



AMERICAN CHAMBER OF COMMERCE IN INDIA

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February 27th, 2015

Shri. Arun Jaitley
The Honorable Minister of Finance
Government of India

Dear Sir,

The American Chamber of Commerce in India (AmCham) has been working closely with the Medical Devices Industry in India and we thank your Government's commitment to creating a favorable environment for the medical devices industry. The recent announcement of allowing 100% FDI in Medical Devices through automatic route will ensure inflow of investments in India which will help spur domestic manufacturing and help address the needs of Indian patients.

We are confident that the government will continue to take more positive steps that will further these recent developments. We would like to urge you to ensure that none of these efforts are disillusioned by measures (as appearing of late in the media) that would disrupt the good momentum going for the medical devices industry. Specifically, we would like to draw your attention to representations and request your intervention on the following in the forthcoming budget:

1. Rationalise the inverted duty structure
2. Not to adopt a "Buy India" policy, and
3. Reverse the 100% FDI in medical devices

First, inverted duty structures. Here, there are two critical points to be made. One, the duty structures for medical devices are not inverted across the board. For a wide majority of finished products, the total custom duty is in double digits. It is mostly the critical life-saving medical devices for which there is an inverted structure. Two, we all recognise that no industry should be subjected to inverted duty structures indefinitely; however, sequencing of measures and demands is of utmost importance, especially for a nascent industry sector. Till such time that the Government can provide sufficient public healthcare spending and the domestic availability of high-quality medical devices becomes adequate, raising duties on critical imported life-saving and life-enhancing medical devices would only exacerbate the financial burden on patients and compromise patient access.

Any increase in import duties on medical devices will obstruct the very process the Government seeks to facilitate, that is, FDI into medical devices and 'Make in India'. For markets that do not offer economies of scale, an increased duty may only end up shrinking the market and denying access, rather than promoting manufacturing.

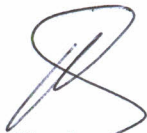
Next, a 'Buy India' policy. A 'Buy India' policy, right away, would be premature because of the small size of the domestic market. It would cause a huge disadvantage to the Indian

patient by limiting the availability and affordability of advanced medical technology that are not currently manufactured (or manufactured in very limited quantities) in future. As domestic manufacturing achieves scale and quality, the Government could promote a 'Buy India' policy.

Finally, reversing 100% FDI. India needs medical devices – irrespective of who produces them within its shores. The current representations made to you for inclusion in the Budget 2015, demand preferential treatment to Indians producing in India – which is antithetical to India's growing global stature. Moreover, India should welcome high quality producers who offer opportunities for technology transfer and global scale, and the benefits of world-class research and development. Finally, the origin of the producer should not come in the way of India benefiting from domestic manufacturing – i.e. employment, skill development and other multiplier effects associated with it.

To ensure 'Make in India' translates from idea to action, in the context of medical devices, it is important to formulate policies to the requirements of the sector. We request your kind consideration and affirmative intervention towards the above mentioned points during your upcoming budget announcement and hope that your Government will steer clear of protectionist, regressive demands and instead use your much-awaited Budget speech to outline future intentions.

Sincerely,



Ajay Singha
Executive Director
AMCHAM



Prabal Chakraborty
Chairman
AmCham Medical Devices Committee