Bureau of Industry and Security,
Office of Strategic Industries and
Economic Security,
U.S. Department of Commerce.

May, 5th, 2025

Response to the United States Department of Commerce Investigation

Dear Sirs,

In response to the request dated April 1st by the Department of Commerce, initiated under Section 232 of the Trade Expansion Act (19 U.S.C. 1862), aimed at determining the effects on national security of imports of pharmaceutical products, their ingredients, and derivatives, ERCROS, S.A., Pharmaceuticals Division, as an exporter of active pharmaceutical ingredients to the U.S. market, has decided to individually respond to the questions posed by this investigation.

As part of this response, and by way of introduction, it is worth noting that ERCROS, S.A. is an industrial group focused on the manufacture and sale of chemical and pharmaceutical products, listed on the continuous market of the Spanish stock exchange. It has 10 production plants across Spain, with total revenues exceeding €600 million. The industrial group is diversified into three business areas: the *Chlorine Derivatives Division*, a strategic unit whose common nexus is chlorine; the *Intermediate Chemicals Division*, focused on formaldehyde chemistry; and the *Pharmaceuticals Division*, dedicated to pharmaceutical active ingredients. It is a leading company in the main markets in which it operates for most of its products.

This document originates from the Pharmaceuticals Division of the group, which is dedicated to the manufacture of active pharmaceutical ingredients, mainly antibiotics, with annual revenues close to €70 million, representing around 8% of the group's total.

The manufacture of active ingredients is carried out entirely at the plant that ERCROS, S.A. maintains for this division, located in Aranjuez (Madrid, Spain), with an annual capacity exceeding 300 tons.

The plant dedicated to the Pharmaceuticals Division has various manufacturing technologies, including fermentation-extraction, chemical synthesis, and sterilization through aseptic filtration. This diversity of processes provides the plant with a certain independence from external sources of advanced intermediates, with highly integrated manufacturing processes, and sufficient surplus capacity to supply high-consumption markets, reducing external dependency for all its manufacturing.

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While chemical synthesis manufacturing is a readily replicable technology, the manufacture of active ingredients through fermentation, on the other hand, is a technology that is difficult to transfer and replicate, due to the importance of the microorganism strain, making it a very useful tool against the endemic dependency that Western markets have had, to date, on Chinese suppliers.

China is the country that concentrates the manufacture of the vast majority of active ingredients or their intermediates, and for those active ingredients manufactured by fermentation, they maintain a very advantageous competitive position given their enormous production capacity.

Request for Public Comments

This investigation is being undertaken in accordance with part 705 of the National Security Industrial Base Regulations (15 CFR parts 700 through 709) ("NSIBR"). ERCROS, S.A. as an interested party is willing to submit written comments, data, analyses, or information pertinent to this investigation to BIS's Office of Strategic Industries and Economic Security no later than May 7, 2025. The Department mentioned that it is particularly interested in comments and information directed at the criteria listed in §705.4 of the regulations as they affect national security, including the following:

1. The current and projected demand for pharmaceutical products and pharmaceutical ingredients in the United States;
2. The extent to which domestic production of pharmaceutical products and pharmaceutical ingredients can meet national demand;
3. The role of foreign supply chains, particularly from major exporters, in meeting the demand for pharmaceutical products and pharmaceutical ingredients in the United States;
4. The concentration of U.S. imports of pharmaceutical products and pharmaceutical ingredients from a small number of suppliers and the associated risks;
5. The impact of foreign government subsidies and predatory trade practices on the competitiveness of the U.S. pharmaceutical industry;
6. The economic impact of artificially suppressed prices of pharmaceutical products and pharmaceutical ingredients due to unfair foreign trade practices and state-sponsored overproduction;
7. The potential for export restrictions by foreign nations, including the ability of foreign nations to use their control over pharmaceutical supplies as a weapon;

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8. The feasibility of increasing domestic capacity for pharmaceutical products and pharmaceutical ingredients to reduce import dependency;

9. The impact of current trade policies on domestic production of pharmaceutical products and pharmaceutical ingredients, and whether additional measures, including tariffs or quotas, are necessary to protect national security.

Currently, ERCROS, S.A. exports the following active pharmaceutical ingredients to the U.S. market:

- **Famotidine**: An active ingredient used for the treatment of stomach ulcers. It is also used to relieve pain and discomfort caused by gastroesophageal reflux disease. Although the final manufacturing of this active ingredient is carried out at the aforementioned facilities in Spain, we depend on India for completing its manufacturing as we import two of its intermediates from this Asian country. Currently, ERCROS supplies several tons of this active ingredient to the U.S. market. To our knowledge, there is no domestic production of this active ingredient in the U.S., and 100% of our competition in this product comes from Asia, with China and India being the main players.

- **Erythromycin Base**: This is an antibiotic widely used worldwide, primarily for treating infections caused by gram-positive and gram-negative bacteria, especially those related to the respiratory tract. It is also found in creams for treating acne and other skin and ophthalmic infections. This active ingredient has been classified by the EU as an essential medicine and included in the list of strategic medicines. At ERCROS, we manufacture this active ingredient through fermentation, making us fully integrated and not dependent on third countries for any of its intermediates, which gives us a highly valued competitive position by our customers in the U.S. It is worth noting that 100% of our competitors are from Asian countries, mainly China, which has a very dominant position in this market.

- **Fosfomycin Trometamol**: This is an oral antibiotic for treating urinary tract infections. For this active ingredient, we have an active DMF with the FDA, and to date, only the Indian company Cipla has used our documentation to submit the corresponding drug dossier. It has been in the commercial phase since 2020, and although we do not have exact market figures to date, we continue to increase the quantity sold to this company and thus placed on the U.S. market under its brand name. Competition for this product comes from various countries, although all of them, except ERCROS, purchase 100% of one of its most important intermediates from China, making their dependency on this Asian country total. In the case of ERCROS, we have

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surplus manufacturing capacity for the intermediate, and therefore we are fully integrated in the manufacture of this antibiotic.

- **Intravenous Fosfomycin**: In collaboration with the U.S. company Meitheal, this antibiotic is about to be launched into the commercial phase in the U.S. This hospital-use antibiotic is indicated for complicated or severe infections of the urinary, dermatological, gynecological, respiratory, musculoskeletal, surgical, septicemia, endocarditis, and meningitis caused by sensitive germs. The FDA and OPMA announced on April 25th that the ERCROS S.A. plant is ready to support commercial operations related to the manufacture of this product, following the inspection conducted last December 2024. This milestone is one of the last necessary for the aforementioned commercial launch, which we expect to take place in October according to the timelines shared with our partner Meitheal. The volumes we will export in the coming years for this product are still difficult to calculate, although all estimates are very positive since, although it is a well-known antibiotic in the EU, it has never been presented in the U.S. to date. It is worth noting that it was the FDA itself that suggested to us 10 years ago to bring it to the U.S. due to the lack of new antibiotic launches in this country and the resistance caused by the massive use of known antibiotics. Again, in this case, ERCROS, S.A. has fully integrated the manufacture of this active ingredient and its pharmaceutical intermediate at its facilities in Aranjuez (Madrid, Spain), manufacturing both the active ingredient and its intermediates synthetically, as well as its sterilization and sterile mixing.

- **Fusidic Acid**: This is an antibiotic used to treat a large number of localized bacterial infections on the skin. This active ingredient is very similar to the previous one, as it has not been presented or used in the U.S. to date. Over the past 18 years, various companies have conducted the necessary clinical trials for the use of this product in the U.S. Currently, the company Arnasi is finalizing the details for the launch of an IND with this active ingredient. On the other hand, the company APEX has another IND in progress for the sodium salt of this same active ingredient in the U.S. Again, the lack of novel antibiotics and the resistance caused by the massive use of known antibiotics to date give this product enormous growth potential in this country. ERCROS manufactures this antibiotic through fermentation from basic foods, making it a product whose production is fully integrated into our facilities with no dependency on third countries.

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In addition to the aforementioned products, ERCROS, S.A. is developing the following active pharmaceutical ingredients, both antibiotics and manufactured by fermentation, to be definitively incorporated into its production lines, with fully integrated manufacturing in our facilities and no dependency on third countries. Both products will be of great importance in the U.S. market given the current demand in this country and the significant dependency on China, the only country currently manufacturing both products:

- **Gentamicin**: This antibiotic is in the documentation drafting phase, DMF, and its final launch is expected by mid-2025.
- **Vancomycin**: An antibiotic that belongs to a class of medications called glycopeptide antibiotics. Its action consists of eliminating bacteria in the intestines. This antibiotic is in the development phase at ERCROS, S.A.

Please don't hesitate to contact us if you need further information

Best Regards

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