



June 23, 2020

Dear Member of the House Armed Services Committee:

I urge you to reject any amendment to FY 2021 National Defense Authorization Act (NDAA) to impose “Buy American” mandates on the medical supply chain. Such amendments would place unnecessary sourcing requirements on medicines and medical inputs purchased with federal dollars. **All lawmakers should reject Buy American amendments.**

If implemented, Buy American mandates will disrupt the medical supply chain, threatening timely access to medicines and leading to retaliatory actions from trading partners. During this unprecedented health crisis, a Buy American policy could even threaten our ability to adequately respond to the pandemic.

Instead of destabilizing our innovation ecosystem with price controls, burdensome regulations, and heavy-handed government directives, we need to encourage advanced manufacturing capabilities with less government interference, lower taxes, and other incentives to maintain America’s global leadership in biomedical innovation.

American pharmaceutical manufacturing is strong

Advocates of Buy American mandates have [claimed](#) that 80 percent of America’s pharmaceutical drug supply comes from China. These reports have stoked fears that China is actively working to undermine our COVID-19 response and could block our access to prescription drugs at any time.

The problem is that this statistic is [false](#) and based on a misreading of a government report. In reality, the U.S. imported more than \$115 billion of finished pharmaceutical products in 2018, only \$1.5 billion of which came from China. Unfortunately, this has not stopped lawmakers from using the statistic as an excuse to push Buy American mandates.

In reality, American pharmaceutical manufacturing is strong, and fears of American dependence on prescription drugs from other countries are overblown. Pharmaceutical manufacturers invest over \$100 billion in the U.S. economy every year, directly [supporting](#) over 800,000 jobs. When indirect jobs are included, this innovation supports 4 million jobs and \$1.1 trillion in total economic impact. Pharmaceutical jobs are also high paying – the average compensation is over \$126,000 – more than double the \$60,000 average compensation in the U.S.

This robust industry also means that U.S. patients have greater access to new life-saving and life-preserving medicines. Of the 290 new medical substances that were [launched](#) worldwide between 2011 and 2018, the U.S. had access to 90 percent. By contrast, the United Kingdom had 60 percent of medicines, Japan had 50 percent, and Canada had just 44 percent.

These findings were echoed in a [report](#) by the Council on Economic Advisers, which found that the U.S. has access to a far greater proportion of cures compared with other countries:

“[M]any of the 200 top-selling drugs examined here show no quantities sold in the countries of comparison, suggesting that those drugs are not available for sale in that country. For example, in Australia, only 97 of the 200 drugs show evidence of significant sales. Similarly, Canada has only 120 of the drugs, France 109, and Germany 133.”

Buy American mandates increase manufacturing costs resulting in shortages and delays

This existing supply chain incorporates numerous inputs from across the world including raw materials, active pharmaceutical ingredients (APIs), and high precision analytical tools. These supply chains frequently contend with a number of challenges including transportation and logistical obstacles, ensuring supply and demand are met, and alleviate stress caused to the chain due to region-specific disruptions in manufacturing or shortages.

The ability of the private industry to utilize a diverse global supplier base is essential to creating a healthy competitive advantage and mitigating risk.

History shows that Buy American mandates restrict choices for consumers and manufacturers leading to higher prices and reducing access. For example:

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- Under a Buy American mandate, some estimates show that the costs of manufacturing medicines could be up to [five times higher](#).
- According to a [study](#) by the Heritage Foundation, Buy American Mandates create additional, costly regulatory burdens for producers, increase costs for American taxpayers, and are unlikely to yield job growth in target industries.
- A 2010 report by the Government Accountability Office [found](#) that Buy American mandates caused delays in implementing new projects due to the complexity in finding alternate suppliers and being forced to redesign projects.
- A 2009 [report](#) by the Peterson Institute for International Economics found that Buy American mandates on steel production would have minimal positive impacts on the U.S. and lead to retaliation from other countries, creating job losses.

Free market groups and activists, and economists oppose Buy American mandates

Over 30 organizations recently sent a letter opposed to Buy American mandates to Treasury Secretary Steven Mnuchin, National Economic Council Director Larry Kudlow, Senate Majority Leader Mitch McConnell, and House Republican Leader Kevin McCarthy.

As the groups wrote, this policy will [harm](#) the healthcare system, leading to reduce access and higher prices:

“This protectionist proposal has no place in our healthcare system and will upend complex and efficient supply chains, leading to higher prices, threatening access to medicines, and opening the U.S. to retaliatory measures from other countries.”

In addition, leading economists, including Nobel prize-winners and former members of the White House Council of Economic Advisers, sent a [letter](#) to President Trump and Congress warning against a Buy American mandate on medicines.

Conclusion

As you consider amendments to the FY 2021 NDAA, I urge you to reject any effort to amend this legislation to include Buy American mandates.

Rather than mandating local sourcing requirements in the U.S. that could harm friendly countries and invite retaliatory actions, a better policy would be to seek the abolition of rules and requirements overseas that compel local sourcing to the disadvantage of U.S. manufacturers.

A protectionist Buy American proposal has no place in our healthcare system and will upend complex and efficient supply chains, leading to higher prices, threatening access to medicines, and opening the U.S. to retaliatory measures from other countries.

Onward,



Grover Norquist
President, Americans for Tax Reform