IDFA
International
Dairy Foods Association

Comments on Section 232 National Security Investigation of Imports of Pharmaceuticals and Pharmaceutical Ingredients

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Office of Strategic Industries and Economic Security
Bureau of Industry and Security
U.S. Department of Commerce
Washington, D.C. 20230

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To Whom It May Concern:

Thank you for the opportunity to comment on the U.S. Section 232 Investigation of Imports of Pharmaceuticals and Pharmaceutical Ingredients.

The International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industry, which supports more than 3.2 million jobs that generate $49 billion in direct wages and $794 billion in overall economic impact. IDFA's diverse membership ranges from multinational organizations to single-plant companies, from dairy companies and cooperatives to food retailers and suppliers, all on the cutting edge of innovation and sustainable business practices. Together, they represent most of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world.

With respect to the investigation on imports of pharmaceutical and pharmaceutical ingredients, IDFA is concerned it may not be immediately clear to U.S. officials that the investigation may have down-stream impacts on typically unrelated products like dairy. IDFA members rely on foreign-manufactured vitamins like vitamin A (HS 2936.21.00.00), ascorbic acid (vitamin C), cholecalciferol and ergocalciferol (vitamins D3 and D2, respectively, HS 2936.29.59.20), amino acids like taurine (HS 2921.19.61), and other similar inputs. While not an exhaustive list, which we can consult further and provide if necessary. IDFA notes such pharmaceutical ingredients are vital to meet required fortification goals as well as to continue manufacturing other dairy-based nutritional products, such as sports nutrition products, special medically-formulated beverages, medical foods, oral nutritional supplements, etc.

With that background, IDFA offers the following comments in relation to the requests for information posed in the notice:

(i) *the current and projected demand for pharmaceuticals and pharmaceutical ingredients in the United States*;

As growth of dairy consumption and the need for specialized nutritional products continue to grow, we do not foresee use of these pharmaceutical ingredients decreasing.

(ii) *the extent to which domestic production of pharmaceuticals and pharmaceutical ingredients can meet domestic demand*;

IDFA does not believe the U.S. can source these vitamins and inputs in the short-term. Many are manufactured in China, India, and the European Union, for instance. Through historic Section 301 tariffs on China, some IDFA members spent significant time and effort attempting to find alternative suppliers for such products, including in the United States, to no avail. IDFA believes such production goals involve long-term re-development of the domestic sector, rather than short-term supply chain shifts.

(iii) *the role of foreign supply chains, particularly of major exporters, in meeting United States demand for pharmaceuticals and pharmaceutical ingredients*;

See previous response; many such inputs are manufactured in China, India, and the European Union. In the case of specialized nutrition products (e.g., medical foods specially formulated for the dietary management of a disease or condition or oral nutritional supplements), these nutritional formulations may be unique in that replacement inputs may not be readily available. As such, any disruption to the supply chain for such critical food productions can have a significant impact on patient health and quality of life. Additionally, to achieve regulatory fortification goals as well as maintain nutritional profiles of dairy products in the United States, which directly contributes to U.S. dairy's competitiveness and consumer food security, IDFA suggests foreign supply chains must remain part of these inputs in the short-term.

(iv) *the concentration of United States imports of pharmaceuticals and pharmaceutical ingredients from a small number of suppliers and the associated risks*;

IDFA members have not expressed concerns about the concentration of suppliers, but rather the concentration of ingredients being sourced only within one country. For instance, it is extremely difficult, if even possible, to source taurine outside of China. However, taurine is a critical input to maintaining certain nutritionally-important products. If IDFA members could source these inputs from other trading partners, they would.

(v) *the impact of foreign government subsidies and predatory trade practices on United States pharmaceuticals industry competitiveness;*

IDFA is not knowledgeable of these practices given how far downstream dairy products are from the origin trade practices of these small quantity, but critical inputs.

(vi) *the economic impact of artificially suppressed prices of pharmaceuticals and pharmaceutical ingredients due to foreign unfair trade practices and state-sponsored overproduction*;

IDFA members express concern that for vitamins like ascorbic acid, Indian-based fully manufactured (capsule form) vitamins appear to enter the U.S. for much lower prices than raw versions that are used for further processing in U.S. food and beverage manufacturing. IDFA members are uncertain as to the rationale for this distinction and concerned that policies or practices may be in place in the source country that create the price differential. IDFA is otherwise not knowledgeable of foreign trade practices or state-sponsored overproduction.

(vii) *the potential for export restrictions by foreign nations, including the ability of foreign nations to weaponize their control over pharmaceuticals supplies*;

IDFA is not knowledgeable of these practices given how far downstream dairy products are from the origin trade practices of these small quantity, but critical inputs.

(viii) *the feasibility of increasing domestic capacity for pharmaceuticals and pharmaceutical ingredients to reduce import reliance*;

IDFA is not knowledgeable of the feasibility for increasing domestic capacity given how far downstream dairy products are from the production origin of these small quantity, but critical inputs. However, IDFA supports long-term initiatives to improve domestic capacity at competitive pricing to reduce import reliance, with the caveat

that such initiatives should not hurt those reliant upon imports in the interim.

(ix) *the impact of current trade policies on domestic production of pharmaceuticals and pharmaceutical ingredients, and whether additional measures, including tariffs or quotas, are necessary to protect national security*;

Although the overall quantity of these inputs may be small relative to the final product, IDFA members have felt a significant impact by tariffs historically placed on such vitamins and inputs from China through previous Section 301 investigations. IDFA members report no awareness of such historic tariffs having done anything to create support for or actual change of the overseas productions of these ingredients to friendlier trading partners, or indeed, the United States. Instead, such tariffs have simply increased costs with no apparent benefit to U.S. production, which costs have in turn hurt U.S. users of the ingredients like U.S. dairy processors. IDFA urges caution before applying further tariffs without other clear and communicated plans in place to support the capacity-building of replacing such foreign-source ingredients with domestic production.

(x) *any other relevant factors.*

IDFA has no other relevant factors to report.

Thank you for the opportunity to comment on this investigation. Although dairy processors are not a primary stakeholder of this investigation, the outcomes of it are nevertheless important to the U.S. dairy processing sector. Please do not hesitate to reach out to us with any questions or concerns related to these comments.

Sincerely,

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