Negative Brief: China Drug Imports S.2495

By “Coach Vance” Trefethen

AFF Plan passes S.2495, a bill that was proposed in Congress in 2021 but never enacted. It does a number of things, one or two of which comply with the resolution, while the rest are extra-topical. The goal is to stop federal health care programs (think Medicare, Medicaid) from buying pharmaceuticals with any ingredients made in China after a cutoff date a couple years in the future.

Negative: China Drug Imports S.2495 3

TOPICALITY 3

1. Extra-topical tax incentives 3

S.2495 contains tax incentive provisions that do things outside the resolution to achieve solvency 3

Violation: Tax incentives are not import or export trade 3

Impact: No solvency 3

INHERENCY 4

1. Status Quo already enacted this bad policy 4

"Do Something!" based on lack of data and false statistics, even before we know what the real numbers are! That's the AFF Plan, and Congress already did it in the CARES Act of 2020 4

2. Stockpiles solve for supply risks 4

Drug companies have adequate stockpiles to survive supply shocks 4

3. New supply chain diversity 4

Lessons learned from Covid are making pharmaceutical companies diversify their supply chains to avoid shortages 4

4. Private sector solves 5

No risks in the AFF case justify forcing companies to make drugs in the U.S. Private sector can solve for shortages on its own 5

HARMS / SIGNIFICANCE 5

1. "Dependence" on imports is exaggerated. There's no crisis 5

Covid caused shortages, not China. And the US supply chain is well diversified already 5

Shortages of pharmaceuticals in Status Quo are not significant enough to justify any change in trade policy 5

Pharmaceutical trade cutoffs are unlikely, and China isn't doing it. Shortages are from higher demand, not trade problems 6

No "dependence" on China for generic drugs 6

FDA study finds no crisis from Chinese imports 6

2. Imports from China are tiny 7

China supplies 1% of US pharmaceutical imports 7

$1.5 billion out of $115 billion in pharmaceuticals come from China. We're "NOT" "dependent" on China 7

US pharmaceuticals have a very diverse supply chain. Very few of the manufacturing facilities we import from are in China 7

3. No, China doesn't produce 80% of our pharmaceutical ingredients 7

Reports that "China makes 80% of our Active Pharmaceutical Ingredients" are wrong 7

The "80% API" statistic is phony: Someone made it up and everyone else repeats it. But it's just wrong. 8

DISADVANTAGES 8

1. Pharmaceutical shortages 8

China is a major and key supplier of critical pharmaceuticals and patients will die without them 8

A/T "We'll find replacements" - Won't happen: China is critical and there is no US or foreign replacement 9

2. Supply chain disruption 9

Creating policies that artificially limit the US supply chain make the problem worse, not better 9

3. Higher consumer costs 9

Chinese manufacturing lowers costs for American consumers 9

Negative: China Drug Imports S.2495

TOPICALITY

1. Extra-topical tax incentives

S.2495 contains tax incentive provisions that do things outside the resolution to achieve solvency

Description of S.2495 from official web site of Congress 2021. https://www.congress.gov/bill/117th-congress/senate-bill/2495?s=1&r=84



Violation: Tax incentives are not import or export trade

This is purely subsidies to US manufacturers on the condition that they "DON'T" engage in foreign trade. It's the opposite of the resolution.

Impact: No solvency

Affirmatives have no right to add mandates in their plan that go beyond the resolution. Letting them do so would be abusive, because they could put just about anything, from space exploration to climate change to car safety into their plans and start claiming advantages from them. There's no way Negatives can prepare to debate against all possible policy changes outside the resolution.

Extra-topical mandates should be severed from the plan and their plan should be judged solely on the parts of it that are in compliance with the resolution. When you do that, you realize that they cut off imports from China, but have no means of ensuring US domestic manufacturing. That means the plan fails and you can vote Negative on solvency.

INHERENCY

1. Status Quo already enacted this bad policy

"Do Something!" based on lack of data and false statistics, even before we know what the real numbers are! That's the AFF Plan, and Congress already did it in the CARES Act of 2020

Eric Boehm 2020 (journalist) 6 April 2020 " Why You Shouldn't Trust Anyone Who Claims 80 Percent of America's Drugs Come From China" (accessed 7 Dec 2022) <https://reason.com/2020/04/06/why-you-shouldnt-trust-anyone-who-claims-80-percent-of-americas-drugs-come-from-china/> (ellipses in original)

But soon, someone might be forcing them to manufacture here. Whether the sourcing is sincere or not, there's little doubt that Gibson's research has become a tool for China hawks like Hawley, who [blasted out excerpts from her March 12 testimony in a press release](https://www.hawley.senate.gov/senator-hawley-questions-us-medical-supply-chain-dependence-china-committee-hearing) announcing his introduction of the Medical Supply Chain Security Act. Hawley says the bill would give greater authority to the FDA to get information from drug manufacturers about where they source ingredients, including raw materials, "and any other details the FDA deems relevant to assess the security of the U.S. medical product supply chain." That basic idea was incorporated into the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the massive $2.3 trillion stimulus bill passed by Congress and signed by Trump last month. Under section 3010 of the law, HHS is directed to asses "the dependence of the United States…on critical drugs and devices that are sourced or manufactured outside of the United States." Regardless of what the fact-finding mission might uncover, in another part of the bill Congress has already directed the department to include in its report "strategies to…encourage domestic manufacturing." It's a telling bit of legislative text. In one fell swoop, Congress admitted that the federal government is ignorant about the extent to which drug supply lines are dependent on China—so much for that 80 percent figure that's been repeated so much—and simultaneously announced its plans to change how those supply chains work.

2. Stockpiles solve for supply risks

Drug companies have adequate stockpiles to survive supply shocks

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Most drug companies are positioned to survive short-term supply shocks, J.P. Duffy, an attorney who specializes in the pharmaceutical trade, [told European Pharmaceutical Review](https://www.europeanpharmaceuticalreview.com/article/116145/covid-19-update-coronavirus-and-the-pharmaceutical-supply-chain/), a trade publication. That's because most have a stockpile intended to last for six months to a year.

3. New supply chain diversity

Lessons learned from Covid are making pharmaceutical companies diversify their supply chains to avoid shortages

European Pharmaceutical Review 2020. (Hannah Balfour, associate medical writer) 1 Apr 2020 "COVID-19 update: coronavirus and the pharmaceutical supply chain" (accessed 7 Dec 2022) https://www.europeanpharmaceuticalreview.com/article/116145/covid-19-update-coronavirus-and-the-pharmaceutical-supply-chain/

While the effects of coronavirus are overwhelmingly negative, Duffy suggested there could be one positive as a result of COVID-19: that companies may begin to spread production across different markets, limiting the effects of future disruptions: “I think the next six months are going to be extremely interesting because companies are going to have to look at shifting manufacturing from impacted markets to less impacted markets. A few pharmaceutical companies have already released statements saying they are trying to shift manufacturing or compensate for market disruptions by increasing manufacturing elsewhere.”

4. Private sector solves

No risks in the AFF case justify forcing companies to make drugs in the U.S. Private sector can solve for shortages on its own

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The coronavirus outbreak may give some companies good reason to seek more diverse supply chains in the future. But it should not be seen as an argument for forcing pharmaceutical companies to make their products exclusively in the United States. Indeed, the question that policy makers should be asking isn't "where do these drugs come from" but "can we be sure we'll get them when they are needed." Leave the specifics to the private sector.
**END QUOTE. LATER IN THE ARTICLE HE GOES ON TO CONCLUDE QUOTE:**
There remains a big difference between fearmongering about China cutting off Americans from life-saving drugs and the reality of a pandemic that is stressing supply chains everywhere. The former serves as a call for political action. The latter, for simply letting markets work.

HARMS / SIGNIFICANCE

1. "Dependence" on imports is exaggerated. There's no crisis

Covid caused shortages, not China. And the US supply chain is well diversified already

Jacqueline Varas 2020 (Director of Immigration & Trade Policy at American Action Forum) 20 May 2020 "U.S. Dependence on Chinese Pharmaceuticals is Overstated" (accessed 7 Dec 2022) https://www.americanactionforum.org/insight/u-s-dependence-on-chinese-pharmaceuticals-overstated/

- The COVID-19 pandemic has resulted in shortages of medical supplies that are leading some to question the United States’ reliance on China for medicine and medical goods.
- In reality, U.S. supply chains are well diversified, with China supplying only 18 percent of total active pharmaceutical ingredient imports, 9 percent of total antibiotic imports, and less than 1 percent of total vaccine imports.
- Moreover, U.S. production of pharmaceutical goods is often understated: 70 percent of essential medical equipment is manufactured in the United States, and 70 percent of total antibiotic spending and 50 percent of total vaccine spending is on U.S.-made products.

Shortages of pharmaceuticals in Status Quo are not significant enough to justify any change in trade policy

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Shortages of medical goods during the COVID-19 pandemic have inspired widespread efforts to reduce U.S. dependence on Chinese pharmaceuticals. The president, members of his administration, and members of Congress have all argued that the United States must reduce its trade with China and instead manufacture more medicines and medical supplies within our borders. Proposals have ranged from [subsidizing domestic production](https://www.hawley.senate.gov/sites/default/files/2020-04/Getting-America-Back-to-Work_0.pdf) to instituting [Buy American l](https://www.americanactionforum.org/insight/coronavirus-tariffs-and-buy-american-laws/)aws for government procurement, and even [completely withdrawing](https://www.nytimes.com/2020/05/05/opinion/hawley-abolish-wto-china.html) from the global trading system. While these arguments may be appealing during a time of crisis, they are based on a fallacy. The truth is that U.S. dependence on Chinese pharmaceuticals is significantly overstated.

Pharmaceutical trade cutoffs are unlikely, and China isn't doing it. Shortages are from higher demand, not trade problems

Eric Boehm 2020 (journalist) 6 April 2020 " Why You Shouldn't Trust Anyone Who Claims 80 Percent of America's Drugs Come From China" (accessed 7 Dec 2022) <https://reason.com/2020/04/06/why-you-shouldnt-trust-anyone-who-claims-80-percent-of-americas-drugs-come-from-china/> (first brackets in original; second brackets added; parentheses in original. Rosemary Gibson is a senior fellow at the Hastings Center who advocates the AFF plan, but was caught by Eric Boehm using made-up statistics to support it)

"Instead of trying to get the FDA to figure out if it's 75 [percent] or 90 percent, the reality is we gotta have the capability to make some of this here because countries will shut their doors," [Rosemary] Gibson told me. Will they? India cut export capacity by about 10 percent in response to the pandemic, but so far they are (thankfully) the exception rather than the rule. Initial fears that China would cut off exports of medical equipment in order to hoard supplies for their own battle with the coronavirus have [proven to be unfounded](https://www.piie.com/research/piie-charts/chinas-exports-protective-medical-equipment-fell-less-its-exports-all-other). To the degree that drug shortages are likely to happen, experts say they will be the result of spiking worldwide demand—not countries cutting off trade.

No "dependence" on China for generic drugs

Eric Boehm 2020 (journalist) 6 April 2020 " Why You Shouldn't Trust Anyone Who Claims 80 Percent of America's Drugs Come From China" (accessed 7 Dec 2022) <https://reason.com/2020/04/06/why-you-shouldnt-trust-anyone-who-claims-80-percent-of-americas-drugs-come-from-china/> (first brackets in original; second brackets added; parentheses in original. Rosemary Gibson is a senior fellow at the Hastings Center who advocates the AFF plan, but was caught by Eric Boehm using made-up statistics to support it)

On March 12, when [Rosemary] Gibson was called to testify before the Senate Committee on Small Business and Entrepreneurship, she [argued](https://www.sbc.senate.gov/public/_cache/files/1/c/1c39a1bc-f22c-4178-951e-29b92dcb2182/3AD9C94FB267763A83913E2303A6A772.gibson-testimony.pdf) that "The United States faces an existential threat posed by China's control over the global supply of the ingredients in thousands of essential generic medicines." Those generics account for 90 percent of the drugs used in hospitals and sold in drug stores she said. That sounds bad. But how many of America's generic drugs come from China? That would be 9 percent, Gibson [said in the same testimony](https://www.sbc.senate.gov/public/_cache/files/1/c/1c39a1bc-f22c-4178-951e-29b92dcb2182/3AD9C94FB267763A83913E2303A6A772.gibson-testimony.pdf).

FDA study finds no crisis from Chinese imports

US Food & Drug Administration 2020. (written by Dr Stephen M. Hahn, MD) 27 Feb 2020 " Coronavirus (COVID-19) Supply Chain Update" (accessed 7 Dec 2022) https://www.fda.gov/news-events/press-announcements/coronavirus-covid-19-supply-chain-update

Since January 24, the FDA has been in touch with more than 180 manufacturers of human drugs, not only to remind them of applicable legal requirements for notifying the FDA of any anticipated supply disruptions, but also asking them to evaluate their entire supply chain, including active pharmaceutical ingredients (the main ingredient in the drug and part that produces the intended effects, e.g., acetaminophen) and other components manufactured in China. Also, as part of our efforts, the FDA has identified about 20 other drugs, which solely source their active pharmaceutical ingredients or finished drug products from China. We have been in contact with those firms to assess whether they face any drug shortage risks due to the outbreak. None of these firms have reported any shortage to date. Also, these drugs are considered non-critical drugs.

2. Imports from China are tiny

China supplies 1% of US pharmaceutical imports

Jacqueline Varas 2020 (Director of Immigration & Trade Policy at American Action Forum) 20 May 2020 "U.S. Dependence on Chinese Pharmaceuticals is Overstated" (accessed 7 Dec 2022) https://www.americanactionforum.org/insight/u-s-dependence-on-chinese-pharmaceuticals-overstated/

In 2019, the United States imported $127 billion of pharmaceutical goods. These goods encompass more than just medicines; they also include medical bandages, testing kits, dental cements, and other pharmaceutical products. Ireland was the top provider of these goods, supplying 23 percent of pharmaceutical imports. The next two largest providers were Germany (13 percent) and Switzerland (12 percent. India was the fifth largest source country and China was the 17th largest, supplying 6 percent and 1 percent of pharmaceutical imports, respectively.

$1.5 billion out of $115 billion in pharmaceuticals come from China. We're "NOT" "dependent" on China

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Here's another way to look at the question. According to the United Nations' [COMTRADE database](https://comtrade.un.org/data/) of world trade flows, the United States imported more than $115 billion of finished pharmaceutical products in 2018, the most recent year for which complete data is available. Only $1.5 billion of that total came from China. Nevertheless, Grassley's letter and the underlying FDA data have been misinterpreted to give the impression that the U.S. is singularly dependent on China when the data actually show quite the opposite.

US pharmaceuticals have a very diverse supply chain. Very few of the manufacturing facilities we import from are in China

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There are nearly 2,000 manufacturing facilities around the world that provide pharmaceutical drugs to the United States. Of those, 230 are in China. There are 510 in the United States and 1,048 in the rest of the world. Even though the number of manufacturers in the United States is at a historical low, the supply chain is clearly quite diverse.

3. No, China doesn't produce 80% of our pharmaceutical ingredients

Reports that "China makes 80% of our Active Pharmaceutical Ingredients" are wrong

Jacqueline Varas 2020 (Director of Immigration & Trade Policy at American Action Forum) 20 May 2020 "U.S. Dependence on Chinese Pharmaceuticals is Overstated" (accessed 7 Dec 2022) https://www.americanactionforum.org/insight/u-s-dependence-on-chinese-pharmaceuticals-overstated/

Active pharmaceutical ingredients (APIs) are the biologically active components of medicine that make it effective as a treatment, i.e. the primary ingredient. Reporting suggests that 80 percent of APIs are manufactured in China, but that statistic is based on [faulty information](https://reason.com/2020/04/06/why-you-shouldnt-trust-anyone-who-claims-80-percent-of-americas-drugs-come-from-china/) and the exact number is unknown. What is known is that, in 2011, 80 percent of APIs were manufactured abroad, in as many as 150 countries. A more [recent report](https://www.fda.gov/news-events/congressional-testimony/safeguarding-pharmaceutical-supply-chains-global-economy-10302019) from 2019 found that that the United States has twice as many API manufacturing facilities as China and more than any other nation.

The "80% API" statistic is phony: Someone made it up and everyone else repeats it. But it's just wrong.

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While reading about the COVID-19 outbreak, you've probably encountered this particularly shocking statistic at one time or another: 80 percent of America's pharmaceutical drug supply comes from China. It's a statistic that has made the rounds in right-wing publications for a while—offered as proof that China-heavy global supply chains are putting Americans at risk—but it has also popped up in mainstream outlets, including in pieces published in *Politico* and *The Atlantic*. Wherever it is deployed, the stat carries an unstated implication: What if China decides to cut us off in the middle of a pandemic? Could America face a dramatic shortage of key pharmaceutical drugs at the moment when we are most in need? And that distorted claim that says America has been too reliant on China has been seized by politicians like Sen. Josh Hawley (R–Mo.) as evidence that globalization has undermined America's pandemic response. In fact, because the Food and Drug Administration (FDA) does not track the volume of drug imports from any foreign countries, it is impossible to say with any certainty how much of America's pharmaceuticals come from China. Or from anywhere else. But that has not stopped politicians and media outlets from recycling this shocking statistic. That statistic is based on an inaccurate presentation of a single government report that says no such thing—and, in fact, suggests the opposite. At very best, it omits crucial context. At worst, it simply misleads. One expert who has repeated this stat in numerous publications and in congressional testimony refuses to share her source for that shocking bit of information. The figure, in other words, is both misleading and mistaken.

DISADVANTAGES

1. Pharmaceutical shortages

China is a major and key supplier of critical pharmaceuticals and patients will die without them

Prof. James Bacchus 2021 (member of the [Herbert A. Stiefel Center for Trade Policy Studies](https://www.cato.org/herbert-stiefel-center-trade-policy-studies), the Distinguished University Professor of Global Affairs and director of the Center for Global Economic and Environmental Opportunity at the University of Central Florida. He was a founding judge and was twice the chairman—the chief judge—of the highest court of world trade, the Appellate Body of the World Trade Organization in Geneva) Trade Is Good for Your Health 30 June 2021 <https://www.cato.org/policy-analysis/trade-good-health-freeing-trade-medicines-other-medical-goods-during-beyond-covid> (accessed 3 Dec 2022)

Thus, “the United States sources 80 percent of its APIs from overseas, and a substantial portion of U.S. generic drug imports come either directly from China or from third countries like India that use APIs sourced from China.”[14](https://www.cato.org/policy-analysis/trade-good-health-freeing-trade-medicines-other-medical-goods-during-beyond-covid#_ednref14) Sourcing in these developing countries offers distinct cost advantages in labor, energy, water, and other factors of production that lower prices for U.S. pharmaceutical companies and, thus, for American consumers. This shift in the low‐​end production of pharmaceuticals went largely unnoticed until the arrival of COVID-19. The Center for Infectious Disease Research and Policy at the University of Minnesota has listed 156 acute critical drugs that are often used in the United States — “the drugs without which patients would die in hours.” As the center’s director, Michael T. Osterholm, and a coauthor, Mark Olshaker, have explained in a published article,
All these drugs are generic; most are now made overseas; and many of them, or their active pharmaceutical ingredients, are manufactured in China or India.

A/T "We'll find replacements" - Won't happen: China is critical and there is no US or foreign replacement

Prof. James Bacchus 2021 (member of the [Herbert A. Stiefel Center for Trade Policy Studies](https://www.cato.org/herbert-stiefel-center-trade-policy-studies), the Distinguished University Professor of Global Affairs and director of the Center for Global Economic and Environmental Opportunity at the University of Central Florida. He was a founding judge on the Appellate Body of the World Trade Organization) Trade Is Good for Your Health 30 June 2021 <https://www.cato.org/policy-analysis/trade-good-health-freeing-trade-medicines-other-medical-goods-during-beyond-covid> (accessed 3 Dec 2022)

Many of the Chinese pharmaceutical products are drugs that American companies could not produce profitably. Notably, Chinese medical exports to the United States are often generic equivalents and raw materials for older medical products. For example, China is the principal source for the United States of the raw materials and chemical ingredients of many medicines for hypertension and of some older antibiotics no longer manufactured in the United States, including penicillin. China is also “the only maker of key ingredients in a class of decades‐​old antibiotics known as cephalosporins, which treat a range of bacterial infections, including pneumonia.”

2. Supply chain disruption

Creating policies that artificially limit the US supply chain make the problem worse, not better

Eric Boehm 2020 (journalist) 6 April 2020 " Why You Shouldn't Trust Anyone Who Claims 80 Percent of America's Drugs Come From China" (accessed 7 Dec 2022) https://reason.com/2020/04/06/why-you-shouldnt-trust-anyone-who-claims-80-percent-of-americas-drugs-come-from-china/

Whatever policies are crafted after the pandemic, they should be written with that context in mind—and with an awareness of the global reality of modern medicine. America's supposed dependence on China has been overstated, but it does remain absolutely true that the United States [imports most of the drugs that Americans consume](https://www.fda.gov/media/104402/download). That, too, is an argument for keeping global supply chains open. It's a reason for maintaining good diplomatic relations with other countries—not a reason to pursue autarky and continue an unnecessary trade war over fears that may not materialize. "The world's COVID-19 patients and medical experts need their policymakers to allow vital supplies and equipment to flow unimpeded from one country to another, wherever needed, as the crisis continues to evolve," [writes](https://www.piie.com/blogs/trade-and-investment-policy-watch/covid-19-chinas-exports-medical-supplies-provide-ray-hope) Chad Bown, senior fellow at the Peterson Institute for International Economics, a trade-focused think tank. "Global cooperation is the only way countries can minimize the devastation COVID-19 is leaving in its path."

3. Higher consumer costs

Chinese manufacturing lowers costs for American consumers

Oxford Economics 2017 (economic advisory firm) Understanding the US-China Trade Relationship, Jan 2017 (accessed 3 Dec 2022) https://www.uschina.org/sites/default/files/Oxford%20Economics%20US%20Jobs%20and%20China%20Trade%20Report.pdf

Chinese manufacturing also lowered prices in the United States for consumer goods, dampening inflation and putting more money in American wallets. At an aggregate level, US consumer prices are 1 percent - 1.5 percent lower because of cheaper Chinese imports. The typical US household earned about $56,500 in 2015; trade with China therefore saved these families up to $850 that year.