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The Honorable Jeffrey Kessler
Under Secretary of Commerce for Industry and Security
14th and Constitution Avenue, NW
Room 3876
Washington, DC 20230

RE: Section 232 National Security Investigation of Imports of Pharmaceuticals and Pharmaceutical Ingredients, XRIN 0694-XC120

Dear Under Secretary Kessler,

On behalf of Americans for Tax Reform, we appreciate the opportunity to provide input regarding your national security investigation of imports of pharmaceuticals and pharmaceutical ingredients.

We urge you focus your investigation on adversarial trading partners, recognizing that tariffs and/or quotas on imports from key allies would hurt patients and the U.S pharmaceutical industry, threatening America's global competitiveness.

A significant majority of imported pharmaceutical products come from Europe: in 2023, the U.S. imported $203 billion of pharmaceutical imports, 73 percent of which came from Europe. Specifically, Ireland, Germany, and Switzerland.[1] Still, over half of the active pharmaceutical ingredients consumed in the U.S. are produced domestically.[2]

While we cannot speak specifically to the national security threat of importing products and ingredients from foreign adversaries, we can insist that robust domestic production and trade with our allies, as demonstrated by these numbers, suggests that manufacturers are in a strong position to supply needed medicine to our patients.

Further, broadly applied tariffs or quotas on allies likely will not divert production away from Europe (or other partners, like India) into the U.S., but instead make medicines more expensive for consumers.

Tariffs on pharmaceuticals and pharmaceutical ingredients would harm U.S. patients. A 25 percent tariff, as has been floated, would increase the cost of imported pharmaceuticals by up to $50.8 billion – roughly 13 percent of annual domestic sales.[3]

Over 60 percent of adults in the U.S. are currently taking at least one prescription medicine. Of those who take prescription medications, 40 percent report a household income of under $40,000 and 29 percent report a household income of $40,000 to $89,999. Of those people, nearly 30 percent report having difficulty affording their prescription drugs. Of those taking 4 or more prescription medicines, 37 percent report having difficulty affording them.[4]

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[1] Iribarren, M. I., & Fortuna, G. (2025, April 30). EU Commission slams first US step towards pharmaceutical tariffs. Euronews.
[2] Song, A., Whorley, M., Fix, A., & Douglas, R. (2022, March 21). Majority of API in US-consumed medicines is produced in the US. Avalere Health Advisory.
[3] Rangarajan , S. (2025, May 2). Why the Trump Pharma Import Inquiry is pivotal. EY.
[4] Sparks, G., & Kirzinger, A. (2024, October 4). Public opinion on prescription drugs and their prices. KFF.

An article written by Fred Kleinsinger, MD notes that medication nonadherence is thought to cause "at least 100,000 preventable deaths and $100 billion in preventable medical costs per year."[5] Affordability, of course, can be a contributing factor to adherence.

In the case of generic drugs, which provide needed affordability to patients (and everyday Americans buying over the counter medicines), the impact would be disproportionate. Unlike branded drugs, generic drugs are actually cheaper in the U.S than in other countries, with Americans paying just 84 percent of what people in other countries studied paid.[6]

Generic manufacturers have notoriously thin margins, forcing many to close – tariffs would exacerbate these problems, causing detrimental shortages.

As Michael Baker of the American Action Forum highlights, "a 24-week course of generic cancer medication could see a cost increase by as much as $10,000 under a 25 percent tariff."[7]

At a time when the Trump Administration has rightly made it a goal to lower the cost of prescription drugs[8], such a significant increase in prices would force millions of Americans into precarious financial situations.

Tariffs on pharmaceuticals and pharmaceutical ingredients would harm the U.S. pharmaceutical industry. It is, of course, worth noting that negative outcomes for pharmaceutical manufacturers will inevitably lead to negative outcomes for patients and consumers.

The biopharmaceutical sector supports over 1.05 million direct jobs and 3.88 million indirect jobs, totaling nearly 5 million American jobs. These workers are employed at more than 1,500 different manufacturing facilities in the United States. The industry exceeds $800 billion in direct output and contributes $850 billion in output through suppliers and other sectors, totaling more than $1.65 trillion – 3.6 percent of all U.S. output.[9]

Much of the pharmaceutical products imported by American companies are not finished products: instead, production is completed here in the U.S., suppling many of the aforementioned jobs. As Irish trade minister Simon Harris notes[10], 80 percent of imports from Ireland are not finished products:

> "*The situation with pharma is more complex than it is often presented. About 80% of what US pharma companies export back to the US from Ireland is not the finished product, it goes into American factories, it creates jobs for American workers.*"

Tariffs would also create uncertainty, causing companies to struggle forecasting demand after changes in pricing. The inability to accurately order the correct amount of product will have inevitable implications on their supply chains and, potentially, their ability to operate.

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[5] Kleinsinger F. The Unmet Challenge of Medication Nonadherence. Perm J. 2018;22:18-033. doi: 10.7812/TPP/18-033. PMID: 30005722; PMCID: PMC6045499.
[6] Andrews, M. (2023, May 22). Are us prescription drug prices 10 times those of other nations? only sometimes. KFF Health News.
[7] Baker, M. (2025, April 18). Tariffing our way to more expensive health care. American Action Forum.
[8] Morales, I. (2025, April 17). President Trump Signs EO to Lower Drug Prices, Boost Innovation. Americans for Tax Reform.
[9] McClung, T. (2024, May 16). Biopharmaceutical industry supports jobs and drives economic growth across the United States. PhRMA.
[10] Duggan, J. (2025, April 15). Irish pharma exports to us surge amid tariff threat. Bloomberg.

Further, tariffs could impact pharmaceutical companies' ability to launch first in the United States. Typically, American patients gain access to new medicines first, with other countries lagging by years.

According to research by the Galen Institute[11], 290 new medical substances were launched worldwide between 2011 and 2018. The U.S. had access to 90 percent of these cures, a rate far greater than comparable foreign countries. By comparison, the United Kingdom had access to 60 percent of medicines, Japan had 50 percent, and Canada had just 44 percent.

With heightened costs from tariffs, this may no longer be the case.

Finally, a 25 percent tariff would increase production costs by $15.1 billion and the cost of imported finished medicines by $35.7 billion, threatening companies' ability to make further investments in manufacturing and research.[12]

According to EY-Parthenon's April 2025 CEO Outlook Survey on Life Sciences, the threat of tariffs on pharmaceutical products and ingredients has already led to 88 percent of life science CEOs redrafting strategic investment plans: 60 percent say they delayed a planned investment, 52 percent say they relocated operations to another market, and 20 percent stopped a planned investment.[13]

In drug development, the risk is already *very* high. During an average drug development process, a manufacturer must invest an average of $2.6 billion and spend 11.5 to 15 years in research and development. In addition, most drug development programs fail.[14]

As detailed by the Information Technology & Innovation Foundation (ITIF), for 5,000 to 10,000 compounds screened during basic drug discovery phases, 250 molecular compounds (2.5 to 5 percent) make it to preclinical testing. Of the 250 molecular compounds, 5 make it to clinical testing. Thus, as little as 0.05 percent of drugs make it from drug discovery to clinical trials. Of the few medicines that make it to clinical testing, only about 12 percent of medicines that begin clinical trials are approved for introduction by the FDA.[15]

Even if a drug is approved, it is likely that the profits from said drug will not recoup its R&D costs.

Increasing this risk, with a tariff or quota on inputs, *will* eliminate a significant amount of investment in drug development.

Tariffs on pharmaceuticals and pharmaceutical ingredients would hurt U.S. competitiveness. As detailed, a drop off in investment would lead to the development of fewer innovative medicines.

Ironically, in an effort to buttress national security, this outcome would make the U.S. *less* competitive on a global scale.

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[11] Badger, D. (2019, March). Examination of International Drug Pricing Policies in Selected Countries Shows Prevalent Government Control over Pricing and Restrictions on Access. Galen Institute.
[12] Ibid.
[13] Ibid.
[14] Ezell, S. (2019, March 4). The Bayh-Dole act's vital importance to the U.S. Life-Sciences Innovation System. Information Technology and Innovation Foundation | ITIF.
[15] Ibid.

While the U.S. is still the world's leader in biotechnological innovation, China has been catching up, as the Information Technology and Innovation Foundation demonstrates[16]:

- Clinical trial activity in China more than doubled from 2,979 trials in 2017 to 6,497 trials in 2021. Alternatively, the United States saw only a 10 percent increase during this time, from 4,557 to 5,008 trials.
- Chinese oncology trials grew 146 percent from 1,040 in 2017 to 2,564 in 2021, the highest for any country. In the United States, oncology clinical trials grew from 1,664 in 2017 to 1,690 in 2021, a 1.56 percent increase.
- China increased its global share of value-added pharmaceuticals output from roughly 5.6 percent in 2002 to 24.2 percent in 2019.
- From 2013 to 2023, the number of biotech PCT patents awarded to Chinese entities increased by more than 720 percent, from 266 to 1,920, exceeding the European Union's annual number starting in 2021. The number of patents awarded to U.S. filers over the same period increased by 67 percent.
- China's share of global biotechnology venture capital raised grew from a mere 3.5 percent in 2010 to 18.9 percent in 2020. At the same time, the U.S. share declined from about 68.6 percent to 62.1 percent.

If China continues to outpace the U.S. in biotechnological innovation growth, investment dollars will divert away from American manufacturers to Chinese manufacturers. If the future's most important cures are made by and controlled by the Chinese government, the security concerns will be immense.

ATR urges the Department of Commerce's Bureau of Industry and Security to narrow their investigation to adversarial trading partners. Broad tariffs on all pharmaceutical products and ingredients would harm patients and the U.S. pharmaceutical industry, threatening America's global competitiveness.

Onward,

Grover Norquist
President, Americans for Tax Reform

Isabelle Morales
Federal Affairs Manager, Americans for Tax Reform

[16] Barbosu, S. (2024, November 25). How innovative is China in biotechnology?. Information Technology and Innovation Foundation | ITIF.