

Congress of the United States
House of Representatives
Washington, DC 20515-0552

May 15, 2018

The Honorable Robert E. Lighthizer
United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Lighthizer:

We appreciate your continued leadership in representing the United States with our allies. The task of overseeing and promoting our trade policy is a difficult challenge in an ever-changing global environment. In particular, we stand ready to work with you to address the challenges presented by China's role in global trade.

However, we are concerned by the recent announcement to potentially subject almost \$3 billion worth of medical technology products from China to the Section 301 tariffs, and we request that medical technology products be removed from the list. For the reasons explained below, we do not believe that imposing additional tariffs on medical technology products would advance the policy objective you have articulated, which is to target products that benefit from China's industrial and economic plans while minimizing the impact on the U.S. economy.

As you know, the U.S. medical technology industry is an American success story. This U.S. industry has been historically competitive on a global level and is one of the few with a consistent trade surplus. In 2017, U.S. exports of medical technology products to the world totaled \$52.5 billion, and imports were \$51.4 billion – a surplus of \$1.1 billion.

The Chinese market for medical technology represents a significant growth opportunity for U.S. manufacturers. The Chinese market is valued at over \$25 billion and the country imports about 70 percent of its medical devices, with imports expected to continue to grow. U.S. companies are the leading suppliers of medical devices to China, with a 33 percent share of all medical device imports, or approximately \$5 billion of the total China medical device market. With its growing economy and middle class, rapidly aging population, and increased demand for medical technology, China will continue to be an attractive market for U.S. manufacturers. With that in mind, we are concerned that inclusion of medical devices on any final Section 301 tariff list could lead to retaliation that would jeopardize these opportunities.

Imposing tariffs on medical technology products from China also ignores the nearly balanced trade relationship between U.S. and China in medical technology products. The U.S. trade deficit with China in medical technology products is negligible and shrinking yearly to under \$400,000,000 in 2017 (\$4.7 billion exports/\$5 billion imports). In fact, we understand that the

U.S. currently has a surplus with China for the medical device products included on the Section 301 proposed tariff list.

For these, and other reasons, we are requesting that all medical technology products be removed from the Section 301 tariff list. Not doing so would not only hurt U.S. manufacturing as the majority of imports from China are inputs to manufacture finished medical technology products right here in America, but also impacts their ability to compete globally, and potentially increase healthcare costs, which would limit patient access to life-saving technology. It could also invite retaliation from the Chinese Government through tariffs on U.S. medical technology products, or through non-tariff barriers such as new regulatory and payment hurdles that could delay or prevent timely market access. These actions would only benefit China's domestic manufacturers at the expense of U.S. manufacturers.

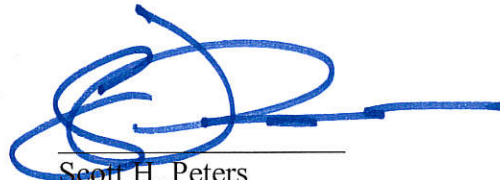
A focus on addressing current threats posed by China, including long-standing intellectual property theft and forced technology transfer, is warranted and clearly detailed in your March 22 report. However, the medical technology industry was not mentioned in the 183-page document. The report contained no evidence of intellectual property theft involving U.S. medical technology manufacturers and included no mention of forced technology transfers in this sector. More importantly, the report did not cover what the industry has identified to the Administration as its priority issues with China, such as the need for regulatory and payment reforms.

Thank you for your time and attention to this important matter. We are encouraged that you are conducting a public comment process to understand the implications of any tariffs and make adjustments to the preliminary list before any tariffs are imposed. We look forward to working with you to address our concerns.

Sincerely,



Erik Paulsen
Member of Congress



Scott H. Peters
Member of Congress

Leonard Lance

Leonard Lance
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Darin LaHood

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Bob Gibbs

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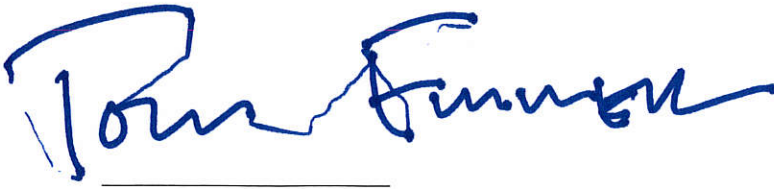
Ami Bera
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J. Luis Correa

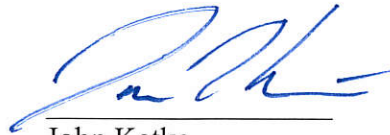
J. Luis Correa
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Anna G. Eshoo

Anna G. Eshoo
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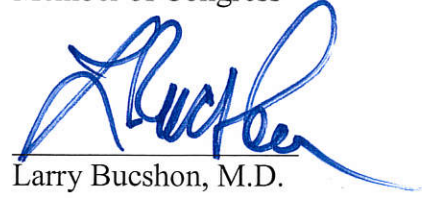
Tom Emmer
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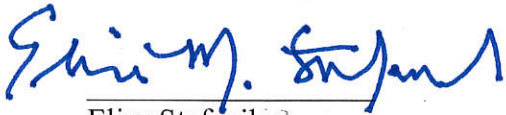
John Katko
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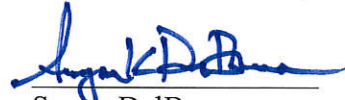
John Garamendi
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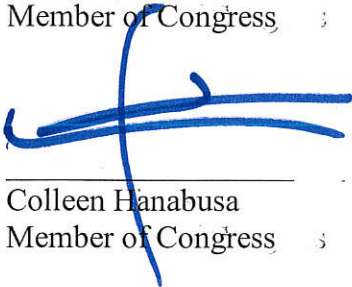
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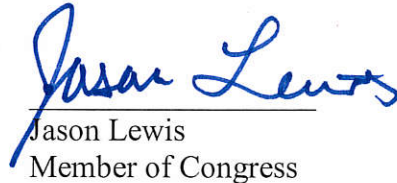
Colleen Hanabusa
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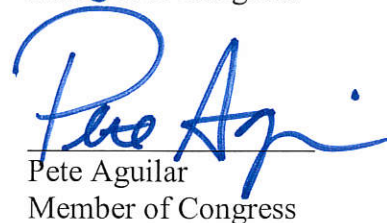
Ed Perlmutter
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Kyrsten Sinema
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Pete Aguilar
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