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House Armed Services Committee
2216 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative,

As you markup H.R. 6395, the National Defense Authorization Act (NDAA) for FY 2021, it is likely that H.R. 4710, the Pharmaceutical Independence Long-Term Readiness Reform Act, will be offered by Rep. John Garamendi (D-Calif.) as a “Buy American” amendment to the legislation. On behalf of the more than 1 million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I ask that you oppose this amendment, or any similar “Buy American” language that may be offered to amend the NDAA.

While H.R. 4710 calls for a report on vulnerabilities to the U.S. medicine supply chain within a year of its enactment, it would also require the Secretary of Defense to “only acquire and purchase American-made and Federal Drug Administration [*sic*] approved raw materials, medicines, and vaccines” and under the Defense Production Act “to acquire and purchase such raw materials, medicines, and vaccines, recognizing the national security vulnerabilities of a dependency on a foreign medical supply chain.” If adopted, this legislation would wreak havoc and cause shortages within the pharmaceutical supply chain and immediately cause pharmaceutical shortages for the members of the U.S. military. This would be unwise and damaging legislation to implement, especially during a pandemic.

Instituting a “Buy American” mandate during a time when global supply chains are already stressed to produce enough medical products would also be catastrophic. The premise for H.R. 4710 is based on faulty data that a large percentage of the U.S. drug supply comes from China. An April 6 *Reason* article by Eric Boehm provides evidence that much of this information is misleading or false, and that the supply chain is quite diverse. He noted that according to the Food and Drug Administration, there are almost 2,000 active pharmaceutical ingredient drug manufacturing facilities around the world that provide pharmaceuticals to the United States. Of these facilities, 28 percent are in the United States; 26 percent are in Europe; 18 percent are in India; 13 percent are in China; 13 percent are in the rest of the world; and 2 percent are in Canada.

Implementing such a ban will not only hurt U.S. trading allies, it will also lead to retaliatory trade actions.

Because of China’s actions during the SARS-CoV-2 pandemic, it is understandable why efforts are underway to implement Buy American policies for many manufactured goods, particularly pharmaceuticals and other healthcare products. But this legislation would undermine long held

free-market and free-trade policies and in many cases be impracticable. Manufacturing decisions are based on many factors, including availability of raw materials, production costs, and access to markets. The U.S. has its own factors like storms that can cause long-term damage; stifling taxes; high property costs; antibusiness regulations; and the availability of skilled labor.

An alternative to restrictive and unnecessary legislation like H.R. 4710 is to provide incentives for businesses to build their manufacturing capabilities in the United States, like H.R. 6690, the Bring Entrepreneurial Advancements to Consumers Here in North America (BEAT CHINA) Act. This legislation would reform the tax code and allow “accelerated depreciation of nonresidential real property acquired to relocate facilities for the manufacture of pharmaceuticals and medical devices or supplies in the United States,” among other incentives.

Pharmaceutical firms and medical supply companies are not oblivious to China’s actions, from the theft of intellectual property; to a different business culture; to the lack of a strong rule of law; and, certainly the last few months have opened eyes to China’s aggressive and destructive actions around the world. But Rep. Garamendi’s legislation, or anything similar thereto, would be a destructive hammer that would drive up costs for patients, start retaliatory trade responses across the globe, and fail to solve the problems related to the global supply chain. Adopting the policies in H.R. 6690 or similar proposals are a far better, long-term approach to encourage more manufacturing in the United States.

Sincerely,

Tom Schatz