

TESTIMONY OF PRASAD PINNAMARAJU AT THE HEARING REGARDING THE  
PROPOSED ACTION IN THE SECTION 301 INVESTIGATION OF CHINA’S ACTS,  
POLICIES, AND PRACTICES RELATED TO TECHNOLOGY TRANSFER,  
INTELLECTUAL PROPERTY, AND INNOVATION

Panel 16, 11:30AM, May 17, 2018

Good morning. I’m Prasad Pinnamaraju, COO of Novast Laboratories. Our products, oral contraceptives – or “OCs” - are included in the products subject to tariffing. Thank you for the opportunity to testify today about how tariffing OCs will cause more harm than good.

Novast is the only company to develop and supply OCs to the United States from China. Novast has substantial American roots and interests. Dr. Guohua Zhang, Novast’s CEO, and I worked in the American pharma industry for about 15 years after achieving our graduate degrees here. During this time we directly observed escalating healthcare costs. With this in mind, we started our own company in 2006. Our clear mission: to provide lower cost quality prescription drugs to benefit U.S. consumers.

Since founding Novast 12 years ago, with enormous investment from American investors, we worked hard to build it as a unique global company. Novast develops and manufactures generic drugs. It also provides contract R&D services exclusively to American drug discovery companies. Intellectual Property is critical to them, so we return the IP we develop to them.

We bring together global talent, including from the U.S., Canada, China, India. Our team reflects over 300 years cumulative international pharma experience. The founders and some managers are U.S. citizens. Novast has U.S. employees based in

Texas who manage much of the China facility's operations. They provide administrative, technical, and regulatory support; business development; etc.

Novast China is a Wholly Foreign Owned Enterprise, not an "SOE". Novast Holdings Limited, organized in the Cayman Islands, holds both Novast Laboratories Inc., in Texas, and Novast Laboratories LTD, in China. Novast's institutional investors are mostly U.S. They include Eli Lilly, Goldman Sachs, NEA, and Sequoia Capital.

Since we are educated and working in the U.S., and as a tax-paying citizens, America comes first to us. Giving back is not just our slogan, it's our responsibility. So, when building in China, a majority of materials, like instruments and equipment, came from American companies. Even when Japanese or Chinese materials were available, we selected American. For example, we purchased equipment and instruments from Carrier, Trane, York, Agilent and several other American companies. We procured more than \$10 MM worth of materials in 2016-2017 from American companies to construct our facilities. We intend to repeat the same during our expansion planned in the next couple of years.

OC products are regulated by the U.S. FDA as generic drugs. This is discussed fully in our written comments so I'll just note that there are high barriers to entry. Substantial expertise and expense is required to bring a generic to the U.S. market. All of the expertise to bring Novast's OC drugs to the U.S. is Novast's own in-house expertise, cultivated from collective years within the industry mentioned before.

The Generic Pharmaceutical Association's President noted that "[g]eneric drugs are the foundation of any successful effort to lower health spending and increase patient access to affordable medicine." He pointed out that a diverse group of experts, including

the federal government, and consumer groups agree that generic drugs drive system savings, instead of costs. Studies show savings from generic Rx drugs of nearly \$1.5 Trillion dollars from 2005-2016.

A 25% tariff will likely make our generic OCs uncompetitive, actually harming the market by decreasing competition in the marketplace for generics, to the detriment of Novast's American investors, suppliers, partners, and consumers. Certain American partners who import our OCs to the U.S. will be the ones who have to pay the tariffs. They may face hurdles to source elsewhere.

I understand the tariffs retaliate for some particular actions of China. Novast never participated in any of these actions. Instead, by developing IP transferred back to American companies, Novast aligns positively with American interests and the opposite of actions motivating the tariffs.

In closing, I respectfully submit that singling out OCs will not achieve the objective stated by the USTR. Instead it will, unfairly, punish American investors, commercial partners, and suppliers, while harming consumers.

Thank-you.