



**The Alliance for Healthcare Competitiveness**

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

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ON BEHALF OF ALLIANCE FOR HEALTHCARE COMPETITIVENESS

HEARING ON  
ADVANCING CONGRESS'S TRADE AGENDA,  
THE ROLE OF TRADE NEGOTIATING AUTHORITY

SENATE FINANCE COMMITTEE

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I would like to thank the Committee, Chairman Baucus, and Ranking Member Hatch for the opportunity to provide our viewpoints in support of trade and Trade Promotion Authority today. Johnson & Johnson is a member of the Alliance for Healthcare Competitiveness (AHC), a group of 19 leading firms and non-profits involved in American health, including healthcare providers, medical device and pharmaceutical manufacturers, insurers, health IT, hospitals, pharmacy, health-specialized architects, express carriers, and other participants in America's \$2 trillion health sector.

### **About Johnson & Johnson**

Johnson & Johnson has approximately 128,700 employees worldwide engaged in the research and development, manufacture and sale of a broad range of products in the healthcare field. The Company conducts business in virtually all countries of the world with the primary focus on products related to human health and well-being. Research and development activities represent a significant part of our business, and last year we spent over \$7.5 billion worldwide, \$4 billion of that amount in the United States. Those research dollars help support, among other things, 3,763 clinical trials on new and life-improving pharmaceuticals and are being conducted with the enrollment of 183,200 patients at 8,465 trial sites.

The Company is organized into three business segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics. The Consumer segment includes a wide range of well-known brands for health and healing, and beauty and well-being, including well-known brands such as JOHNSON'S Baby, BAND-AID, LISTERINE, TYLENOL, ZYRTEC, SPLENDA, AVEENO, and NEUTROGENA. The Pharmaceutical segment includes products in therapeutic areas including: anti-infective, antipsychotic, contraceptive, gastrointestinal, hematology, immunology, infectious diseases, neurology, oncology, pain management, thrombosis, and vaccines. The Medical Device and Diagnostics segment includes a broad range of products to treat cardiovascular disease; trauma, orthopedic and neurological products; blood glucose monitoring and insulin delivery products; general surgery, biosurgical and energy products; professional diagnostic products; infection prevention products; and disposable contact lenses.

Johnson & Johnson makes an important contribution to the U.S. economy. We have 48,000 direct jobs in the U.S. which in turn help support 254,700 indirect jobs, which means for every one direct job in the U.S., we support 5.3 additional jobs in the U.S. economy. For every dollar of Johnson & Johnson output, we add \$1.4 dollars in additional indirect output to the U.S. economy. We have employees in

every state of the U.S., but if I look at the states represented by Members on this Committee, I note we have over 1,000 employees in each of the following states: Colorado, Florida, Georgia, New Jersey, New York, Ohio, Pennsylvania, and Texas.

Johnson & Johnson is a leading corporate supporter of trade, and a member of pro-trade organizations including the Alliance for Healthcare Competitiveness, the U.S. Chamber of Commerce, the Business Roundtable, the Trade Benefits America coalition, AdvaMed, PhRMA, and the Personal Care Products Council. All support trade, and all support the Trade Promotion Authority legislation that is under consideration by this Committee.

### **The Importance of Trade to the United States**

With more than 95 percent of the world's population living outside of the United States, U.S. economic growth and job creation depend on expanded trade and investment opportunities so U.S. companies and workers can sell more American products and services to foreign customers. For example, in 2011, more than 38 million U.S. jobs – more than one in five – depended on U.S. exports and imports. This represents 24 million more trade-related U.S. jobs than two decades ago, before the U.S. implemented a series of bilateral, regional, and multilateral trade agreements.

High-level trade agreements have been critical to global economic growth, and directly benefit the U.S. economy. U.S. free trade agreements (FTAs) in effect in 2008 before the global recession generated over \$300 billion in U.S. output (2.1 percent of U.S. GDP), expanded U.S. exports of goods and services by over \$460 billion, and supported over five million U.S. jobs. Nearly half of all U.S. exports now go to the nation's FTA partners. In 2012, the U.S. had a manufactured goods trade surplus of roughly \$58 billion with its 20 FTA partner countries combined. Similarly, a wide range of U.S. industries export services to our 20 FTA partners, which purchase about 20 percent of all U.S. services exports. U.S. exports have helped drive the U.S. economy and its recovery in recent years, positively contributing to U.S. economic growth in 2010, 2011, and 2012.

Some of these benefits have been the result of the U.S. pressing countries to make free-market and democratic reforms to their systems. Improving the rule of law, imposing codes of ethical conduct, respecting and strengthening protection of intellectual property rights, and improving transparency and administrative procedures have enhanced the ability of American businesses to grow overseas. At the same time, reforms initiated in the pursuit of free and fair trade have improved

the lives and economic freedoms of the citizens of our trading partners, a value in its own right, and a factor in promoting stability and regional security. In short, free trade agreements help U.S. business, expand wealth and economic freedom, and promote U.S. foreign policy objectives – a win-win-win scenario.

### **Understanding the Healthcare Eco-system**

I have been speaking generally about the benefits of trade to the whole U.S. economy. I would like to focus on healthcare now. Health is one of the largest and fastest-growing sectors of the world economy. Valued at \$6 trillion in 2010, it is likely to surpass \$8.5 trillion – just over a tenth of the world’s likely economic output, and one dollar in eight of global growth – by 2015.

There are logical, predictable, and well-understood reasons for this surge in growth. One is that the world’s population is aging. The global over-60 population is likely to double in the next 20 years while the youth population remains stable. In developing regions everywhere, the world’s population is urbanizing, with global city populations likely to rise by 1.4 billion in the next 20 years while rural populations remain stable. And the world is growing more affluent, with the global middle class expanding from 1.7 billion to four billion over the next 20 years.

All these factors mean a rapidly growing demand for healthcare. Older people need more preventive care and more treatment. City residents, living closer to hospitals and clinics, are more likely to seek care when they need it, and also more likely to use preventive care. And a middle-class population, secure against deep material deprivation, is more likely to seek and demand regular high-quality care.

Thus, the world’s medical industries will need to provide regular preventive care and treatment for two billion more people; provide the additional medicines needed for an additional 600 million elderly people; build the clinics and hospitals needed for these patients; and finance treatment through some mix of out-of-pocket payments, public financing, and private insurance.

As the leader in all these aspects of healthcare innovation, the U.S. is uniquely positioned to take advantage of these developments. Over the next two decades, it will be a powerful stimulus for global growth and investment, a driver of technological progress, a key factor in stimulating productivity, a means of channeling young people into highly paid, technically demanding careers, and an important contributor to social stability and therefore regional and national security. The U.S. government is to be applauded for advancing trade policy affecting many

of the components of the healthcare eco-system, but what is critically needed now is a more comprehensive strategy for the sector as a whole. That is why one of our suggestions has been for the U.S. Trade Representative (USTR) to create a dedicated healthcare trade position to bring together this wide range of interests and issues when negotiating trade agreements.

The health eco-system represents a range of expertise that extends beyond pharmaceuticals and medical devices; it touches logistics, infrastructure, intellectual property, research, services, and more. The depth and breadth of the sector and its unique considerations require a look at the sector holistically.

### **Trade Promotion Authority**

Trade agreements will help that occur, and Trade Promotion Authority is critical to capitalizing on the benefits of trade I have laid out. This legislation: (1) helps shape the principle goals the United States wants to accomplish in international trade negotiations with other countries; (2) establishes a framework for Congress and the Executive Branch to partner in pursuing trade agreements and enacting bills implementing the agreements into law; and (3) strengthens the hands of U.S. trade officials when negotiating with other countries.

Trade Promotion Authority presents a critical framework for ensuring that the U.S. trade agenda is robust and ambitious. In many ways, this law provides both a floor for negotiating objectives – minimum standards that the U.S. should seek – and also urges the U.S. and its trading partners to strive for the strongest rules-based trading regime possible, greater cross-border integration, and commitments to reforms that spur economic growth. These principal negotiating objectives have never been more important in protecting innovation, opening markets for U.S. goods, and ensuring that U.S. industries – particularly those like the innovative biopharmaceutical industry, which delivers cutting edge treatments for patients, high-paying jobs, and significant economic output – continue to thrive.

The healthcare industry's priorities for trade agreements, and therefore for Trade Promotion Authority legislation, include many features that are in current agreements and related to other U.S. industries.

We seek better access for patients around the globe through the reduction or elimination of policies and measures that impede trade and investment in healthcare-related industries, like tariffs and non-tariff barriers. We want to ensure that obligations under agreements apply to healthcare-related products and services and

are properly enforced. There should be investment protections and the ability to deliver life-saving products and services across borders efficiently with no discriminatory or undue barriers, including those created by state owned entities. The U.S. government should promote competitiveness within the healthcare sector through the provision of strong intellectual property protections for new and emerging technologies and innovative products. We also want other countries to provide increased transparency to their regulatory activities and provide regulatory due process in the healthcare sector. Moreover, the interrelated and multi-sectoral nature of the healthcare eco-system requires trade officials that take a holistic view of the health industry.

In other words, the U.S. healthcare industry wants the opportunity to share its remarkable life-saving products and services with patients around the world. I am happy to say that the legislation prepared by the leaders of this Committee and Chairman Camp in the House incorporates all of these important goals.

### **Conclusion**

Chairman Baucus, Ranking Member Hatch, I want you to know that the business community very much appreciates your leadership in preparing legislation to provide the President with trade negotiating authority.

You and your staff obviously worked very hard to include the viewpoints of a wide range of stakeholders, and I think you have struck a good balance. It is especially heartening to see this example of bipartisanship and how you worked with Chairman Camp in the House of Representatives to put this legislation together.

We wholeheartedly support your effort and want to work with you and all Congressional offices to have this law enacted.