



The Daily Dish

Tariff Policy on Drugs

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President Trump is on record holding that “tariff” is the most beautiful word in the English language. (Eakinomics hastens to point out that it isn’t even the top “T” word, coming in a distant second – at best – to Twizzlers.) It is hard to see the beauty in the president’s desire to put tariffs on imported pharmaceuticals. Nevertheless, he has begun a process to do just that under the proposition that imported drugs pose a threat to national security.

This is quite the change in policy. Medicines have traditionally been exempted from tariffs. Even the not-exactly-tradition-revering Trump Administration exempted pharmaceuticals from the China tariffs and the 10-percent universal tariff. Moreover, the primary focus in public policy toward pharmaceuticals has been efforts to lower their prices. A 25-percent tariff on imported pharmaceuticals goes 180 degrees in the wrong direction.

Most drugs are manufactured in the United States – only a third are imported – but the tariff would also apply to inputs for the manufacturing process. This raises production costs and places upward pressure on prices. This is especially true of generic drugs, which are about 90 percent of U.S. prescriptions. Those drugs have very thin profit margins, so a substantial cost increase means either sharply higher prices or the drugs coming off the market.

But what about the benefits of the new policy? Supposedly the result is to be a large-scale increase in domestic manufacturing, but this hardly seems like a lock. Tariffs may not be the deciding factor among all cost considerations. Even if they are the key cost, it takes 10-15 years to build a manufacturing facility in the United States. How long will these tariffs be in place? It doesn’t seem like much will be accomplished.

This raises the larger question of what is meant by “national security.” Presumably it means access to critical medicines when there is an outbreak of hostilities, pandemic, or other disruption. But which medicines? (The government actually has not one but several lists of “essential medicines” – shame on you, DOGE.) Surely it does not mean each and every one.

And 70 percent of imports are from Europe. There was a time in the not-too-distant past when Europe was considered an ally and those supply lines quite safe.

If this is really just about China, then why exempt the drugs from the China tariff and play havoc with everything else?

The pharmaceutical tariff policy does not really make sense. But that is becoming a theme in the tariff discussion.