



## AHC WHITE PAPER: EXECUTIVE SUMMARY

The American health ecosystem is among the world's largest and most sophisticated economic sectors, and has vast untapped trade potential. It should have a central place in American strategy as the administration and Congress consider ways to promote recovery, long-term growth and high-wage employment through exports.

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Exports need to drive America's growth – in the immediate future for recovery and employment, with consumer demand depressed after the crisis; and in the long term, if America is to shift from growth based on borrowing and consumption toward investment, innovation, and production. The Administration's hope to double exports by 2014, from \$1.5 trillion to \$3 trillion, reflects this view – but will be difficult to meet. To achieve it, we will need to rely on industries which:

- (1) Are large enough to operate on the trillion-dollar scale, and are thus capable of expanding imports by hundreds of billions of dollars a year.
- (2) Have the technical excellence to compete and win worldwide.
- (3) Can tap rapidly growing foreign demand.

The American health ecosystem is one of a small number of industries with all these characteristics. Valued at \$2 trillion, it employs 1 in 7 private-sector workers across well over 500,000 firms and non-profits – the large majority of them small and medium-sized operations employing 100 or fewer people - and serves a public of 305 million. Its manufacturing industries have maintained stable employment, and its businesses, labs and universities account for \$56 billion out of \$242 billion in private-sector R&D. The health ecosystem is already a highly successful exporter of pharmaceuticals and medical devices – exports of these goods tripled over the last decade and may reach \$100 billion this year, even without counting royalties and license payments – and to the extent limited data allow us to judge, of health services as well.

With the right policies, these industries 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. Everywhere in the world, populations are ageing. These demographic trends will raise the global demand for high-value health services, medicines and devices; as they do, governments and industries will need top-quality financing, management, medical education, and health IT. As U.S.-based clinics, hospitals and other providers establish branches abroad, their familiarity with American health manufacturing will accelerate exports of American-made devices and medicines. And growing capacity to meet health-care needs through telemedicine, including mobile devices, makes the export opportunity for services all the greater.

This does not imply an effort to “export the U.S. health care system.” Each country's health care system is unique, reflecting local history, values, political decisions and social arrangements.

Rather, it is a ‘win-win’ proposition, based on sharing of leading-edge know-how, services, technologies, and products; the multi-billion dollar capital investments in R&D and innovation the US health economy and firms have financed; and the more open relationships between international health care systems that can help all to reach their goals.

*Towards an Agenda:* If this is to happen, trade policymakers in the Executive branch and Congress need to see the health ecosystem as an integrated whole, and adopt a set of coherent goals that enable it to reach its potential. Past negotiations have taken health-industries separately, and done little to involve services. AHC members suggest a different approach, with guidelines for the major U.S. negotiating venues – including the WTO, the negotiations of free trade agreements, and bilateral and regional dialogues – as follows:

- *Zero-tariff and zero-Non-Tariff Barrier policies for medicines and medical devices* for all major economies.
- *Transparent, accountable and nondiscriminatory regulatory systems* for approval of new medicines and devices, to include avenues for appeal to a clear higher authority when appropriate and capacity-building programs for less-developed country partners.
- *Efficient standards-setting*, to ensure compatibility and ease use of new devices in developing countries.
- *Disciplines on State-Owned Enterprises and competitive government procurement systems*, to ensure access and avert discriminatory purchasing requirements in goods and services.
- *Services-sector goals applied to payers such as insurers, providers such as hospitals, IT providers, professionals and others* to ensure open and competitive markets for services.
- *Robust protection of intellectual property rights* along the lines of protections in the Korea-U.S. Free Trade Agreement, and consistent with those in American law.
- *Electronic Commerce/Telemedicine:* Special focus for telemedicine, enabling providers to export services across borders consistent with national or professional standards.

To bolster this substantive agenda, we suggest two further shifts. One is institutional, in creation of an Ambassador-level Special Negotiator for Health Industries at the U.S. Trade Representative Office. The other is in data, with the Commerce Department directed to collect and regularly publish detailed data on health-service sector exports and imports, available by country as well as by industry and including flows of income from royalties and licenses as well as cross-border exports.

*Conclusion:* AHC members see a remarkable opportunity unfolding in this decade, as global demand for health care soars. The scale and sophistication of America’s health ecosystem makes it uniquely capable of meeting this demand, improving health outcomes worldwide as it simultaneously helps the United States make the transition to an era of growth based on investment, innovation, production, and high-wage employment. We look forward to working with Congress and the administration in the design of a comprehensive and coherent approach that matches the need and the scale of the opportunity.