NATIONAL TAXPAYERS UNION

To: Department of Commerce
Bureau of Industry and Security

From: Bryan Riley
Director, National Taxpayers Union Free Trade Initiative

Subject: Section 232 National Security Investigation of Imports of Personal Protective Equipment, Medical Consumables, and Medical Equipment, Including Devices

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Founded in 1969, National Taxpayers Union (NTU) is the oldest taxpayer group in the United States. We serve as the "Voice of America's Taxpayers" and strive to represent their best interests before governments at all levels. NTU has a long history of opposing costly tariffs that drive up prices and weaken the U.S. economy. Thank you for the opportunity to comment on the impact of medical goods imports and the possible implications of new tariffs on U.S. national security.

In general, NTU urges you to consider the harm that tariffs inflict on the ability of the federal government to protect our national security. As the Congressional Budget Office (CBO) reported, "higher tariffs reduce the productive capacity of the economy and slow the growth of potential output."[1] CBO projects that tariffs already imposed in 2025 will reduce the size of the U.S. economy. A smaller, weaker economy makes it more difficult to finance U.S. national security needs.

More specifically, the Department of War recently wrote that imports benefit our military. "The Department of Defense routinely acquires items and materials from foreign sources indispensable to meet defense needs that are not readily available or produced in sufficient quantities within the United States."[2]

[1] Congressional Budget Office, CBO's Current View of the Economy: 2025 to 2028 (Washington, D.C.: CBO, September 12, 2025). https://www.cbo.gov/publication/61738#_idTextAnchor006.
[2] "USA001692-25 DPCAP," *Public Procurement International*, accessed October 16, 2025. https://publicprocurementinternational.com/wp-content/uploads/2025/09/USA001692-25-DPCAP.pdf.

Earlier this month, the Senate passed the National Defense Authorization Act for Fiscal Year 2026 by a vote of 77 to 20.[3] According to the accompanying Senate Committee on Armed Services Report:

> "The committee emphasizes that defense-related acquisitions from qualified sources under Reciprocal Defense Procurement Agreements should remain exempt from any tariffs or trade restrictions. *The committee urges the Department of Defense and relevant interagency stakeholders to preserve existing exemptions and ensure that future trade actions do not hinder defense procurement or compromise national security priorities.*"[4] (Emphasis added)

It is important for officials leading this Section 232 investigation to recognize and embrace the Senate's strong recommendation, and not impose trade restrictions that could hinder defense procurement or other beneficial import flows.

In recent years, the government has excluded certain medical goods from some tariffs to strengthen Americans' medical security. For example, in 2020, to address the threat resulting from global COVID-19 pandemic, the Chairmen of the House Ways and Means Committee and the Senate Finance Committee directed the U.S. International Trade Commission (USITC) to identify imports that could help the country respond to the pandemic. They wrote:

> "Our nation is currently facing an urgent public health crisis on a scale that we have not encountered in over a century. As we grapple with the challenges presented by the novel coronavirus, we are keenly aware that our challenges are being severely exacerbated by disruptions and deficiencies in our supply of equipment, inputs, and substances needed for treating and otherwise responding to the COVID-19 pandemic."[5]

Following the release of the USITC report, the Office of the U.S. Trade Representative exempted several medical products needed to address the COVID–19 outbreak from Section 301 tariffs.[6] Exemptions were issued to a broad range of products, including face masks and thermometers.

This action illustrates an important point—U.S. patients and health care providers benefit when barriers to affordable medical imports are removed. This bolsters national security. At the same time, the federal government should adopt policies that make it easier to produce in the United States. Domestic producers responded to the pandemic by boosting production of goods

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[3] S. 2296, *National Defense Authorization Act for Fiscal Year 2026*, 119th Cong. (2025). https://www.congress.gov/bill/119th-congress/senate-bill/2296?.
[4] S. Rep. No. 119-39, *National Defense Authorization Act for Fiscal Year 2026*, 119th Cong. (2025). https://www.congress.gov/committee-report/119th-congress/senate-report/39/1.
[5] S. 2296, *National Defense Authorization Act for Fiscal Year 2026*, 119th Cong. (2025). https://www.congress.gov/bill/119th-congress/senate-bill/2296.
[6] U.S. Trade Representative, *Additional Modifications to Address COVID-19*, March 25, 2020, https://ustr.gov/sites/default/files/enforcement/301Investigations/Additional_Modifications to_Address_COVID-19.pdf.

ranging from COVID-19 testing kits to N-95 masks. Federal government policies should reinforce such strengths, not create new impediments.

During the pandemic, Congress also directed the National Academies of Sciences, Engineering, and Medicine to report on the security of the United States medical product supply chain.[7] The resulting report, "Building Resilience into the Nation's Medical Product Supply Chains," concluded:

> "Locating production of the various steps in places with cost or capability advantages can facilitate lower prices, higher quality, wider variety, and more innovation. On-shoring a global supply chain by moving all production stages to domestic sites would therefore have consequences. Most prominently, on-shoring could increase costs and reduce affordability of medical products . . . Finally, even if we could overcome the economic obstacles and risks of supply concentration, it would be irresponsible to on-shore medical products if there were more cost-effective ways to achieve medical product supply chain resiliency."[8]

The report warned that concentrating production in one region of the United States, as opposed to having multiple global suppliers, could lead to a disruption in the supply of medical goods if that region suffers a hurricane or another natural disaster. That's just what happened soon after the report was released. Hurricane Helene disrupted the production of IV supplies in North Carolina, and the federal government subsequently authorized imports to mitigate the supply disruption.[9]

The National Academies report encouraged the United States and other major producers of medical products to negotiate stronger World Trade Organization (WTO) rules to prohibit export bans and restrictions on key components of global medical product supply chains.

The Commerce Secretary's request for comments on the investigation into the effects on the national security of imports of personal protective equipment (PPE), medical consumables, and medical equipment including devices specifically asks whether additional measures, including tariffs or quotas, are necessary to protect national security. The U.S. experience during the global pandemic and the subsequent National Academies report demonstrate how removing U.S. measures such as tariffs and quotas would improve access to medical supplies for patients and healthcare providers, and thus improve national security.

In addition to removing restrictions on the supply of medical goods, the United States health care system would benefit from the removal of tariffs on inputs needed to produce medical

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[7] H.R. 748, *Coronavirus Aid, Relief, and Economic Security Act*, 116th Cong. (2020), https://www.congress.gov/bill/116th-congress/house-bill/748.

[8] National Academies of Sciences, Engineering, and Medicine. *Building Resilience into the Nation's Medical Product Supply Chains*. Washington, DC: The National Academies Press, 2022. https://doi.org/10.17226/26420.

[9] U.S. Food and Drug Administration. 2024. "FDA Roundup: October 18, 2024." October 18, 2024. https://www.fda.gov/news-events/press-announcements/fda-roundup-october-18-2024.

supplies in the United States. Ending tariffs on raw materials like steel and aluminum that are needed by U.S. manufacturers of medical supplies would be a good first step.

Unfortunately, Section 232 of the Trade Expansion Act of 1962 does not authorize the removal of trade barriers that threaten to impair U.S. national security.[10] But, at a minimum, the federal government should refrain from imposing new barriers that would increase costs on Americans.

NTU urges against the imposition of new broad-based tariffs or quotas that would increase prices for medical supplies. For example, according to the American Hospital Association, "[H]igher prices for high-volume medical supplies, such as personal protective equipment and syringes, are likely to exacerbate and prolong the financial headwinds that hospitals already face today." A survey of healthcare industry experts found broad agreement that tariffs would disrupt supply chains and increase hospital and health system costs, resulting in reductions in equipment purchases and upgrades.[11] PwC has estimated that tariffs affecting the pharmaceutical, life science, and medical device industries could cost as much as $63 billion a year.[12]

Increased costs would be passed along to patients either directly or through increased health insurance premiums. Tariff costs would also hit U.S. taxpayers by driving up costs to the federal government, which spent more than $1.7 trillion on health care in fiscal year 2025.[13]

Ironically, these costs, combined with shortages of certain devices and equipment, could lead to the very types of long wait times and rationing of care that can characterize other countries' health care systems that rely more heavily on government control than the United States' system does.

NTU has strongly supported the administration's actions to reduce tax and regulatory burdens imposed on U.S. businesses, including those that produce medical supplies.[14] The industry is highly regulated by the Food and Drug Administration, making these efforts particularly important.

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[10] Kyla H. Kitamura, *Section 232 of the Trade Expansion Act of 1962*, CRS In Focus IF13006 (Washington, D.C.: Congressional Research Service, July 16, 2025), https://www.congress.gov/crs-product/IF13006.

[11] Matt Danford, "Survey: Tariffs Expected to Increase Hospital Costs, Disrupt Supply Chains," *OR Manager*, March 31, 2025, https://www.ormanager.com/briefs/survey-tariffs-expected-to-increase-hospital-costs-disrupt-supply-chains/.

[12] PwC, *Tariff Industry Analysis—Pharma, Life Science, and Medical Device*, accessed October 16, 2025, https://www.pwc.com/us/en/services/tax/library/tariff-industry-analysis-pharma-life-science-and-medical-device.html.

[13] Congressional Budget Office, "Health Care," accessed October 16, 2025, https://www.cbo.gov/topics/health-care.

[14] National Taxpayers Union, "Budget Resolution Paves Way for TCJA Extension and Debt Reduction," February 12, 2025, https://www.ntu.org/publications/detail/budget-resolution-paves-way-for-tcja-extension-and-debt-reduction

In addition, the tax changes included in the One Big Beautiful Bill Act, such as immediate expensing for domestic research and development expenses and 100% bonus depreciation, will encourage new production in the United States.[15] These changes, combined with the administration's efforts to unleash prosperity through deregulation, are far preferable to the imposition of new tariffs.[16]

It is not unreasonable to seek to identify legitimate national security threats and respond with targeted, cost-effective measures. For example, despite managerial issues, the Strategic National Stockpile (SNS), along with other state programs that have recently evolved, could provide the infrastructure for additional supplies in emergencies, with which this Section 232 investigation has partially concerned itself.[17] Congress and the Executive Branch could work together to strengthen the ability of SNS to respond to such emergencies, and could include tax and regulatory relief for donated supplies and equipment, as well as incentives for private stewardship of stockpiles.[18]

However, if this Section 232 investigation were to conclude with a recommendation of broad-based tariffs, even greater perils to the security of manufacturing medical goods—up, down, and across the supply chain—could take place. NTU encourages the Section 232 investigation to focus on legitimate security threats resulting from imports, not to concoct reasons for further restricting international trade at the expense of our security.

Finally, we must note that, depending upon the measurement used, the United States is likely either a net exporter of many of the goods covered by this investigation, or has close to parity between imports and exports.[19] According to the official website of the International Trade Administration, in 2023, U.S. exports of what the agency defined as medical devices were $103 billion.[20] Using a narrower definition of medical instruments, exports were $37 billion between August 2024 and July 2025, compared to $44 billion of imports during the same period. This

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[15] Debbie Jennings, "Inside the One Big Beautiful Bill Act: Major Tax Provisions and Their Impact," *National Taxpayers Union Foundation*, July 29, 2025, https://www.ntu.org/foundation/detail/inside-the-one-big-beautiful-bill-act-major-tax-provisions-and-their-impact.

[16] The White House, "Fact Sheet: President Donald J. Trump Launches Massive 10-to-1 Deregulation Initiative," January 31, 2025, https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-president-donald-j-trump-launches-massive-10-to-1-deregulation-initiative/.

[17] Sarah A. Lister, *Strategic National Stockpile: Overview and Issues for Congress*, CRS Report R47400 (Washington, D.C.: Congressional Research Service, August 12, 2025), https://www.congress.gov/crs-product/R47400.

[18] Maggie Nilz, "Strategic Stockpiling: How New State Policies Will Impact Emergency Preparedness," *Association of State and Territorial Health Officials*, September 9, 2024, https://www.astho.org/communications/blog/strategic-stockpiling-how-new-state-policies-will-impact-emergency-preparedness/.

[19] OEC World, "Medical Instruments in United States Trade," accessed October 16, 2025, https://oec.world/en/profile/bilateral-product/medical-instruments/reporter/usa?redirect=true.

[20] International Trade Administration, U.S. Department of Commerce, "SelectUSA Medical Technology Industry," accessed October 16, 2025, https://www.trade.gov/selectusa-medical-technology-industry.

investigation should have part of its focus on net benefits to the overall U.S. economy of our current market.

Removing barriers to affordable medical supplies is preferable to erecting new ones. Protecting America's economic and national security requires policies that empower consumers, encourage innovation, and promote open trade—not policies that impose new taxes on the very people they are meant to protect.