

Statement of Pat Mackin

Senior Vice President and President of Cardiac Rhythm Disease Management

Medtronic, Inc.

Before the House Committee on Ways and Means

**Hearing on Russia's Accession to the World Trade Organization and
Granting Russia Permanent Normal Trade Relations**

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Chairman Camp, Ranking Member Levin and Members of the Committee, thank you for the opportunity to testify on behalf of Medtronic in support of Russia's accession to the World Trade Organization (WTO) and to urge Congressional approval of legislation granting permanent normal trade relations (PNTR) status for Russia.

In just a few weeks, Russia is expected to formally become a member of the WTO. According to some estimates, Russia's accession to the WTO could double U.S. exports, supporting U.S. jobs in numerous sectors, including services, agriculture, manufacturing and technology. U.S. economic benefits from Russia's accession to the WTO are not automatic; however, they will be secured and enforceable only if Congress passes permanent normal trade relations with Russia.

About Medtronic

Medtronic was founded in 1949, in a garage in Minneapolis, Minnesota. Today, we are the largest independent medical technology company, employing 40,000 people worldwide -- serving physicians, clinicians and patients in more than 120 countries, including Russia. With over 71,000 Medtronic technologies in production, Medtronic is a global leader in medical technology, serving over 7 million patients each year. Medtronic innovation leads the way as medical technologies change the ways physicians treat patients. Every 4 seconds, a Medtronic product saves or substantially improves the life of someone, somewhere in the world.

Medtronic in Russia

Russia is one of the fastest growing countries for the medical technology industry and Medtronic is a key player in the Russian medical device market. Medtronic works with more than 400 health service provider institutions and serves more than 75 cities across Russia. Since 2005, more than 10,000 Russian health care professionals have been trained in Medtronic technologies, and in the last five years, Medtronic technologies and therapies have benefitted nearly 70,000 patients across Russia.

Growing Market for Medical Technology

Home to 142 million people, Russia's population is the 9th largest in the world, but only 20% of Russians currently have access to quality healthcare. Russian government efforts to extend medical care to larger portions of the country make it a significant emerging market for companies like Medtronic that provide cutting-edge life science products.

Spending on healthcare in Russia is on the rise. Today, Russian healthcare spending is four times higher than it was in 2001. Russian spending for 2011 is expected to reach nearly \$93 billion, a nearly 14% increase over Russia's 2010 healthcare expenditures of more than \$81 billion. The Russian healthcare market is almost entirely public, meaning provided by the Government of Russia. Thus, healthcare companies like Medtronic are entirely dependent on the Russian government to acquire our products.

At the same time, the incidence of chronic disease is high in Russia, too high. Cardiovascular disease alone is responsible for 56% of all deaths, followed by cancer at roughly 13%. Still, there are too many patients in Russia today that do not have access to clinically indicated therapies to treat these and other chronic illnesses. Even devices that are commonplace here in the U.S., like this pacemaker, are hard to come by for Russian citizens who need them.

Nearly two-thirds of Russia's medical equipment is obsolete, creating demand for new medical devices. Russia's spending on medical devices is projected to reach \$6.4 billion for 2011, marking growth of nearly 17% over the previous year's total of \$5.5 billion. Russia imports 60% of its medical devices and 20-25% of these imports come from U.S. companies, giving the U.S. the second largest share in Russia's imported medical device market after Germany.

As a concession, Russia has agreed to substantial tariff reductions for imported medical equipment following WTO accession – Russian tariffs on these products will average 5%, giving U.S. medical technology companies the opportunity to realize significant expansion into the Russian market. Meanwhile, Russia PNTR does not require any tariff reductions or market liberalization by the U.S.

Additionally, Russia's WTO commitments promise to greatly improve the climate for companies doing business in Russia. Russia has a tremendous scientific and technological capability. Pioneering work in the applied sciences including medical devices provide Russia a rich culture of innovation. The Russian Government is committed to building on this foundation to reorient its R&D capability toward global economic competitiveness. In this regard, the Russian Government is installing support infrastructures to protect and commercialize the intellectual property that is produced. Specifically, the Russian government is actively sponsoring technology parks, business incubators, venture capital and stronger intellectual property and licensing laws. Russia understands that robust laws to protect and enforce intellectual property rights are essential for a thriving and successful innovation environment. This is in line with American firms for whom a strong intellectual property environment is a non-negotiable element of any investment. U.S. companies will benefit from Russia's adherence to the rules of

international trade with regard to intellectual property rights, as well as science- and risk-based regulations, but only if Congress passes Russia PNTR.

Russia PNTR is Essential for a Level Playing Field

Approval of Russia PNTR is a critical step toward ensuring that U.S. companies like Medtronic can benefit from Russia's WTO accession and remain competitive in that market. If PNTR is not in place by the date of Russia's accession to the WTO, Medtronic and other U.S. companies will not be able to take full advantage of the market opening benefits and other commitments made by Russia to join the WTO, nor be able to enforce them when necessary. In contrast, all other WTO countries – including our European competitors – will enjoy these benefits and, until PNTR is granted, have a competitive edge over Medtronic and other U.S. companies and workers in the increasingly important Russian market.

Legislation to graduate Russia from the Jackson-Vanik amendment and establish PNTR is essential to ensuring that U.S. companies enjoy a level playing field and are able to compete for sales of goods and services in Russia with foreign competitors. Passing Russia PNTR will bring the U.S. into compliance with WTO rules requiring unconditional free trade between members. Jackson-Vanik is a condition on our trade with Russia. As no other WTO member country has a law similar to Jackson-Vanik which imposes such conditions, all of Russia's trading partners will realize an immediate benefit, leaving U.S. companies on the sidelines of the Russian market, at a disadvantage for lucrative contracts and without the full tools of a WTO relationship.

If Congress fails to grant PNTR, Russia will still accede to the WTO, but only U.S. companies will be penalized.

As you may know, the medical technology sector is a priority sector under the President's National Export Initiative, indicating that this is a solid source of American competitiveness and jobs. Russia is one of the fastest growing markets in the world for medical technology, and Russia's accession to the WTO will give U.S. companies like Medtronic a significant opportunity to expand our exports and sales to Russia, which leads to job creation here at home, but only if coupled with PNTR.

We can ill afford to forfeit this opportunity to remain competitive. Without PNTR, U.S. companies like Medtronic will be left behind our competitors in this growing and profitable market, losing ground that we may never be able to make up. I respectfully urge Congress to ensure that U.S. companies can take full advantage of Russia's WTO accession from day one by passing legislation to grant PNTR status for Russia now.

Once again, I want to thank Chairman Camp, Ranking Member Levin and the Committee for inviting me to be here today. I appreciate this opportunity to testify and would be happy to answer any questions you might have.