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HEARING BEFORE THE UNITED STATES TRADE REPRESENTATIVE
SECTION 301 COMMITTEE

August 20, 2018

Testimony of Daniel Fabricant, Ph.D.
Chief Executive Officer and President, Natural Products Association

Thank you for the opportunity to testify. NPA was founded in 1936 to promote and protect the unique values and shared interests of retailers and suppliers of natural nutritional foods and natural products. We are the oldest and largest trade association in our industry and represent over 1,100 members in retail, manufacturing, wholesale, and distribution of natural products, including foods, dietary supplements, and health/beauty aids. NPA is *the* leading trade association for the dietary supplement industry, which is an estimated \$45 billion-dollar industry in the U.S.

What's important in the context of today's hearing is to emphasize that our industry is made up mainly of small and medium sized businesses. And while the industry has existed for many years, it has only recently -- really since the late 1980s -- transformed into a major engine of economic growth, customer satisfaction, and job creation in the U.S. Today, America is the undisputed global leader in natural products and dietary supplements, we are The Champs. But that leadership position could be lost forever if these tariffs are put into effect.

There are three main reasons why our members are so concerned and why we are seeking exemptions:

First is that many businesses could be forced to close up shop altogether, and that is not meant to be hyperbole. These tariffs are simply unsustainable and unaffordable for them, since China is the single largest global supplier of safe, reliable, and costs-effective raw materials for their products.

Second is that these tariffs -- for our industry -- could have the exact opposite result of their intent. They could actually reduce finished-product manufacturing jobs here in the U.S. and send those jobs overseas, as it would be cheaper to do that than to pay the tariffs being proposed.

And finally, our economic competitors in Europe, Asia and South America would be the big winners, as they would be able to maintain supply to meet the growing demand for these products.

We are also seeking guidance from the government on how the exclusion process will work, what the standards will be for granting exclusions and how the government will collect the required data from companies while keeping confidential commercial information protected.

The U.S. domestic natural products industry is not a legacy industry and operates far differently than steel and aluminum. The U.S. actually has a trade *surplus* with China when it comes to finished dietary ingredients and natural products -- that's right, a trade surplus. We do not want to turn a current trade surplus into a trade deficit.

The issue at hand is whether these raw materials are available in safe supply from other sources, and I'm here to tell you that they simply are not. China has and will continue to be THE virtual sole source on the globe that can handle the large-scale demand of finished product manufacturers in the U.S. This is the result of years of collaboration between our two countries, including the development of quality assurance, safety, good manufacturing practices, and regulatory compliance. As a result, the largest FDA foreign office is located in China. In short, we have largely built today's positive and proven supply chain, and we want to continue being the primary beneficiary of that hard work.

A good example of this is amino acids which are a fundamental ingredient in many of our products. A number of our members are now contemplating moving their U.S. manufacturing to China to circumvent the tariffs, this isn't the intended result of this endeavor.

This American innovation, like in so many other areas, is why we are the world leader. This is what drives future product sales for this industry, and it is why industry analysts currently project a 10% compound annual growth rate over the next ten years. That impressive future, and the jobs and economic growth it would provide, would go straight from the U.S. to our economic competitors if we are not provided the justified relief we are seeking. It's as simple as that.

So again, thank you for the opportunity to testify, and I'd be happy to answer any questions as this is a complex issue. We applaud the Administration's effort to help American jobs and businesses, and we want to work with you to maintain our global leadership in this area.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Fab". The signature is fluid and cursive, with the first name "Dan" and the last name "Fab" clearly visible.

Daniel Fabricant, Ph.D.
CEO & President
Natural Products Association