



The Daily Dish

The Facts on China and Pharmaceuticals

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Eakinomics: The Facts on China and Pharmaceuticals

Drugs, their prices, and now the location of supply chains have been a political football during the Trump Administration. News reports about a recent television appearance of the president indicate that [he said](#), “It’s not only China, you take a look at Ireland. They make our drugs. Everybody makes our drugs except us. We’re bringing that whole supply chain back. Nobody has to tell me to do it, I’ve been talking about this for years.” The report elaborated, “At least 94 percent of America’s medicines are made abroad. The President says he plans to bring that back to the United States within two years.”

Don’t buy the hype, especially about China. As AAF’s Jacqueline Varas carefully documents in her [new report](#), the U.S. reliance on China for medical goods is overstated. There are some specific medicines for which the United States does rely on China; an example is penicillin G. In general, however, China supplies only 18 percent of total active pharmaceutical ingredient imports, 9 percent of total antibiotic imports, and less than 1 percent of total vaccine imports. That doesn’t sound like cause for a national panic or hasty and dramatic policy changes.

One reason that imports seem frightening is that most people understate the amount of U.S. production. At present, 70 percent of essential medical equipment, such as masks and ventilators, is made in the United States. Similarly, another 70 percent of total antibiotic spending and 50 percent of total vaccine spending is on U.S.-made products.

So the notion that the United States is at the mercy of China, or any other country, is misplaced. At the same time, there may be a legitimate need for a reliable supply of advanced medicines and products. The first step is to diversify supply chains even further, so there is no undue reliance on a single source. If some domestic production capacity is necessary – notice that this amount is probably a lot less than moving *all* capacity from China to the United States – it can be achieved through market-based incentives. But in no case are tariffs or draconian Buy America laws the best way forward.