



May 7, 2018

**Via Electronic Submission to www.regulations.gov
(Docket No. USTR-2018-0005)**

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

Re: Proposed USTR Section 301 Tariffs on Medical Technology

Thank you for the opportunity to comment on tariffs proposed under USTR Section 301. We appreciate the Administration's focus on addressing threats currently posed by China – including forced technology transfer and intellectual property theft – that were clearly spelled out in the March 22 report.

The Medical Alley Association is, however, concerned with the inclusion of certain items on USTR's Section 301 list. Specifically, The Medical Alley Association urges you to remove all medical technology products, and components used for manufacturing these products in the United States, from this list.

The medical technology industry is a U.S. success story. Globally competitive, this industry is one of the remaining few that runs a consistent trade surplus. In 2017, the U.S. medical technology trade surplus exceeded \$1 billion. Additionally, for the medical technology items on the USTR's Section 301 list, the U.S. is currently in a trade surplus with China – and for all medical technology it has a continually shrinking trade imbalance (only \$400,000 in 2017).

Decisions made by the federal government that impact the medical technology industry have a more significant impact on Minnesota than any other state. Minnesota is the home of the most densely concentrated medical technology cluster in the world and ranks 2nd in the U.S. in the number of citizens employed in the medical technology industry. Minnesota is home to a significant number of medical technology companies with extensive operations, including Medtronic, 3M, Smiths Medical, Boston Scientific, Abbott, Ecolab, Coloplast and Cantel Medical. Minnesota is also home to one of the most robust and significant medical technology early-stage ecosystems, with companies that consistently raise hundreds of millions of dollars in venture capital.

A major concern regarding the inclusion of medical technology products and related components in the USTR's Section 301 list is the possibility of retaliation by the Chinese Government. The Chinese market for medical technology is a significant growth opportunity for U.S. manufacturers. China imports nearly 70% of the medical devices it currently consumes and 1/3 of those come from U.S. companies. Today, this represents approximately \$5 billion of sales in China. With the world's largest population, a growing economy, and an aging population, China will continue to be a significant growth market for medical technology and an attractive market for U.S. manufacturers.

Reciprocal tariffs on U.S. medical technologies or other, non-tariff barriers, such as new regulatory or payment hurdles, would only serve to benefit Chinese domestic manufacturers at the expense of U.S. – and especially Minnesota – medical technology manufacturers. Non-tariff retaliation is of particular concern. Such measures could significantly devalue investments already made by U.S. companies in China and could delay or inhibit the ability of other U.S. manufacturers to enter the Chinese market.

This expense would be especially impactful in Minnesota. More than 30,000 people work for medical technology manufacturers in Minnesota and the industry supports more than 90,000 jobs. The industry has a greater than \$3.75 billion impact on the state. This impact increases to over \$7.5 billion when factoring in wages. The inclusion of medical technology products and related components on the USTR's Section 301 list or reciprocal tariffs and barriers from China would negatively impact Minnesota's economy.

We are also concerned about the impact the proposed tariffs could have on U.S. healthcare costs. Americans expect access to the most innovative medical technology products in the world and millions of our citizens' lives or quality of life are dependent on medical technology. A 25% tariff on medical technology products would certainly increase the cost of healthcare and could limit access to these technologies. This decision isn't just about economics, it's about the lives of Americans. We are all working to contribute solutions to a better healthcare system that delivers improved outcomes and lower costs. As we collectively transform healthcare to reflect a system that rewards value and innovation, we cannot afford to add costs that are not directly tied to improved outcomes and increased value for the American health consumer. The inclusion of medical technology products and components in the USTR's Section 301 list would likely add such costs, without providing any improvement in outcomes or value.

We respectfully request that all medical technology products and related components be removed from USTR's Section 301 list.

Thank you for your time and consideration.



Shaye Mandle
President & CEO
Medical Alley Association