

April 19, 2024

Hon. Katherine Tai  
United States Trade Representative  
The Winder Building  
600 17<sup>th</sup> Street Northwest  
Washington, D.C. 20508

**Re: Request for Comments on Promoting Supply Chain Resilience. Docket No. USTR–2024–0002**

Dear Ambassador Tai:

Thank you for this opportunity to make a valuable contribution to the U.S. government’s development of trade and investment policy initiatives that promote supply chain resilience.

MedSource Labs is a medical device manufacturer founded over 20 years ago with a single mission: providing everyone with access to quality medical products. The critical medical devices that we make - such as peripheral IV catheters, electrodes, pulse oximeters, and non-invasive infrared non-contact thermometers (“IR Thermometers”) - are indispensable for first responders, hospital patients, and the medical staff responsible for their care.

Unlike some other medical device manufacturers, we participate in the “full supply chain,” which includes relationships with raw material suppliers. If these relationships are disrupted, it can have an adverse impact on patient outcomes.

When the COVID-19 pandemic swiftly spread around the world in late 2019 and early 2020, it exposed the fragility of the global supply chain system within a few short weeks. Now, it is geopolitical risk that is becoming an increasingly bigger focus.

**The conflict in the Middle East, and its disruption of important shipping through the Red Sea, means another logistics crisis is coming, underlining the need to ramp up supply chain resiliency, as well as encourage and invest in the capacity of viable alternatives to shipping - such as airfreight.**

**MedSource Labs’ Proposed Supply Chain Resiliency Policy Solutions**

- Targeted incentives as well as investments to support an increase in airfreight availability and capacity, to help make it an even more viable alternative to trans-ocean shipping. Prioritize the transportation of essential medical device products.
- Tax benefits or credits for manufacturers’ implementing nearshoring/friendshoring initiatives. U.S. government agreements - as well as support for legislation - that would support these activities, such as the duty-free treatment for goods manufactured in near-

shored facilities.

- The federal government must aggressively protect the steady supply of critical medical devices, especially in terms of prioritizing their treatment at U.S. ports.
- Work closely with the private sector to explore all options to maintain the timely and cost-effective delivery of medical supplies and medications.

## **1. How can U.S. trade and investment policy, in conjunction with relevant domestic incentive measures, better support growth and investment in domestic manufacturing and services?**

**Industrial Base Expansion:** Actions by the Biden Administration and Congress to expand the U.S. industrial base are a step in the right direction, but more support is required for the medical device industry to boost innovation, automation, internet infrastructure and upgrading the workforce's skill sets.

Forget the manufacturing of the 1960s, where the main components are materials, assembly lines and labor. More capital and brainpower are necessary for state-of-the-art automation, new technologies beyond computerization and machine learning, new materials, and manufacturing concepts that improve the environment and the workforce producing the goods.

**Transportation:** To achieve supply chain resiliency, the billions of dollars from the infrastructure law should not only be spent on improvements at the nation's largest ports, we also need significant investments in the smaller western, northwestern and southeastern ports to avoid a repeat of the paralytic bottlenecks caused by the pandemic.

It is not enough to encourage businesses to diversify their supply chain strategy; policymakers must be proactive and ensure other ports have the capacity to handle the massive influx of goods that would usually go to Los Angeles/Long Beach.

**Near-shoring:** Small and medium-sized medtech manufacturers' domestic manufacturing footprint are augmented through key partnerships with suppliers in countries around the globe such as Colombia, India, and Vietnam, Europe and Latin America (“LATAM”). This shared expertise combines to deliver innovative products and solutions to hospitals and emergency services.

MedSource Labs manages its supply chain to minimize disruptions by pivoting away from relying on transportation through high-risk areas. In addition to India, Pakistan, and Vietnam, we have recently established a manufacturing partnership in Colombia to reduce our geopolitical risk exposure.

The American government could make the move to LATAM or the Caribbean more appealing for manufacturers through policies and agreements aimed at boosting regional economic

opportunities and stability. For example, using development funds to finance the moving expenses associated with companies relocating from China and bringing it to LATAM or the Caribbean.

A low or zero-interest loan program that prioritizes US companies' redirection of production from Asia to LATAM would be a welcome, viable alternative for medical manufacturers that would allow for greater control of the time and cost of logistics in the global supply chain.

Another policy that would incentivize businesses is the duty-free treatment for goods and services of companies that nearshore.

For example, [The Americas Act](#), a bill introduced by a bipartisan group of lawmakers, would create the 'Americas Partnership' of shared economic and social interests across the Western Hemisphere. It is anchored around three pillars: (1) trade; (2) investment; and (3) people-to-people, with each intended to expand regional partnerships with democracies in the Western Hemisphere.

In particular, the bill would expand regional trade benefits — including the possible expansion of USMCA and other regional agreements — while also providing for enhanced enforcement aimed at forced labor and other risks. In addition to provisions focused on expanded trade with the Americas, the bill includes provisions providing tax credits for re-shoring and near-shoring of manufacturing activities to the United States, or, in the case of near-shoring expenses, to an Americas Partnership country.

## **2. What existing or new tools could help ensure that growth in domestic manufacturing and services does not undergo the same offshoring that we have experienced over the past few decades?**

Constantly managing costs is a fact of life for small and medium-sized medical device manufacturers, especially to compete with larger companies. It is important for U.S. trade policy to be realistic - while there are some benefits to having domestic operations, 100% on-shoring is not a “one-size-fits-all” solution unless accompanied by tax credits to ease the financial burden for manufacturers.

This means the USTR should continue to exclude essential medical devices from the list of punitive 301 tariffs related to China.

The next few months will be very challenging for many medical device companies, with shipping disruptions and rising costs forcing businesses to walk a fine line between remaining competitive, while continuing to make the necessary investments to supply the country's healthcare system. Bringing tariffs back into the mix will only make matters worse.

## **3. How can U.S. trade and investment policy promote a virtuous cycle and “race to the top” through stronger coordination and alignment on labor and environmental protections within trusted networks among regional and like-minded trading partners and allies?**

In addition to supporting regional economic growth and stability in the western hemisphere, nearshoring offers great potential in addressing negative effects of industry and transportation on the climate.

Renewables Latin American and the Caribbean, or [RELAC](#), is a regional initiative that has 15 member countries that share a collective goal of reaching 70% renewable energy penetration by 2030. With the common objective of accelerating the carbon neutrality of Latin America and the Caribbean, sustained commitment from the U.S. government is essential to making these ideals a reality.

### **Conclusion**

A resilient supply chain strategy requires the public and private sectors working hand in hand. While MedSource Labs adapts and positions itself to anticipate future curveballs, it is important that USTR continues to do its part to through trade and investment policies that help build the infrastructure of a new global supply chain for medical devices.

We appreciate your time and attention to this matter. I am happy to answer any questions.

Sincerely,

Dave Kunelius  
President, MedSource Labs  
8600 Shelby Court, Chanhassen, MN 55317