



**Testimony of Timothy E. Guertin
President and Chief Executive Officer
Varian Medical Systems, Inc.
Senate Finance Committee
Hearing on the U.S.-Korea Free Trade Agreement
May 26, 2011**

I want to thank Chairman Baucus and Ranking Member Hatch for holding this hearing today on the U.S. – Korea Free Trade Agreement (KORUS). My name is Tim Guertin and I serve as President and CEO of Varian Medical Systems, Inc. We at Varian strongly support the efforts to expand market access for U.S. medical device products abroad through new trade agreements.

About Varian Medical Systems

Varian Medical Systems is the world's leading producer of medical technology and software for treating cancer with radiation therapy, radiosurgery, proton therapy, and brachytherapy.

Varian's technology provides hospitals and clinics around the world with the tools they need to treat thousands of cancer patients each day. Varian focuses on three main areas of production: oncology systems, x-ray products, and security and inspection products.

Varian manufactures 90 percent of our products in the United States, specifically in Utah and California. Varian employs more than more than 3,000 people here in the U.S. and more than 5,500 people globally. The jobs created here in the U.S. are high paying, high quality jobs that depend on access to foreign markets. In addition, Varian invests significantly in research and development in both Utah and California to develop new innovative technologies and intellectual property. Often this technology is developed in conjunction with leading cancer centers such as Huntsman Cancer Institute at the University of Utah to create breakthroughs in cancer treatment.

The advances we have created in cancer treatment and the superiority of our technology has spurred the demand for our products internationally. As a net-exporter, 53 percent of our \$2.4 billion business is exported while 47 percent of our business is in domestic sales.

In addition, Varian's X-Ray products business, headquartered in Salt Lake City, Utah, is the premier independent supplier of x-ray tubes and flat panel image detectors in the world. Nearly 700 employees in Utah work to produce x-ray products to most major diagnostic equipment manufacturers to be used for mammography and CT scanning, as well as industrial security screening and inspection equipment that helps facilitate trade through our ports and at our land borders.

Varian in Korea

We are proud that Varian has an established relationship with the leading health care provider in the Republic of Korea. In fact, while on a recent trade mission to the Republic of Korea, Department of Commerce Secretary Gary Locke and several Members of Congress devoted time to seeing Varian's oncology systems treating cancer patients at Seoul National University Hospital (SNUH). SNUH, a longtime partner of Varian, provides some of the most cutting edge cancer treatments available to those stricken with this terrible disease. The Varian linear accelerators that perform radiotherapy treatments at SNUH were manufactured in California and Utah and then installed and serviced by a team of technicians in Seoul, providing jobs on both sides of the Pacific.

While visiting the radiation oncology department at SNUH, the U.S. Delegation was able to see firsthand the efficient process a cancer patient goes through when being treated with

radiotherapy. Radiotherapy is a non-invasive technique that targets tumors with high-energy photon beams that stop cancer cells from reproducing. Treatments on Varian linear accelerators are tailored for each patient, focusing on breast, prostate, brain, lung and other types of cancers. In the next several months, SNUH will be acquiring the new Varian TrueBeam system that will enable clinicians in Seoul to treat more complex cases, while at the same time reducing treatment times for patients.

Exports and Tariff Elimination

Korea is an extremely important market for Varian as well as other United States medical technology exporters. According to the U.S. Department of Commerce, Korea is one of the fastest growing markets for medical technology products. In fact, last year Varian had more than \$34 million in orders from Korea. The U.S. International Trade Commission estimates that the Korean medical device market will grow 10-15 percent in the next several years.

We are able to place Varian technology in the hands of oncologists in Seoul thanks to the existing beneficial trade relationship between the U.S. and Korea. Varian is very supportive of KORUS and the potential for an increase in exports and the related U.S. jobs it could sustain and create by expanding our market in Korea. The implementation of KORUS will increase the availability of medical technology in the Korean market, thereby allowing increased access by Korean patients to the most innovative technologies and treatment options. The U.S. medical technology industry exported \$875 million last year. We expect to see that figure grow with the market opening offered under KORUS.

We applaud KORUS for being the first free trade agreement to specifically address issues related to the medical device industry in distinct provisions of the agreement. KORUS outlines processes and procedures related to transparency in both the regulatory approval process and pricing of medical devices. We often find that in other markets the opaque determination of government pricing of products and the lengthy regulatory approval puts U.S. medical device companies at a competitive disadvantage with non-U.S. manufacturers. The KORUS provisions related to competitive-market derived pricing, as well as the requirement for an independent review and appeals process if the industry has concerns with either the regulatory approval or pricing of medical device products, has great potential to drive increased exports to Korea. And an increased demand for exports in turn leads to an increase in production and growth at our factories in Utah and California.

Varian, and other U.S. medical device companies, will also benefit from the elimination of the existing tariff barriers that are currently in place for our technology. In most cases radiotherapy equipment orders exceed \$2 million. KORUS, when implemented, will eliminate an 8 percent tariff on Varian exports. This will lead to business growth in both the U.S. and Korea by allowing Korean customers to have greater purchasing power, and, will make the most advanced cancer treatment in the world more affordable to more patients and treatment facilities in Korea. Other medical technology companies have indicated they could see similar export growth and also strongly endorse KORUS.

Competition

Without the KORUS FTA, U.S. medical device manufacturers are at a distinct disadvantage with respect to our foreign competitors as other nations establish free trade agreements with Korea. For example, the European Union (EU) has negotiated a free trade agreement with Korea set to go into effect this summer (July 2011.) Our European competitors also would see decreased costs from tariff eliminations included in the Korea-EU FTA, further complicating matters for U.S. manufacturers and putting us at a competitive disadvantage.

Intellectual Property Protection

The KORUS FTA recognizes the importance of U.S. developed intellectual property. Varian supports KORUS' provisions that set forth high standards for intellectual property protection. We are often disadvantaged in countries where the patent enforcement rules do not reflect the standards of protection found in U.S. law.

Varian filed its first patent in 1951. Since then, the company's scientists and researchers have amassed many hundreds of patents, and many thousands of innovations. In the area of cancer treatment, Varian's patented innovations have made it possible to shape a radiation beam so that it more closely matches the shape and size of a tumor in order to kill cancerous tumors while reducing dose to healthy tissue. The company has also developed patented image-guidance technology so that tumors can be targeted with sub-millimeter precision, and motion management tools that can keep a treatment focused on a tumor even as it moves back and forth when the patient breathes. All of these crucial patented innovations add up to protecting more healthy tissues during treatment with potentially fewer side effects, and the successful treatment of more types of cancer in various parts of the body.

Varian patents also have given rise to a line of low-cost radiographic X-ray image detectors that are manufactured by our employees in Utah. These detectors are revolutionizing diagnostic imaging, making it an instantaneous, digital process that eliminates the need for film, and all the processing chemicals that go with it.

As a result, since all of this technological innovation leads to high-quality skilled jobs here in the United States, we appreciate the focus of the KORUS FTA on patent protection, as it allows Varian to continue to do business in Korea while protecting our intellectual property.

Conclusion

It is my hope that patients in Korea and all over the world will continue to benefit from the collaborative innovation that occurs due to our mutually beneficial trade relationships. In order to continue to innovate new ways to treat cancer and other diseases, we need to ensure that we can keep working together around a common goal. KORUS helps us in this effort by further opening the Korean market to U.S. exports of innovative medical technology.