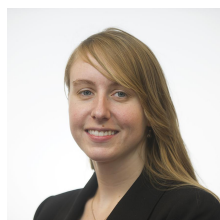


# Trump's Tariffs Raise Drug-Pricing Concerns

Pharma experts warn the proposed tariffs on Chinese imports could spike prices or cause supply disruptions, but some trade observers argue the immediate effects would be minimal.



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🕒 April 9, 2018, 8 p.m.

**P**harmaceutical-industry experts and advocates are sounding the alarm that President Trump's proposed tariffs on products from China could move the administration further from its stated goal to lower drug prices and may even result in drug-supply-chain disruptions.

Certain drug products on the list—epinephrine, insulin, and certain vaccines—may escape any immediate effect of the tariffs, as China is currently not a major source for them. However, the country may be looking to move into this area of production in the future, according to trade experts.

The proposal released last week would place a tariff of 25 percent on certain imported items from China, a list of products valued at \$50 billion. Along with items such as steel, aluminum, and vapor turbines are also medical products Americans rely upon, such as epinephrine, used to treat allergic reactions.

“For an administration that wants to lower drug prices, this would do the exact opposite,” said Ben Wakana, executive director of Patients for Affordable Drugs. “We are eager to read the comprehensive set of recommendations the administration promised to release in the next few weeks, but the tariffs announced [last week] would be a step in the wrong direction. It’s a tax that would raise prices on prescription drugs.”

Pharmaceutical lobbying groups are still reviewing the proposal, but the Association for Accessible Medicines is already worried.

“We are concerned that the proposed tariffs may lead to increased costs of manufacturing for generics and biosimilars, and thus higher prescription-drug prices for patients in the U.S.,” said AAM’s senior vice president and general counsel Jeffrey Francer.

Higher drug prices may not be the only risk the Trump administration is taking. Mark Schwartz, a former Food and Drug Administration official who is now a director at Hyman, Phelps and McNamara with a focus on drug and biologic compliance, said the tariffs on Chinese products could wind up causing supply disruptions.

“Ultimately I think the preferred scenario is to allow U.S. manufacturers or manufacturers of U.S.-approved or -licensed drugs to sign contracts with drug-substance manufacturers who they believe it is in their best interest to sign contracts with on the basis of a presumed level playing field,” Schwartz said.

“[O]ne has to question whether it makes sense for the U.S. to be playing favorites with some countries regarding drug substances [and active pharmaceutical ingredients] compared to other countries,” he added. “I think it could quickly get out of hand and ultimately create some real supply disruptions for the pharmaceutical industry if this continues, and that would be a significant source of concern, particularly given our recent history with drug shortages.”

Schwartz said for companies that contract with drug-substance manufacturers for biologic products, such as vaccines, it would be very challenging to switch to another source because the molecules are so complex. For pharmaceutical companies that are producing small-molecule drugs, he said they would question whether it is worth jumping through the FDA regulatory hoops in order to change manufacturers, considering the process could take a couple of months to a few years, depending on a variety of factors.

However, it is hard to predict from the list whether there could be particular products affected, because where pharmaceutical companies receive their ingredients or finished products tends to be confidential information, he said.

“It is difficult to tell just looking at that list whether a tariff of 25 percent, or something like that, would cause a supply disruption,” Schwartz said. “I think it’s pretty clear that it might cause a price increase, but that’s a

separate issue and that may be part of the calculus of the manufacturers that have approved products in the United States.”

Lori Wallach, director of Public Citizen’s Global Trade Watch, a division of the consumer-rights advocacy group, said the medical products included on the list such as epinephrine, insulin, and vaccines will not likely receive cost pressures because China either does not supply those products to the United States at all or sells a very small amount while the majority of imports come from other countries.

There are two main reasons products are included on the proposed tariff list, despite China currently not having a dominant share or no share at all in the market, she said. One is that some categories are included in the “Made in China 2025” plan, Beijing’s ambitious strategy to bolster the country’s industries at home and dominate the world market in the future.

The other, according to Wallach, is that the U.S. government’s investigation identified the category as “already subject to forced technology transfer or technology theft even if specific goods are not yet commercialized on a global scale.”

Publication of a list of proposed tariffs is meant to send a warning to China that the U.S. will no longer tolerate a continuation of the status quo and that the White House is aware that technology is being stolen in the areas identified, Wallach added.

“If China does not change these practices, it will not benefit by making stuff in China using innovations developed here and then selling it back here because such products would face tariffs,” she said.



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