

Comments from the Government of Japan

The Government of Japan submits to the Department of Commerce of the United States of America following comments pertinent to the Department's investigation to determine the effects on the national security of imports of pharmaceuticals and pharmaceutical ingredients, initiated under Section 232 of the Trade Expansion Act of 1962:

Introduction

Pharmaceuticals play a vital role in protecting human life and health. They are more than mere medical resources; they are critical resources in the context of national security.

The COVID-19 pandemic has highlighted the strategic need to strengthen pharmaceutical research and development, manufacturing infrastructure and distribution systems. As the pharmaceutical supply chain becomes increasingly globalized and complex, we believe it is essential for Japan and the U.S. work in close partnership to ensure a stable supply chain.

Japanese pharmaceutical companies have contributed to the research and development and to the stable supply of pharmaceuticals in the U.S. as well as in Japan. The Japanese government strongly hopes to maintain and develop the strong relationship of trust and cooperation that we have established with the U.S. government over many years in the field of pharmaceuticals.

Pharmaceutical supply chain

The pharmaceutical industry has experienced a division of labor based on the different strengths of companies or countries, making the pharmaceutical supply chain highly globalized and complex. The manufacturing processes of a pharmaceutical product include raw material procurement, formulation and packaging, and in many cases these processes take place across national borders.

Therefore, it would be extremely challenging for the U.S. to establish all the necessary manufacturing functions for every pharmaceutical required to protect the lives and health of U.S. citizens, in order to complete the entire pharmaceutical supply chain

within the U.S.

To address the national security risks associated with the supply of pharmaceuticals, it is crucial for like-minded countries to cooperate within a stable framework of optimal division of labor.

Investments in the U.S. by Japanese companies

Japanese pharmaceutical companies have invested eagerly in the U.S.

For instance, at least 11 Japanese research-oriented pharmaceutical companies have a total of 23 laboratories in the U.S. and 15 companies have a total of 21 R&D bases. In addition, 5 companies have established a total of 10 factories in the U.S.¹, and some have partnered with U.S. CMOs and CDMOs in order to expand their manufacturing capabilities in the U.S. Japanese pharmaceutical companies directly employ at least 32,000 people in the U.S.², and their investments generate even more jobs in a variety of other fields that are involved in the supply chain, such as sales, distribution, and logistics.

Over the past 6 years since 2019, Japanese pharmaceutical companies have continued to make active investments in the U.S, setting up 9 R&D-related facilities, 5 manufacturing sites, and 3 CVCs³.

Through these investments, Japanese pharmaceutical companies have contributed to strengthening the manufacturing base of the U.S. pharmaceutical industry.

Japan and the U.S. pharmaceutical industry

While it is true that the U.S. is facing an increase in pharmaceutical imports from several countries, as for the trade balance between Japan, the U.S. imported 7.6 billion dollars of pharmaceuticals from Japan in 2024, and exported 9.3 billion dollars to Japan, resulting in a trade surplus of 1.7 billion dollars⁴.

¹ Source: JPMA Survey

Cited from the Japan Pharmaceutical Manufacturers Association DATA BOOK 2025

² The total number of U.S. employees of 8 Japanese pharmaceutical companies that disclose the numbers of their U.S. employees in Annual Securities Reports and other public disclosures.

³ These figures are compiled based on websites and press releases of Japanese pharmaceutical companies.

⁴ Source: DataWeb: U.S. Trade & Tariff Data (United States International Trade Commission)

*Total Exports FAS – General Imports Customs Value

This indicates that imports from Japan poses no threat to the U.S. pharmaceutical industry. Rather, Japanese pharmaceutical companies have enhanced the competitiveness of the U.S. through partnerships and technical collaborations with the U.S. companies.

Effects of tariffs (1) Effects on patient access

Some pharmaceutical products are only produced in certain countries. The implementation of tariffs on pharmaceutical products that are exclusively produced in countries other than the U.S., including Japan, would result in a drop in import quantities and an increase in prices.

In addition, tariffs on pharmaceutical ingredients would increase the manufacturing costs in the U.S., causing a corresponding rise in the prices of pharmaceuticals that are produced domestically as well.

Pharmaceutical products for rare diseases, for example, often have no alternatives, and the disruption in supply of even a single drug can pose a direct risk to the lives and health of patients with such diseases. Moreover, some pharmaceuticals, including psychotropic drugs, are carefully monitored and adjusted by physicians. In such cases, drugs that are normally considered as alternatives may not necessarily have the same effects.

Access to such pharmaceuticals, which are essential for U.S. patients, must not be disrupted, as any disruption would endanger the lives and health of U.S. citizens.

Effects of tariffs (2) Effects on the competitiveness of the U.S. industry

Since many U.S. companies that produce pharmaceuticals in the U.S. rely on imported pharmaceutical ingredients, tariffs on these ingredients will raise the manufacturing costs in the U.S. This will reduce profits of U.S. companies, eroding their capacity to invest in research and development.

Additionally, as previously mentioned, Japanese pharmaceutical companies have played a role in enhancing the manufacturing base of the U.S. pharmaceutical industry. However, if tariffs constrain their profits and force them to scale back their operations, it could negatively impact their investments and the jobs they create in the U.S.

The U.S. pharmaceutical industry has developed within the context of a globalized value chain. Tariffs, if imposed, would undermine this fundamental assumption, and would

*NAICS Code 3254 (Pharmaceuticals & Medicines)

greatly undermine the competitiveness of the U.S. industry.

Conclusion

Japanese pharmaceutical companies are making every effort to ensure a stable supply of essential pharmaceuticals to both Japanese and U.S. citizens, thereby aligning with the U.S. national security interests. This will not increase risks to U.S. national security; rather, this helps reducing them. Therefore, we doubt the efficacy of imposing tariffs on pharmaceuticals imported from Japan as a means of securing national security.

The Japanese government aims to maintain and strengthen the resilient supply chain between Japan and the U.S., ensuring the stable provision of essential pharmaceuticals to protect the lives and health of Japanese and U.S. citizens.

By contrast, tariffs on pharmaceuticals undermine these initiatives and could hinder access to essential pharmaceuticals for U.S. citizens, given the complex and globalized pharmaceutical supply chains. Furthermore, it would curtail the investment and job creation by Japanese pharmaceutical companies in the U.S. and would diminish opportunities for collaborative research and innovation — ultimately sacrificing U.S. competitiveness in pharmaceutical research and development where speed and international collaboration are essential.

In this regard, the Government of Japan expresses its position to urge a reconsideration of a series of tariff measures by the U.S. Government, including the introduction of tariff measures on pharmaceuticals.