

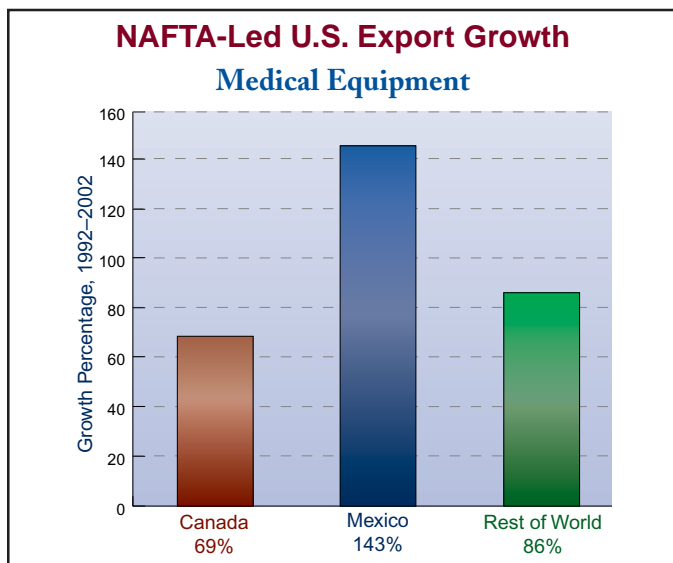


NAFTA 10 YEARS LATER

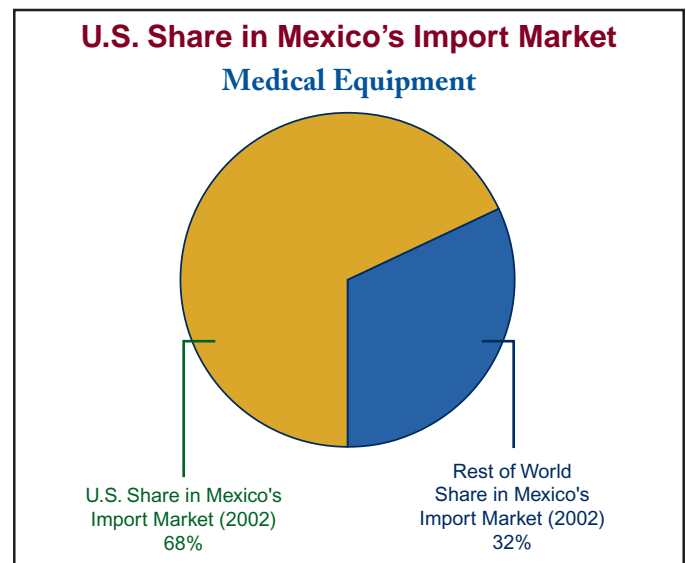
MEDICAL EQUIPMENT

Export Highlights

U.S. firms exported a total of \$26.6 billion in medical equipment in 2002, including \$2.7 billion to Canada and \$1.7 billion to Mexico. Together, our NAFTA partners account for 16% of total U.S. exports of medical equipment.



From 1992 to 2002, U.S. medical equipment firms increased exports to Canada by 69% and increased exports to Mexico by 143%.



In 2002, U.S. firms captured 68% of Mexico's medical equipment import market and 62% of Canada's medical equipment import market.

Industry Facts

- U.S. firms are the world's largest suppliers of medical equipment and parts, with increasing domestic production. Domestic production increased 20% from 1997 to 2002, to \$78.6 billion. Surgical and medical instrument production and supplies have grown a remarkable 22% and 27%, respectively, and make up 59% of the industry's production.
- The U.S. medical equipment industry leads the world in medical device innovation due to its commitment to research and development and its close association with medical research and the microelectronics industry.
- NAFTA has improved the stability of the regulatory environment in Mexico and has encouraged U.S. investment in Mexican assembly plants and production sharing. NAFTA allowed U.S. companies to own Mexican assembly plants. Increased investment has led to cost-cutting production techniques and facilitated the introduction of new technologies in U.S. industry, and the introduction of new U.S. products in Mexico.
- NAFTA increased transparency in government procurement, which has benefited U.S. exporters of medical equipment to the growing public hospital sector in Mexico.



Trade Barrier Elimination

NAFTA's elimination of virtually all tariffs on medical equipment in Mexico and Canada has helped to increase U.S. exports to these countries. Today U.S. medical equipment firms experience no significant tariff barriers in Canada or Mexico. Before NAFTA, Mexican importers of U.S. medical equipment paid nearly \$100 million annually in tariff costs, including tariffs as high as 20% on some products. Today, U.S. firms enjoy nearly duty-free access to these markets and an average 16% tariff preference over competing exporters in Mexico, and as high as 23% on some products. For example, U.S. exports of dental and medical chairs and parts to Mexico enter duty free, while those from Japan are subject to a 22% duty. Similarly, U.S. exports of ultrasonic scanning equipment enter Mexico duty free, while Japanese and South Korean exporters are subject to a 17% tariff.

NAFTA also eliminated several nontariff barriers in Canada and Mexico. Today U.S. exporters benefit from uniform customs procedures, greater transparency in standards and government procurement, and stronger protection for trade secrets that have commercial value such as product processes, formulas, and customer lists.

Key Exporting States

Arizona, California, Colorado, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, Wisconsin

Employment Opportunities

Medical equipment manufacturers employ 350,000 U.S. workers nationwide, up from 290,000 U.S. workers in 1992. The sector has experienced productivity increases over the past decade due to the introduction of new technologies, cost-cutting production techniques, and production-sharing with assembly plants on the U.S.-Mexico border. Wages remain relatively high in this sector and are up 35% since 1992.

The Sector

This sector includes surgical, medical, and dental instruments and supplies.