



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Medical Equipment Sector*

The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea is the **4th largest** market for U.S. medical equipment exports; failure to pass the U.S.-Korea Trade Agreement could enable exporters from the EU and other countries to gain key advantages over U.S. exporters to Korea.
- Estimated duties paid on exports of U.S. medical equipment to Korea were over **\$195 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 90 percent** of medical equipment exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean medical equipment tariffs currently average 5.4 percent, ranging up to 50 percent.

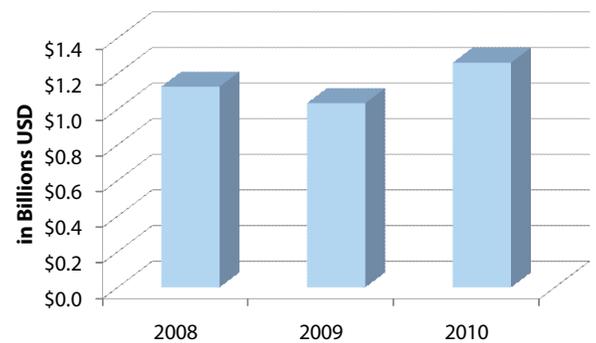
Medical Equipment Sector Overview

- The medical equipment sector accounted for \$1.1 billion in U.S. exports to Korea over 2008-10 (average) or nearly 4 percent of total U.S. industrial exports to Korea.¹
- Top U.S. medical equipment exports to Korea include surgical instruments, diagnostic equipment, artificial joints and parts, lab reagents, and medical appliances.
- In 2009, U.S. production of medical equipment was over \$98 billion.²
- The U.S. medical equipment sector employed over 274,000 workers in 2009.³
- The Korean market offers areas of opportunity for U.S. exporters of high-end medical equipment due to the new medical facilities scheduled to open in 2013.⁴
- Korea's medical equipment market, which is currently valued at \$2.5 billion, is forecast to grow 10-15 percent annually in the next several years. In addition to an aging population, continued economic growth will result in demands for better healthcare in Korea.⁵

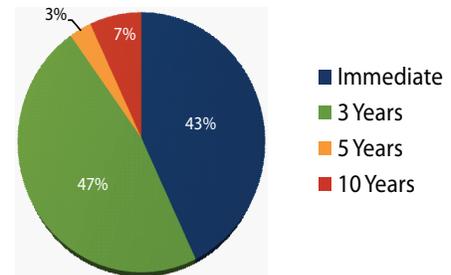
Improved Market Access for U.S. Medical Equipment Exporters to Korea

- Korean medical equipment tariffs average 5.4 percent, ranging from zero to as high as 50 percent.
- More than 43 percent of U.S. medical equipment exports⁶ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 47 percent of medical equipment exports to Korea would be eliminated over three years and tariffs on a further 3 percent of medical equipment exports would be eliminated over five years. Tariffs on the remaining 7 percent of U.S. medical equipment exports would be eliminated in equal cuts over ten years.

U.S. Medical Equipment Exports to Korea Averaged \$1.1 Billion



More than 90% of U.S. Medical Equipment Exports to Korea Would be Duty-Free Within Three Years



¹ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for medical equipment used in this report, unless otherwise cited, is the Uruguay Round Medical Equipment sector agreement and includes products within Harmonized System (HS) Chapters 38, 84, 85, 87, 90, and 94. Pharmaceuticals are not covered by this report.

² U.S. Department of Commerce, U.S. Census Bureau, NAICS 334510, 334517, 339112, 339113 and 339114. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, NAICS 334510, 339112, and 339113 (non-seasonally adjusted data).

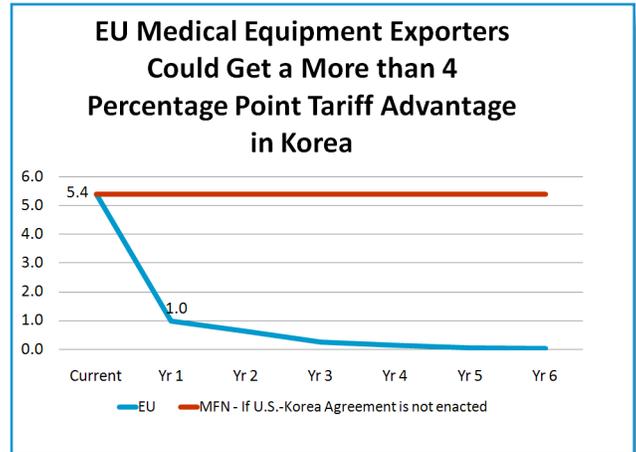
⁴ U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Korea.

⁵ U.S. International Trade Commission, U.S. Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects, September 2007.

⁶ Data based on three-year average for 2008-2010.

Foreign Competition in the Korean Market

- Korea signed a trade agreement with the EU in 2009, which is scheduled to enter into force in July 2011. It also recently signed an FTA with Peru, which is also scheduled to enter into force this year. Korea presently has FTAs in force with ASEAN, Chile, India, Singapore, and EFTA. In addition, Korea is negotiating new agreements with Australia, Canada, Colombia, New Zealand, and Turkey; is considering launching FTA negotiations with China; and is exploring re-launching its stalled negotiations with Japan.
- EU exporters will immediately enjoy an average tariff of 1 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 5.4 percent until entry into force of the U.S.-Korea Trade Agreement.⁷



Key States Exporting to Korea

- Top U.S. states exporting medical equipment to Korea include: California, Illinois, Tennessee, Massachusetts, Wisconsin, Minnesota, Indiana, Ohio, Florida, and Pennsylvania.
- Other states with a high number of medical equipment companies include New York, Michigan and Georgia.

Other Key U.S.-Korea Trade Agreement Commitments for the Medical Equipment Sector

- **Pharmaceuticals and Medical Devices:**
The U.S.-Korea Trade Agreement contains principles on facilitating high-quality health care and improving access to safe and effective innovative and generic pharmaceutical products, and medical devices. The agreement has commitments to ensure fair, reasonable, and non-discriminatory treatment for pharmaceutical products and medical devices and to provide predictability and transparency in the pricing and reimbursement process for pharmaceutical products and medical devices. The United States and Korea agreed to adopt, maintain, and enforce measures to promote ethical business practices by prohibiting improper inducements to health care professionals or institutions by pharmaceutical product and medical device manufacturers. The U.S.-Korea Trade Agreement also establishes a joint Medicines and Medical Devices Committee to monitor implementation of the agreement and promote regulatory cooperation.
- **Health Care Services:**
Korea also provided meaningful commitments in the areas of health care services, guaranteeing that current health care reforms in special economic zones will be maintained and extending new market access commitments in the areas of higher education and distance adult education.
- **Technical Barriers to Trade:**
The U.S.-Korea Trade Agreement strengthens disciplines to promote transparency in the way governments develop and apply technical regulations and related conformity assessment procedures (e.g., testing and certification). For example, Korea agreed to provide national treatment, or the same treatment applied to Koreans, to U.S. persons for participation in the development of standards, technical regulations, and conformity assessment procedures; and to accreditation, licensing or approval of U.S. conformity assessment bodies.

⁷U.S. Department of Commerce calculations based on EU-Korea FTA and U.S.-Korea Trade Agreement tariff commitments.