



To: Department of Commerce  
Bureau of Industry and Security

From: Bryan Riley  
Director, National Taxpayers Union Free Trade Initiative

Subject: Section 232 National Security Investigation of Imports of Pharmaceuticals and  
Pharmaceutical Ingredients

Date: May 6, 2025

Docket No. 250414-0065  
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Founded in 1969, National Taxpayers Union (NTU) is the oldest taxpayer group in the United States. We serve as the “Voice of America’s Taxpayers” and strive to represent their best interests before governments at all levels. NTU has a long history of opposing costly tariffs that drive up prices and weaken the U.S. economy. Thank you for the opportunity to comment on the impact of pharmaceutical imports on U.S. national security.

In 2020, Congress passed the [CARES Act](#) in response to the COVID-19 pandemic. That legislation directed the National Academies of Sciences, Engineering, and Medicine to report on the security of the United States medical product supply chain. The resulting [2022 report](#), “Building Resilience into the Nation’s Medical Product Supply Chains,” concluded:

“Locating production of the various steps in places with cost or capability advantages can facilitate lower prices, higher quality, wider variety, and more innovation. On-shoring a global supply chain by moving all production stages to domestic sites would therefore have consequences. Most prominently, on-shoring could increase costs and reduce affordability of medical products . . . Finally, even if we could overcome the economic obstacles and risks of supply concentration, it would be irresponsible to on-shore medical products if there were more cost-effective ways to achieve medical product supply chain resiliency.”

The report specifically warned that concentrating production in one region of the United States, as opposed to having multiple global suppliers, could lead to a supply disruption if that region suffers a hurricane or another natural disaster. That’s just what happened soon after the report

was released. Hurricane Helene disrupted the production of IV supplies in North Carolina, and the federal government subsequently [authorized imports](#) to mitigate the supply disruption.

The comprehensive 336-page National Academies report did not endorse tariffs or other import restrictions that would increase the cost of pharmaceuticals and medical supplies. Instead, it proposed pragmatic alternatives, including stockpiling medical supplies, improving supply chain data, and boosting resiliency.

The report specifically encouraged the United States and other major producers of medical products to negotiate stronger World Trade Organization (WTO) rules to prohibit export bans and restrictions on key components of global medical product supply chains, including pharmaceutical goods. This approach would build on the success of the WTO's existing [reciprocal zero-tariff rules](#) for most pharmaceutical products and the materials used to produce them.

The Commerce Secretary's request for comments specifically asks whether additional measures, including tariffs or quotas, are necessary to protect national security. NTU encourages the parties involved in the Section 232 investigation to consider how the imposition of tariffs may impair U.S. national security.

New tariffs would increase the cost of medical supplies and weaken our relationships with U.S. allies. That's particularly significant to the federal government as the [largest buyer](#) of prescription drugs in the United States. In contrast, removing Section 232 tariffs on steel and aluminum would reduce the cost of producing goods in the United States and strengthen our ties with friendly countries.

NTU endorses additional administration efforts to reduce [tax](#) and [regulatory](#) burdens imposed on U.S. businesses. NTU further encourages the administration to refrain from imposing [price controls](#) and other measures that would weaken the U.S. pharmaceutical sector.

Our recommendations largely reflect the broader consensus among economists about the impact of tariffs. In 2018, NTU released a letter signed by more than 1,100 U.S. economists, including 16 Nobel laureates. They wrote, "We are convinced that increased protective duties would be a mistake. They would operate, in general, to increase the prices which domestic consumers would have to pay. A higher level of protection would raise the cost of living and injure the great majority of our citizens." NTU has attached a copy of that letter to help inform this investigation.

Finally, NTU wishes to remind the Bureau that America's economic, fiscal, and health care security – all components of a holistic national security – are under greater threat today from domestic policies enacted under previous governments than from foreign factors. No other nation in the world can boast of a pharmaceutical environment that both encourages discoveries to reach patients (nearly 90 percent of newly launched drugs worldwide are available here) and controls costs (over 90 percent of prescriptions written in the U.S. are for generics). The latest ,

but not the only, enacted policy decision to weaken this key strategic asset is a coercive “negotiation” process for certain drugs administered under Medicare that was mandated under the Inflation Reduction Act of 2022. In January of this year, an NTU analysis noted:

Far from delivering stable savings in the government-funded health program for seniors, over the long run taxpayers will suffer, as pharmaceutical development slows and with it the cures that could offset costlier surgeries, hospital stays, and other therapies. From cardiac drugs to vaccines, the use of cutting-edge medications in Medicare, Medicaid, and public employee health plans has been proven to benefit taxpayers when given the time and space to work for patients. Now, this progress is in danger. Equally disturbing, the negotiation scheme is backed by the threat of a 95% tax for companies that refuse to surrender to government pricing demands—a tax that is administratively burdensome, economically untenable, and constitutionally dubious.

In a subsequent round of comments to the Centers for Medicare and Medicaid Services, NTU also remarked that the generic system was just as badly impacted by the IRA's provisions. Aside from the negative impact on investments in new innovator drugs, even investments in generic and biosimilar equivalents are being stifled under IRA, because the brand-name drugs falling under negotiations have generics under development, but not yet approved for marketing. This greatly deters interest in the attractiveness of generics to those with the capital to bring them to patients. New launches of generics, which increase savings to taxpayers for medications in government health care programs as they multiply, will suffer as well.

If this Section 232 investigation were to conclude with a recommendation of tariffs, even greater perils to the security in pharmaceutical manufacturing – up, down, and across the supply chain – could take place. It is important that the United States develop more capacity to produce active pharmaceutical ingredients (APIs) domestically, even though less than half of APIs are imported and they mostly originate in Europe. Yet, the U.S. biopharma industry is one of our strongest net exporters among R&D-intensive sectors. Raising the costs of certain API imports would erode this trade advantage and impose higher costs on innovator drugs that show up in Medicare, Medicaid, and other taxpayer-supported health programs. Discoveries that could occur here, thereby bending the cost curve over time, will either shift abroad or never occur in the first place. For their part, generic manufacturers already operate on extremely thin margins to remain profitable, even as their sales volumes increase. Tariffs will raise the costs of their inputs as well, perhaps leading some firms to cease operations here.

NTU encourages the Section 232 investigation to focus on legitimate security threats resulting from pharmaceutical imports, not to concoct excuses for further restricting international trade at the expense of our security. Removing barriers to affordable pharmaceutical supplies is far preferable to erecting new ones.

## **Appendix A: Economists Letter**

**May 3, 2018**

### **Open Letter to President Trump and Congress:**

In 1930, 1,028 economists urged Congress to reject the protectionist Smoot-Hawley Tariff Act. Today, Americans face a host of new protectionist activity, including threats to withdraw from trade agreements, misguided calls for new tariffs in response to trade imbalances, and the imposition of tariffs on washing machines, solar components, and even steel and aluminum used by U.S. manufacturers.

Congress did not take economists' advice in 1930, and Americans across the country paid the price. The undersigned economists and teachers of economics strongly urge you not to repeat that mistake. Much has changed since 1930 -- for example, trade is now significantly more important to our economy -- but the fundamental economic principles as explained at the time have not: [note -- the following text is taken from the 1930 letter]

*We are convinced that increased protective duties would be a mistake. They would operate, in general, to increase the prices which domestic consumers would have to pay. A higher level of protection would raise the cost of living and injure the great majority of our citizens.*

*Few people could hope to gain from such a change. Construction, transportation and public utility workers, professional people and those employed in banks, hotels, newspaper offices, in the wholesale and retail trades, and scores of other occupations would clearly lose, since they produce no products which could be protected by tariff barriers.*

*The vast majority of farmers, also, would lose through increased duties, and in a double fashion. First, as consumers they would have to pay still higher prices for the products, made of textiles, chemicals, iron, and steel, which they buy. Second, as producers, their ability to sell their products would be further restricted by barriers placed in the way of foreigners who wished to sell goods to us.*

*Our export trade, in general, would suffer. Countries cannot permanently buy from us unless they are permitted to sell to us, and the more we restrict the importation of goods from them by means of ever higher tariffs the more we reduce the possibility of our exporting to them. Such action would inevitably provoke other countries to pay us back in kind by levying retaliatory duties against our goods.*

*Finally, we would urge our Government to consider the bitterness which a policy of higher tariffs would inevitably inject into our international relations. A tariff war does not furnish good soil for the growth of world peace.*

**[Click here](#) to download a full list of the signatories in a sortable Microsoft Excel file.**