

Rise of Chinese companies in global medtech sector

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The global medical technology (medtech) sector is undergoing a profound transformation, driven significantly by the rapid and strategic ascent of Chinese companies. The long-held narrative of China solely as a manufacturer of low-cost goods is dangerously outdated. Today, Chinese medtech firms are not merely competing on the global stage; they are increasingly setting the pace in innovation, enhancing product quality, and expanding their international reach. This shift necessitates a strategic reassessment by established players and presents both significant opportunities and complex challenges for the entire healthcare ecosystem. This article dissects the key drivers behind China's medtech surge, analyses their global expansion strategies, evaluates their competitive positioning, and provides an outlook on the future landscape.

China's impact on the global medtech trade is undeniable. From accounting for less than 3 per cent of global trade in medtech products in 2000, China's share exploded to 12.4 per cent by 2021, representing nearly \$40 billion in exports. This surge coincides with a decline in the market share of traditional leaders like the United States. Domestically, China's medical device market has become the world's second-largest, supported by over 32,000 medical device manufacturers generating approximately \$160 billion by the end of 2023. This phenomenal growth isn't accidental; it's the result of a deliberate national strategy coupled with dynamic market forces.

Key drivers fueling China's medtech rise

Several interconnected factors are propelling Chinese medtech companies onto the global stage:

- 1. Strategic government orchestration:** The Chinese government plays a pivotal role through ambitious industrial policies like "Made in China 2025", which explicitly prioritises the medtech sector. This policy aims for high levels of domestic production (70 per cent for mid-to-high-end devices by 2025) and seeks to cultivate globally competitive champions. Support mechanisms are extensive, including substantial financial incentives (direct subsidies, tax breaks – like the 100 per cent super tax deduction for R&D costs, below-market loans), preferential procurement policies

("Buy China" initiatives potentially offering price advantages for domestic goods), streamlined regulatory pathways for innovative devices, and active export promotion. Government support for listed medtech firms, as a percentage of revenue, significantly outpaces that in Organisation for Economic Co-operation and Development (OECD) countries.

2. **Aggressive R&D investment and innovation:** Spurred by government incentives and fierce domestic competition, Chinese medtech firms are investing heavily in Research and Development. Leading companies now allocate 11-14 per cent of their revenue to R&D, often surpassing the 6-8 per cent average of their western counterparts. This investment signifies a strategic shift beyond cost competition towards technological advancement and improved product quality, further emphasised by initiatives like the 14th Medical Equipment 5-Year Plan.
3. **Vast domestic market dynamics:** China's enormous domestic market provides a critical launchpad, allowing companies to achieve significant production volumes and economies of scale. Growing domestic demand, fueled by an ageing population, rising incomes, and expanding healthcare infrastructure, creates a substantial base. However, this market is also characterised by intense competition and significant price pressure, exacerbated by Volume-Based Procurement (VBP) policies. VBP has led to drastic price reductions (e.g., over 90 per cent for coronary stents), eroding domestic margins and acting as a powerful catalyst for companies to seek more profitable growth overseas.
4. **Compelling cost-performance advantage:** Chinese manufacturers retain a significant edge by offering products of improving quality at substantially lower costs compared to Western equivalents. This is achieved through a combination of affordable labour, proximity to local suppliers, scale efficiencies, investment in advanced technologies, and access to global talent. This strong value proposition is highly effective, particularly in price-sensitive emerging markets and commoditised segments within developed economies.

Global expansion playbook

- **Mergers & Acquisitions (M&A):** This has become a cornerstone strategy, especially for larger firms seeking rapid global scale-up. Acquisitions provide immediate market access, advanced technology and IP, established brands, regulatory expertise, and portfolio diversification. High-profile examples include Mindray's acquisition of HyTest Invest Oy, MicroPort's acquisitions of Wright Medical's OrthoRecon and LivaNova's CRM business, Venus MedTech's acquisitions of Keystone Heart and Cardiovalve, AK Medical's purchase of JRI Orthopaedics, and Weigao's acquisition of Argon Medical Devices.
- **Other key strategies:** Beyond M&A, firms utilise traditional exports and Original Equipment Manufacturing (OEM) agreements; strategic partnerships and alliances for co-development, distribution, or accessing local expertise; direct investment in overseas subsidiaries, R&D centres, and manufacturing facilities; and phased regulatory strategies, often targeting approvals in less stringent markets first before tackling the EU (CE Mark) and US (FDA).

Technological capabilities and competitive positioning

- **Strengths:** Chinese firms excel as "fast followers," adept at absorbing, adapting, and efficiently scaling existing technologies. Product quality and performance have demonstrably improved, evidenced by growing success in obtaining stringent regulatory approvals like CE Mark and FDA clearance, including breakthrough device designations. A particular strength lies in integrating digital technologies like AI and IoT connectivity.
- **Weaknesses:** A gap often remains compared to Western R&D powerhouses concerning foundational, breakthrough innovation, particularly in areas like cutting-edge imaging, advanced surgical robotics, and novel implantable devices. Reliance on imported critical components persists in some high-end segments. Furthermore, global brand recognition and trust generally lag behind established Western incumbents, and despite improvements in domestic IP enforcement, international perceptions can still pose challenges. Many firms are also still developing comprehensive global commercial infrastructure.

Industry impact and evolving dynamics

Concerns about state subsidies, market access (fueled by policies like "Buy China"), and fair competition have led to trade barriers, such as US tariffs and the EU's investigation under the International Procurement Instrument (IPI) targeting China's MedTech procurement practices. This adds a layer of complexity and risk to international expansion efforts.

Navigating challenges and seizing opportunities

- **Challenges:** Navigating complex and diverse international regulatory requirements (FDA, CE Mark/MDR/IVDR, etc.) remains costly and resource-intensive. Overcoming lingering quality perceptions and building global brand trust requires sustained effort. Managing IP risks and geopolitical tensions/trade barriers is increasingly critical. The domestic VBP policy, while driving efficiency, squeezes margins, potentially limiting funds for global R&D and expansion. Building effective global market access and commercialisation infrastructure is also a major undertaking.
- **Opportunities:** Emerging markets in Asia, Latin America, and Africa represent vast growth potential, aligning well with Chinese firms' cost advantages. Leveraging strengths in digital health (AI, remote monitoring) offers differentiation pathways. Aligning cost-effective solutions with the global shift towards value-based healthcare is another significant opportunity. Strategic partnerships (with MNCs, local distributors, and research institutions) remain crucial for technology access, market entry, and navigating local complexities. Continuous portfolio upgrading into higher-value niches is also key.

Strategic outlook and conclusion

The emergence of China as a global medtech powerhouse is irreversible and signifies a fundamental industry shift. Chinese companies are no longer just low-cost manufacturers but increasingly sophisticated and globally ambitious competitors moving rapidly up the value chain.

For established international firms, this demands strategic adaptation. Strategies could include forming partnerships to leverage China's manufacturing strengths or navigate its complex domestic market, doubling down on cutting-edge innovation and clinical evidence to justify premium positioning, or segmenting markets to focus where competitive advantages are strongest.

For investors, significant opportunities exist, particularly in high-growth segments where Chinese firms are demonstrating leadership, such as AI-driven diagnostics, homecare devices, and specific cardiovascular or orthopedic niches.

Ultimately, the future success of Chinese medtech companies in the world stage will depend on their ability to transition from "fast followers" to true pioneers of foundational innovation, build enduring global brand trust and credibility, and skillfully navigate an increasingly complex and politicised international regulatory and trade environment. Proactive engagement, strategic agility, and a deep understanding of this evolving ecosystem are essential for all stakeholders seeking to thrive in the future of global healthcare technology.

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