May 7, 2025

The Honorable Howard Lutnick
Secretary
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

Re: XRIN 0694-XC120 - Request for Public Comments on Section 232 National Security Investigation of Imports of Pharmaceuticals and Pharmaceutical Ingredients.

Dear Secretary Lutnick:

On behalf of the National Association of Wholesaler-Distributors (NAW), I write regarding the Department of Commerce's Section 232 investigation of imports of pharmaceuticals and pharmaceutical ingredients.

We recognize President Donald Trump's efforts to strengthen the U.S. economy, making it more resilient and productive. The President has long been a champion of American industry, working to reduce costs for hardworking Americans, support businesses through pro-growth tax policies, and ease the regulatory burden that often stifles innovation and expansion. We appreciate his commitment to ensuring the U.S. remains strong and competitive on the global stage.

However, in achieving these goals, the administration should ensure that trade policies are targeted and recognize the importance of maintaining supply chain diversity. It is essential to provide businesses with certainty and stability while taking into consideration the costs and time required to onshore manufacturing.

Tariffs are already contributing to uncertainty and increasing costs for American consumers. We urge the administration to avoid further economically damaging policies and to collaborate with foreign countries to reach trade agreements that strengthen and expand the U.S. economy.

In addition to raising prices, pharmaceutical tariffs can lead to broad, unanticipated health outcomes, affecting patient access to essential medications. It is vital for the Department of Commerce to allow for a structured and efficient exclusion and waiver process that considers impacts beyond economic damage, particularly in this sector.

About NAW & The Wholesale Distribution Industry

NAW is one of America's leading trade associations, representing the $8 trillion wholesale distribution industry. Founded in 1946, NAW comprises national, regional, and state employers of all sizes, industry trade associations, partners, and stakeholders spanning all distribution sectors.

There are more than 250,000 wholesale distribution companies that operate across North America, including all 50 states. These businesses collectively employ over 6.1 million workers, ranging in size from small, closely held family businesses to Fortune 500 companies. The majority are small or medium sized businesses, and 81% of companies in the industry have less than 20 employees. Wholesale distribution is a business-to-business industry: wholesaler-distributors purchase inventory, generally from manufacturers, and sell it to their customers, which include retailers, consumers, contractors, and small businesses.

Wholesaler-distributors are typically low margin, highly taxed businesses. Although the data varies among distributors of different product lines, a significant number of companies report after-tax profit margins of less than 1%, with the average margin of about 2%.

Wholesaler-distributors also offer well-paying, skilled jobs with a culture of living in and giving back to the communities they serve. Employee costs, including wages, benefits, and taxes, make up half to three-fourths of total expenses for wholesaler-distributors. As of January 2025, the average hourly wage for production and nonsupervisory workers in the industry of $31.64 per hour, higher than the typical private sector non-supervisory wage.[1] 89% of wholesaler-distributors offer healthcare, 90% offer paid sick leave, and 85% offer retirement benefit plans.

Tariffs Are Creating Higher Prices and Disrupting Supply Chains

Tariffs are creating significant challenges for wholesaler-distributors, including cash-flow issues and supply chain disruptions.

Duties must be paid immediately upon import, diverting valuable capital away from critical investments in hiring, wages, training, and expansion—the very factors that drive economic growth and support American workers. Additionally, tariff-induced disruptions risk exacerbating inflation, increasing the cost of essential goods, and placing financial strain on businesses and consumers alike.

A recent survey of wholesaler-distributors conducted by NAW found that existing tariffs are already driving cost increases and creating operational challenges across the industry and the economy.[2]

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[1] *Industries at a glance: Wholesale trade: NAICS 42*. U.S. Bureau of Labor Statistics. (n.d.). https://www.bls.gov/iag/tgs/iag42.htm

[2] *New NAW research shows tariffs' growing impact on Supply Chain*. National Association of Wholesaler-Distributors. (2025, April 30). https://www.naw.org/new-naw-research-shows-tariffs-growing-impact-on-supply-chain/

Survey results highlight that two-thirds (62%) of wholesaler-distributors expect their cost of goods sold to rise by 10% or more in 2025. Financial strain is already widespread, with 67% of respondents reporting a negative impact on their businesses, and only 2.5% indicating any positive financial impact.

Operational shifts are also underway. The industry is slowing inventory replenishment (48%), delaying new hiring (44%), cutting capital investments (37%), and reducing discretionary spending (60%).

New tariffs on pharmaceuticals and pharmaceutical inputs would only exacerbate this problem. According to a report by Ernst and Young, 25% tariffs would increase drug costs by $51 billion annually, translating to a 12.9% increase in prices.[3]

Pharmaceutical Tariffs Should be Narrow & Targeted in Scope

As the administration considers new tariffs on pharmaceutical products, we urge that any new policy be targeted in scope to avoid unintended consequences that upend supply chains or further raise prices.

For instance, new trade policy must acknowledge that reshoring is a time-consuming process – building a new factory in the U.S. can take between 5 to 10 years and cost as much as $2 billion.[4]

In addition, many active pharmaceutical ingredients (APIs) and key starting materials (KSMs) that are utilized as key inputs for pharmaceuticals are manufactured outside the U.S. and currently have no U.S.-based competitors. Imposing tariffs on APIs and KSMs could lead to a number of negative outcomes, including cashflow problems for importers, increased prices for patients and families, and shortages.

As such, we urge the administration to adopt a tailored approach that incentivizes U.S. manufacturing while acknowledging the existing challenges with reshoring. The administration should adopt an exemption process for pharmaceutical products, including those that are currently at risk of or under shortage. In addition, the implementation process must recognize the long lead times and significant investments needed to reshore manufacturing. Finally, the administration should ensure the creation of further long-term incentives and investments to encourage more domestic manufacturing.

Conclusion

Thank you for the opportunity to provide comments on the administration's 232 investigation into pharmaceuticals and pharmaceutical ingredients. Wholesaler-distributors have worked diligently to

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[3] Fick, M. (n.d.). *Exclusive: US pharma tariffs would raise US drug costs by $51 billion annually, report finds*. Reuters. https://www.reuters.com/business/healthcare-pharmaceuticals/us-pharma-tariffs-would-raise-us-drug-costs-by-51-bln-annually-report-finds-2025-04-25/

[4] *Biopharmaceutical Manufacturing*. PhRMA. (n.d.). https://phrma.org/policy-issues/research-development/manufacturing-supply-chain#:~:text=Building%20a%20new%20manufacturing%20facility,comply%20with%20various%20regulatory%20requirements.

help maintain supply chain resiliency in the face of generationally high inflation, COVID-19, labor shortages, and shipping disruptions.

We stand ready to continue working with you on policies that make the American economy and workforce stronger and more resilient.

As you continue the 232 investigation, we urge your department to consider a robust exclusion and implementation process that recognizes the challenges of onshoring manufacturing and mitigates unintended consequences for American patients, such as price increases and drug shortages.

Sincerely,

Brian Wild
Chief Government Relations Officer
National Association of Wholesaler-Distributors