



**ALLIANCE
FOR HEALTHCARE
COMPETITIVENESS**

The Alliance for Healthcare Competitiveness

*Improving lives, creating jobs and meeting the healthcare
needs of a growing global population*

November 1, 2013

The Honorable Michael Froman
United States Trade Representative
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Froman:

The Alliance for Healthcare Competitiveness (AHC), which represents the largest job-creating sector of the U.S. economy, is urging you to ensure that advanced medical devices are included in the expanded World Trade Organization Information Technology Agreement (ITA). AHC strongly supports the expansion of the list of products covered by the ITA to include additional Harmonized Tariff System (HTS) codes that apply to medical devices, which will help millions of patients access life-saving medical technology.

AHC is a coalition representing America's leading healthcare employers, both for profit and non-profit, large and small. We represent the entire healthcare "ecosystem," from healthcare providers and makers of healthcare products, including pharmaceuticals and medical devices, to insurers, logistics companies delivering health goods, patient organizations, companies designing healthcare facilities, and more. The American health sector is among the world's largest and most sophisticated economic sectors and has vast trade potential. Private-sector health companies employ over 15 million Americans, account for 19 percent of all new job creation, and produce over \$2 trillion annually in goods and services. U.S. healthcare businesses see a remarkable opportunity to improve health outcomes worldwide as we simultaneously help the United States accelerate job creation.

Globally, the burden of healthcare is growing at a rapid rate. Developed economies struggle with increasing healthcare costs stemming from ageing populations, while developing countries are confronting major health epidemics that increase mortality rates and stifle economic growth. Sophisticated medical devices can help improve health outcomes in both groups of countries, and at the same time provide options for managing costs by enabling providers to detect problems early and address them effectively. Almost all economies participate in the global trade of health products as exporters, importers, or both. But barriers to trade in health products persist, and are particularly onerous due to the application of tariffs to health goods like medical devices.

Although many tariffs were reduced or eliminated through the Uruguay Round of the GATT in 1995 and subsequent agreements, the achievement is not complete, even in some relatively wealthy countries. In developing countries, health tariffs vary widely and are occasionally quite high. For example, U.S. CT scan exports to India in 2011 were about \$23.5 million. India's 7.5% tariff imposed, in effect, \$1.57 million in extra costs on buyers.





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A recent study by the WTO found that developed countries' applied tariff rates on medical devices were approximately 0.5%. By comparison, average applied tariffs were approximately 4.0% in developing economies, 5.5% in least developed countries, and 5.1% in transition economies. And real tariff burdens may be even higher than the numbers suggest, with global sourcing compounding tariffs on components and subcomponents as they move throughout complex supply chains.

The ongoing ITA negotiations offer an opportunity to expand access to the most innovative technologies at the most competitive prices by eliminating tariffs on additional categories of medical devices. Many categories of medical technology would qualify as IT, in that they have the ability to demonstrate dynamic two-way communications. For example, a device for deep brain stimulation (DSB) conveys two-way information – inside and outside the patient. Likewise, pacemakers are capable of remote wireless management of the devices in the patients.

ITA expansion would fuel global trade and help support U.S. medical technology exports to nations demanding world-class healthcare. For these reasons, AHC supports the expansion of ITA product coverage to include a set of medical products and technologies that are either IT-connected or IT-enabling power sources, with a tariff phase-out period of no more than five years on all products.

With the right policies, including a zero-tariff environment, U.S. medical technology can serve a vastly larger global market. A billion people in India, China, Latin America, Southeast Asia and Africa will join the global middle class over the next decade. With a global healthcare market outside the United States likely to surpass \$7 trillion as the decade continues, we would be missing an incredible opportunity if healthcare is not given a central place in U.S. economic and trade strategy. The addition of critical medical technology to the ITA product list is an important start.

We look forward to continue working with you and your senior officials on these issues going forward. Please contact Ayelet Haran at 202-879-5803 or aharan@fontheim.com with any questions.

Sincerely,

Claude Fontheim
Alliance for Healthcare Competitiveness, LLC





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Annex – List of Harmonized System Sub-Headings Supported by AHC for ITA Expansion:

901812	ULTRASONIC SCANNING APPARATUS
901813	MAGNETIC RESONANCE IMAGING APPARATUS
901814	SCINTIGRAPHIC APPARATUS
901819	LAPAROSCOPES, ENDOSCOPES & OTHER ELECTRO-DIAGNOSTIC EQUIPMENT
9018194000	MED.APP.FOR FUNCT.EXP.EXAM
9018195500	PATIENT MONITORING SYSTEMS
9018199530	BASAL METABOLISM&BLOOD PRESSUR
9018199560	PARTS & ACC:ELECT.MED.DIAGN.APPA
9018901000	MIRRORS & REFLECTORS OTHR MED.
9018902000	OTHER MED.OPTICAL INSTRUMENTS
9018904000	PERCUSSION HAMMERS;STETHOSCOPE
9018906000	ELECTRO-SURGICAL INSTRUMENTS
9018906800	PRNT CRCT ASMB F/90189064 DFIB
9018907560	OTHER ELECTRMD THERAPUTC APL,OTH
9018907580	OTHER ELECTRO-MEDICAL INST&APP
9018908000	OTHER INSTR/APL PT/ACS, USE MED
9021500000	PACEMAKERS FOR HEART: N/PARTS
9021904080	OTHER PARTS &ACC FOR PACEMAKERS
9021908100	OTHER ORTHOPEDIC&BODY AID APPL
902212	COMPUTED TOMOGRAPHY APPARATUS
902219	FOR OTHER USES (APPARATUS BASED ON THE USE OF X-RAYS OR OF ALPHA, BETA OR GAMMA RADIATIONS, WHETHER OR NOT FOR MEDICAL, SURGICAL, DENTAL OR VETERINARY USES, INCLUDING RADIOGRAPHY OR RADIOTHERAPY APPARATUS
902221	FOR MEDICAL, SURGICAL, DENTAL OR VETERINARY USES (APPARATUS BASED ON THE USE OF ALPHA, BETA OR GAMMA RADIATIONS, WHETHER OR NOT FOR MEDICAL, SURGICAL, DENTAL OR VETERINARY USES, INCLUDING RADIOGRAPHY OR RADIOTHERAPY APPARATUS)
902214	APPARATUS BASED ON THE USE OF X-RAYS OR OF ALPHA, BETA OR GAMMA RADIATION FOR MEDICAL, SURGICAL, OR VETERINARY USE (EXCLUDING FOR DENTAL PURPOSES AND COMPUTER TOMOGRAPHY APPARATUS)
902230	X-RAY TUBES
902290	OTHER, INCLUDING PARTS AND ACCESSORIES