market will focus particularly on the expanding Japanese need for products for the elderly (e.g. wheelchairs, patient lifts, walkers, incontinence products), with follow-up activity to capitalize on market interest generated by a Canadian show held in late 1993 in this product area.

Figure 2 — Major Importers of Medical Devices, 1993



Source: Export Vision: Health Care Products and Services Market Profiles, DFAIT, Trade Development Operations Division, September 1993, and National Trade Data Bank (U.S.)

Other Markets

Due to tightening in the U.S. market, Canadian government departments have begun to support initiatives in other markets.

An increased focus will be given to supporting industry efforts to enter emerging markets, particularly in Asia and Latin America. Within Latin America, Mexico is seen as a stepping stone, and support will be given to further exploit opportunities identified at the Canadian Government Health-Care Products and Services Show (January 1995) in Mexico City. However, means to develop the significant market potential of Argentina, Chile and Brazil will also be explored.

In developing markets, a principal thrust of government activity remains the provision of market information and embassy/consulate involvement in response to individual company efforts, as well as various forms of actual financial support for export development.

A federal interdepartmental task force has examined the issue of how to maximize Canada's commercial opportunities related to multilateral development bank (MDB) lending. DFAIT and IC will improve mechanisms for supplier identification and development, and for the timely dissemination of project information and intelligence to potential bidders.

Contacts

Industry Canada
Health Care Products Directorate
235 Queen Street, 9th Floor East
Ottawa K1A 0H5
Tel.: (613) 954-3077
Fax: (613) 952-4209

Department of Foreign Affairs
and International Trade
Sectoral Liaison Secretariat
125 Sussex Drive
Ottawa K1A 0G2
Tel.: (613) 996-7186
Fax: (613) 943-8820

Note: In the Medical Devices section, except where otherwise specified, market figures quoted are in US$ and are taken from *Global Medical Device Market Report: Markets for Health Care Technology Products* (revised 1994 edition) Health Industry Manufacturers Association, Washington, D.C.

Pharmaceuticals

International Environment

The domestic and international pharmaceutical industry is being reshaped through stricter pricing and dissemination of pharmaceutical products and changing demographics in developed countries, coupled with rapidly increasing demand in non-traditional markets. Delisting of products from government-sponsored health-care plans, policies of generic substitution, and closer scrutiny of application to reduce over-subscribing have recently resulted in slower growth or even decline in some markets. Conversely, the aging population combined with an increase in specific disease groups promise continued future volume growth in specific products such as those of cardiovascular disease, central nervous system conditions, and Alzheimer's. The world market for pharmaceuticals was $163 billion in 1992-93, and is expected to grow by 2 percent to 3 percent in developed countries, and even more in developing countries.

International Market Trends

- Cost Containment: Health-care systems under financial stress attempt to contain drug prices and seek generic substitution where possible, creating market opportunities for new products of significant therapeutic value and generic medications.
- Pharmaceutical Benefits Management: An increasingly important key to marketing success lies with distribution capabilities and information on product effectiveness, hence creating opportunities for pharmaceutical information systems and distribution companies.
- Focus on Preventive Medicine: Efforts to reduce costs through greater preventive efforts result in growing markets for vaccines and health-enhancing medications.
- Business Restructuring: Mergers and acquisitions, together with rationalization of operations to meet the challenges of international trade and markets, provide opportunities for specialized producers with marketing capability and world product mandates.
- Research and development will remain the cornerstone of the future, creating opportunities for innovative research organizations, technical expertise and pioneering enterprises.

The U.S. recently became the world's largest consumer of pharmaceuticals (with 34 percent of world market share) displacing Europe, which has undergone a small market decline in the last year. The U.S. share of world sales is expected to stabilize and then decline, as health-care cost-containment measures take hold in the U.S. and as the markets of Latin America and Asia expand.

The United States, Europe and Japanese-based multinational enterprises (MNEs) will continue to dominate production for the foreseeable future, especially in the newer products. The generics market, offering relatively easy market entry, will likely be subject to a proliferation of new entrants, especially in Europe, and will be subject to intense competition from independent generic producers and the generic divisions of brand-name companies.

Currently, the rapid growth markets are Eastern Europe (particularly Hungary, Poland and the Czech Republic), China, India, Brazil, Chile, Malaysia and Viet Nam. With few exceptions, all countries afford opportunities, with some being particularly fertile ground for generic manufacturers.

How Companies Compete

Canada's excellent research infrastructure and tax incentive program, as well as its international standards of patent protection, put it in a good position to research, produce and market patented products internationally. Export success will depend on Canadian multinational operations' ability to attract world or regional product and research mandates, and to provide production and other facilities that are integrated with out-of-country operations.

A number of Canada's independent generic and fine-chemical companies, which are known for producing quality products, have been active internationally in Mexico, Hungary, Lithuania and New Zealand. To maintain momentum, they will build links with marketing organizations in other countries and compete with MNEs on price and distribution capability. For smaller R&D-oriented or generic companies, the key will be to develop co-operative arrangements with other companies that market internationally.

Canada's regulatory process, from drug product approval standards through to R&D tax credits, encourages confidence in Canadian products and the development of export capabilities.

Canadian Position

Canada is a significant consumer of pharmaceuticals, purchasing $5.3 billion in products in 1993. Growth in the 1980s averaged around 9 percent per year, but has slowed of late. The pharmaceutical industry has attracted international investment in R&D, along with significant domestic expansion in manufacturing capability for generic products and fine chemicals. The industry is made up of some 185 operations, which produce or distribute a full range of pharmaceutical products. Over 40 percent of these firms have less than $2 million in annual sales, while 10 companies, eight of which are MNEs, have over $100 million in sales. The large Canadian generic producers are particularly interested in new market opportunities in Mexico, Viet Nam, Singapore and Malaysia. Otherwise, the bulk of exports and imports (mainly to and from the U.S.) consists of intra-firm trade within MNEs with imports exceeding exports at the rate of 4:1. Canadian-based pharmaceutical companies are meeting the opportunities afforded by the North American Free Trade Agreement (NAFTA), with a near doubling of sales to Mexico in the last year. In the longer run, Canadian producers are expected to specialize either with product mandates or with small volume, short production-run products.

Although they make up only about 30 percent of the companies operating in Canada, U.S. and European subsidiaries of foreign-based MNEs dominate the Canadian market with over 70 percent of sales. They are also responsible for almost all of the R&D in Canada, apart from that done by the numerous small biotechnology companies. Many of these biotechnology companies rely on the MNEs for financial and other support, through licensing and marketing arrangements and other partnerships. Rationalization has resulted in plant closures and manufacturing job losses in Canada, while R&D has expanded significantly. Improved patent protection afforded by Bill C-91 has promoted R&D investment, and has enabled Canadian operations of MNEs to argue more effectively with corporate headquarters for product mandates and the manufacturing spin-offs of R&D activity. Canada's excellent infrastructure for research and manufacturing continues to be an asset.

The Canadian pharmaceutical industry has a number of infrastructural advantages, including:

- world-class universities, hospitals and government laboratories (e.g. National Research Council [NRC]);
- a world-class leadership role in telecommunications infrastructure linked to research and marketing institutions worldwide;
- a generous R&D tax credit policy;
- a regulatory environment favouring export manufacturing, including recognition agreements under negotiation with Russia, the European Union (EU) and other countries;
- a health-care system of international repute, which contributes to a positive image and support for Canada's pharmaceutical industry.

Canada's pharmaceutical industry, though it is of world standard, faces a number of challenges that will shape its future development, including:

- the lack of world or regional product mandates for Canadian subsidiaries has placed some operations in Canada in jeopardy as the industry moves to consolidate operations internationally and takes advantage of economies of scale afforded by new regional trade and other agreements;
- cost constraints in the health-care system limit growth possibilities in Canada, and require companies to develop export capabilities.

Strategic Direction

International business development opportunities for Canadian pharmaceutical companies exist in the following areas:

- developing countries that are modernizing their public-health systems and searching for inexpensive high-quality products;
- specialized technical support in production, marketing and informatics as more and more countries develop their capabilities to produce top-quality pharmaceutical products;
- specialized therapeutic areas such as Alzheimer's, cardiovascular, central nervous system, and gene-based ailments, where Canada has a strong research lead.

These areas will be encouraged, as will efforts on the part of various levels of government to improve regulatory processes, clinical evaluation capabilities and overall scientific infrastructure. Attention will also be directed toward:

- support for strategic alliances between small research firms and larger firms with development and marketing capabilities;
- continued efforts by the federal government to obtain mutual recognition agreements, regional product and research mandates and other arrangements to gain easier access to markets, especially in the rapidly growing countries of Asia, Latin America and Eastern Europe;
- continued support for the Centres for Research Excellence program to enhance Canada's scientific capability;
- continued Canadian presence in such international forums as the International Trade Commission, G-7 and others, to maintain Canada's profile as an international trading nation.

Contact

Industry Canada
Health Care Products Directorate
235 Queen Street, 9th Floor East
Ottawa K1A 0H5
Tel.: (613) 954-3077
Fax: (613) 952-4209

Health-Care Services

The health-care sector includes firms and individuals providing a wide range of services related to the design, establishment, operation, maintenance and improvement of health-care systems and institutions. These include consultants and consulting firms specializing in hospital management; long-term care facilities and home-care operators; architects and consulting engineering firms involved in health-care facilities; educational and training institutions; specialists in policy planning, health economics and financing; environmental health and information systems; and medical laboratories.

International Environment

Opportunities for providers of health-care services lie in both developed and developing countries. In developed countries, health-care expenditures are generally funded internally by governments or the private sector, while in developing countries, funding for health and other development projects is largely obtained through loans or grants from the World Bank or regional development banks.

Priorities for developed countries centre on cost containment, efficient managerial practices, resource optimization, insurance plans, computer information systems for patient care, billing and hospital administration, long-term care facilities and home-care operations.

Developing countries face numerous challenges in the area of health, and often lack the infrastructure and human resources to provide a full range of services. Often, sector planning and institutional strengthening are needed, coupled with the necessary infrastructure, personnel and national programs for public health and wellness, with particular emphasis on the provision and expansion of primary and preventive health care. In this context, in 1991, the World Bank committed to approve projects relating to health care, population and social development of an annual minimum value of US$800 million.

Within the industrialized world, the U.S. market is the largest and presents the greatest potential for Canadian health-care service firms. Opportunities exist particularly in health-insurance schemes, cost-containment programs and systems and data management. A number of countries in Latin America and the Caribbean, Asia and Southeast Asia, Eastern Europe and Saudi Arabia also constitute markets with promising returns.

Key competitors in the health-care services sector have traditionally come from the United States, Western Europe and some Southeast Asian countries. Competition in the international market is expected to grow substantially as a result of the economic constraints experienced in many domestic markets in recent years.

Canadian Position

The health-care services industry in Canada consists of 2500 primarily Canadian-owned firms, mainly small- and medium-sized, generating $3 billion annually and employing 150 000 individuals.

The health-care services sector is rapidly becoming one of Canada's major growth industries. As a result of continuing economic pressure on the domestic health-care system, an increasing number of high-quality professional and competitive services are becoming available for export. A major strength in this industry is the wealth of expertise available in both the public and private sectors, such as in the management of health-care facilities and the elaboration of health-care systems. By combining the best from each, the industry can tailor its services to the special needs of its international clients.

Advantages:

- a health-care system of international reputation that projects a very positive image and provides support for the sector;
- efficient and effective system that demonstrates superior managerial capability (e.g. only 2.5 percent of health budgets is spent on administration);
- excellent quality and reputation of Canadian institutions and institutional management;
- increasing partnership between the public and private sectors;
- the excellent reputation of Canadian suppliers of health-care services who have won contracts abroad (e.g. Canadian management of a World Bank health project in Poland).

Weaknesses:

- generally limited exposure to international competition and foreign business practices;
- limited number of consulting services firms actually specializing in health care;
- preponderance of small- and mid-sized firms with limited resources.

Strategic Direction

International financial institution (IFI) expenditures on health-care services in lower- and middle-income economies point to significant opportunities for Canadian companies in Latin America and the Caribbean, the Asia-Pacific region and Eastern Europe. There is a need to increase awareness of IFI projects as a leading source of export opportunities, and to educate suppliers on business practices in IFIs. After a series of workshops on business opportunities at the World Bank, to be held in Canada in 1994-95, a mission of Canadian business people to the World Bank and the Inter-American Development Bank will be arranged (Industry Canada [IC], Department of Foreign Affairs and International Trade [DFAIT]/missions).

The United States will continue to represent an attractive market for Canadian suppliers of health-care services, but the implementation of health-care reform in that country, if successful, will require evaluation and adjustments. After a series of workshops on business opportunities in health consulting and informatics in the United States, to be held in Canada in 1994-95, a mission or a series of missions will provide additional and deeper insights (IC, DFAIT/missions).

Mexico will represent additional opportunities for Canadian health-care suppliers in the framework of the North American Free Trade Agreement (NAFTA). Following the issuance of a study prepared by DFAIT in 1994-95 on the Mexican market in the health-care services sector, an investigation mission to that market will assist in identifying specific opportunities (IC, DFAIT/missions).

Saudi Arabia, Lebanon, Jordan, Syria, the West Bank and Gaza Strip remain very attractive markets, but still need to be explored by Canadian suppliers to realize their full potential. Canadian firms also need to develop the appropriate marketing skills to penetrate them. As a result of IC's study and a series of workshops on Saudi Arabia, to be held in 1994-95, a mission to that region will help Canadian suppliers identify export opportunities and become familiarized with local business practices (IC, DFAIT/missions).

Efforts are required to contribute to the development of a provincial non-competitive approach to international trade in health-care services. This will be done through meetings with members of the Working Group in Health Care Services or meetings of the Working Group (IC, Health Canada [HC], DFAIT, provincial departments of health and economic development).

Trade commissioners in missions abroad still need to know more about Canadian suppliers of health-care services and the various types of services they offer. To collaborate in that education process, visits will be organized to missions in the more promising markets. The Canadian

Suppliers of Health-care Services database will also be updated and distributed to trade commissioners in a more user-friendly Windows format (IC).

Contacts

Industry Canada
Consulting and Engineering Services Industries Directorate
235 Queen Street, 7th Floor East
Ottawa K1A 0H5
Tel.: (613) 954-2981
Fax: (613) 941-8464

Department of Foreign Affairs and International Trade
Services Industries and Transportation Services Division
125 Sussex Drive
Ottawa K1A 0G2
Tel.: (613) 996-0245
Fax: (613) 996-1225

Medical and Health-Care Products and Services

Activity	Date	Location	Dept.	Contact
Africa and the Middle East				
Mission to the Middle East	TBD	Riyadh, Beirut, Amman	IC	613-954-2951
Health Study on Market Potential in Kenya/Uganda	Apr-95	Nairobi	DFAIT	613-944-6586
Medic Africa '95: Info Booth	Apr-95	Johannesburg	DFAIT	613-944-6590
Medical and Health Mission from Jordan, Lebanon and Syria	May-95	Canada/Various	DFAIT	613-944-6346
Asia-Pacific South				
Asia Medical Show '95 - Info Booth	TBD	Fukuoka	DFAIT	613-996-2460
MEDIC '95: Info Booth	Oct-95	Kuala Lumpur	DFAIT	613-996-5824
Canada				
Regional Seminars on Harmonized Regulations in EU	TBD	Canada/Various	IC	613-954-3068
Central/Eastern Europe and the Commonwealth of Independent States				
INMED '95: Info Booth, Mission	TBD	Kiev	DFAIT	613-944-1437
Health-care Mission from Hungary	May-95	Toronto, Montréal	DFAIT	613-992-1449
East Asia				
Biotech Seminar	TBD	Taiwan	DFAIT	613-996-2807
Korean Pharmaceutical Sector Market Study - Update	Jun-95	Seoul	DFAIT	613-996-2807
Medical Equipment and Pharmaceutical Show: Info Booth	Nov-95	Taipei	DFAIT	613-996-2807
Medical Equipment Market Study: Update	Feb-96	Seoul	DFAIT	613-996-2807
Japan				
Elderly Products Mission to Canada from Japan	TBD	Osaka	DFAIT	613-996-2460
Pharmaceutical Research Partnering	Apr-95	Tokyo, Osaka	DFAIT	613-995-6634
Health-care Products Buyers' Mission from Japan	05-Jun-95	Calgary	DFAIT	613-996-2460
Solo Elderly Product Show and Seminar	Aug-95	Osaka	IC	613-954-3068
Latin America and the Caribbean				
Biotechnology/Diagnostic Chemicals Mission	TBD	Buenos Aires	DFAIT	613-996-5549
Expo-Salud: Info Booth, Mission	TBD	Santiago	DFAIT	613-996-4199
Solo Show at Canadian Business Centre in Mexico City	TBD	Mexico City	IC	613-954-3068
Cuban Trade Fair and Caribbean Mission	Apr-95	Caribbean/Various	IC	613-996-3068
Expomedica '95: Mission	Jul-95	San Salvador	DFAIT	613-996-6129

Note: Dates and locations are subject to change.

Activity	Date	Location	Dept.	Contact
Expo Medica: National Stand	Oct-95	Panama	DFAIT	613-996-6129
Mission: Outgoing	Jan-96	Mexico City	IC	613-954-2951
Multiple Markets				
Identification of Potential Pharmaceutical Investors	TBD	Europe, Japan, U.S.	DFAIT	613-995-6634
Investment Prospecting Initiative Pharmaceutical	TBD	Japan, Europe	IC	613-954-5458
United States				
Mission to IFIs and/or Executing Agencies	TBD	Washington, D.C.	IC	613-954-2951
Mission: Health Consulting/Informatics	TBD	Chicago, Dallas, Houston	IC	613-954-2951
NEBS Medical Products Missions from B.C. and Alberta	TBD	Seattle	DFAIT	613-944-9482
U.S. Health-care Products Newsletter	TBD	Chicago	DFAIT	613-944-9482
Atlantic Canadian Software Mission	May-95	Chicago	IC	506-851-6421
Mid-Atlantic Health Care '95: National Stand	17-May-95	Atlantic City	DFAIT	613-944-9482
Canadian Hospital Association: Buyers from U.S.	05-Jun-95	Calgary	DFAIT	613-944-9482
Pharmaceuticals Purchasing Strategies Promotion	Aug-95	Dallas	DFAIT	613-944-7348
Incoming Mission of MRI Technologies, Houston	Sep-95	Winnipeg	DFAIT	613-944-9482
Medinfo '95: Partnering Mission from Chicago	Sep-95	Vancouver	DFAIT	613-944-9482
Outgoing Matchmaking Mission to HIDA	Sep-95	Baltimore	DFAIT	613-944-9482
Health-care Services Mission	Oct-95	Chicago, Dallas	DFAIT	613-944-9482
Medical Suppliers Mission to U.S. Veteran Affairs	Oct-95	Chicago	DFAIT	613-944-9482
Pharmaceutical Teaming Mission from Texas	Oct-95	Quebec	DFAIT	613-944-7348
Medical Tech Seminar & Mission	Nov-95	New York	DFAIT	613-944-9482
Medical Products Seminar and Mission	Nov-95	Minneapolis	DFAIT	613-944-7348
Mission to MED TECH '95 from U.S.	Nov-95	London, Ontario	DFAIT	613-944-9482
National Home Health-care Show: National Stand	15-Nov-95	Atlanta	DFAIT	613-944-9482
Radiology Society of North America: National Stand	Dec-95	Chicago	DFAIT	613-944-9482
Bio-Pharmaceutical Mission from California	Jan-96	B.C., Ontario	DFAIT	613-944-7348
Medical Design MFG West '96: Info Booth	Jan-96	Anaheim	DFAIT	613-944-9482
Medical Marketing Study: Update	Feb-96	Minneapolis	DFAIT	613-944-9482
Medical Products Buyers from Minneapolis	Mar-96	Manitoba	DFAIT	613-944-9482
New England Health Care Assembly: Partnering	Mar-96	Boston	DFAIT	617-262-3760
Western Europe and European Union				
Medica '95: Info Booth, Mission	Nov-95	Dusseldorf	IC	613-954-3068
Medicine '95 International Trade Fair: Info Booth	Dec-95	Stockholm	DFAIT	613-996-1530

Acronyms and Initialisms Used in The International Trade Business Plan

(This list does not include sector-specific references)

ACOA	Atlantic Canada Opportunities Agency
AG Can	Agriculture and Agri-Food Canada
ASEAN	Association of Southeast Asian Nations
BBS	electronic bulletin board system
BOSS	Business Opportunities Sourcing System
CCC	Canadian Commercial Corporation
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CSA	Canadian Standards Association
DFAIT	Department of Foreign Affairs and International Trade
DFO	Department of Fisheries and Oceans
DND	Department of National Defence
EC	Environment Canada
EDC	Export Development Corporation
EU	European Union
FITT	Forum for International Trade Training
FORDQ	Federal Office of Regional Development - Quebec
FSU	former Soviet Union
FTA	Canada-U.S. Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
HRDC	Human Resources Development Canada
IC	Industry Canada
IDRC	International Development Research Centre
IFI	international financial institution
ISO	International Standards Organization
ITBP	International Trade Business Plan
ITC	International Trade Centre
MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
MDB	multilateral development bank
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NRC	National Research Council
NRCan	Natural Resources Canada
NRCan-CFS	Natural Resources Canada - Canadian Forest Service
OECD	Organization for Economic Co-operation and Development
PEMD	Program for Export Marketing Development
R&D	research and development
SMEs	small- and medium-sized enterprises
UNEP	United Nations Environmental Program
WED	Western Economic Diversification
WTO	World Trade Organization