Testimony of Choon Teo
Zhejiang Medicine Co. Ltd. and its subsidiary Zhejiang Novus Pharmaceuticals Co., Ltd.

1. Good afternoon Chairman Busis and members of the Section 301 Subcommittee. For the record, my name is Choon Teo. I am the Deputy Chairman of the Board at Zhejiang Novus Pharmaceuticals Co., Ltd. Thank you for the opportunity to appear before you today.

2. Let me tell you a little bit about my company. Novus is a global pharmaceutical leader in sterile powders for injections, oral solid dosages, and dietary supplements with a focus on producing affordable medicines for our customers. We are partners with a number of well-known American brands, including Proctor and Gamble. As discussed below, we are also a supplier for the U.S. military.

3. I want to focus my testimony today on two unique products, and the impact that the proposed tariffs under Section 301 would have on the most vulnerable and needy of Novus's U.S. patients.

4. First, Novus is in the process of obtaining new drug approval from the FDA for vancomycin hydrochloride for injection as a sterile powder in IV drips. I will just call this product vancomycin for short. We are quite far along in the approval process and anticipate that we will be approved in a few months.

5. As discussed in more detail in our submission, we have developed a remarkable process for quickly and efficiently drying vancomycin, which is an antibiotic, into a sterile powder form. That powder can be used in IV drips. The drying process will allow us to become a reliable supplier of this important antibiotic to the U.S. and global markets.

6. A few things about this process are especially noteworthy – we use American-made machinery; we do so with no support from the Chinese government; and we have none of the intellectual property issues identified in the Section 301 investigation.

7. And while we are not part of the problems identified in the Section 301 investigation, targeting out products will cause significant harm to our U.S. patients.

8. In particular, Vancomycin is the front-line of defense against MRSA, a disease that – as our submission shows – goes hand-in-hand with the opioid addiction epidemic. Unfortunately, vancomycin is no longer made in the United States. This is not because of intellectual property issues, but rather the fact that the margins on the product have always been razor thin. For these reasons, vancomycin currently shows up on the FDA's list of drugs in shortage.

9. The drying process that Novus has mastered has changed the economics of vancomycin production. As a result, my company is close to helping alleviate the shortage and bring down the cost to patients, hospitals, and U.S. federal and state government programs like Medicaid and Medicare.

10. Tariffs under Section 301 on HTSUS 3004.20.00 will hurt these efforts. It will also leave the United States heavily dependent on a sole supplier – an Indian-based company that is, ironically, owned by a Chinese company. I fail to see how that outcome is good for the United States. Being dependent on a sole supplier is never good, as outages and other supply chain disruptions can lead to critical shortages.

11. With my remaining time, I would like to bring one other product to your attention. Tariffs on HTSUS 3004.60.00 would appear to capture a product called coartem.

12. Coartem is a prescription medication used to treat malaria in both adults and children. Coartem contains two active substances, artemether and lumefantrine, which work together to

kill the parasites that cause malaria. It cures more than 96 percent of malaria cases, including those in areas where the parasite has become resistant to chloroquine, which includes South America and Africa. This is why we sell 1 million tablets per year to the U.S. military.

13. Novus's Chinese plant is the only FDA-approved source for such products. The fact that it is made in China is not a function of the policies at issue in the Section 301 investigation or an alleged market distortion, but because the active ingredient in artemether is a Chinese herb.

14. Tariffs on Coartem would have terrible consequences. Coartem is a significant part of the Novartis Malaria Initiative, which the company describes as "one of the pharmaceutical industry's largest access-to-medicines programs, focused on treatment, access, capacity-building and research & development." Coartem is the only high strength artemisinin-based combination therapy antimalarial available for broad-scale public sector procurement due to the fact that it has been prequalified by the WHO.

15. I understand that USTR has prided itself on the fact that the list of products subject to the Section 301 was chosen by an advanced algorithm. I would ask that the Section 301 Subcommittee to apply a human touch to that result and ask yourself if applying tariffs to the last-line-of-defense against MRSA and malaria is sound public policy and good for American patients. I respectfully submit that my patients would say it is not and that it is wrong to treat U.S. patients, including highly vulnerable victims of the opioid crisis, as hostages in a conflict over trade. That is why I ask that these two products be exempted from the Section 301 duties.

16. Thank you for your time. I am happy to answer any of your questions.