

U.S. Pharmaceutical Protectionism

Risks to Europe and patients

- President Trump's tariffs and price controls aim to lower U.S. drug costs, but the policies would also threaten some European economies and leave patients on both sides of the Atlantic with higher prices, drug shortages, and fewer innovative medicines.
- This transatlantic pharma trade war is forcing companies to shift investments to the United States, creating a high-stakes standoff that may benefit U.S. manufacturing at the expense of European industry and patient access to affordable drugs.

Introduction

President Trump is pursuing a multi-pronged effort to lower U.S. drug costs and bring manufacturing back to American shores, a strategy that upends a decades-old trade framework that has significant implications for European economies, global supply chains, and patient access to medicine.

The Trump administration finalized a trade deal with the European Union (EU) in July, which includes a 15% tariff on all U.S. pharmaceutical imports from the EU.¹ While steep, this tariff level is a reprieve for the EU, which had been bracing for duties ranging from 25% to 250%. The Trump administration justified these measures as a necessary tool to reshore production and stimulate job creation within the United States. The tariff on pharmaceuticals contradicts the long-standing World Trade Organization (WTO) exemptions to promote greater global access to medicine.²

In early August, Trump sent letters to 17 of the world's biggest pharmaceutical companies, demanding binding price reductions by the end of September.³ The letter follows a May executive order that seeks to reduce U.S. drug prices.⁴ Trump resurrected the "Most Favored Nation" policy from his first administration.⁵ This policy aims to peg the prices the U.S. government pays for drugs to the lowest prices among Organisation for Economic Co-operation and Development member countries. Trump is also requiring drugmakers to promise they will not offer other developed nations better prices than those offered to the United States.⁶ Despite Trump's threats, the firms are not likely to comply.⁷ The Trump administration has yet to provide a legal justification for the price demands, and a judge blocked the policy from being implemented in 2020.⁸

Trump has also requested a so-called Section 232 investigation into pharmaceutical imports to determine whether they pose a national security threat. An announcement is expected soon regarding the study's results.⁹ The

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EU has stated that the 15% ceiling of the U.S.-EU trade deal will also apply to any potential tariff changes, such as those resulting from the Section 232 investigation.¹⁰ Nonetheless, government officials and analysts are watching closely in case Trump reverses course.

Industry adaptation

The pharmaceutical industry is deploying a range of defensive and offensive strategies to respond to the shifting U.S. policy landscape.

Major pharma players, including AstraZeneca,¹¹ Eli Lilly,¹² and Merck,¹³ are accelerating plans to expand their manufacturing operations in the United States to shield themselves from the new import duties. To offset the intense pricing pressure in the United States, some companies are raising prices elsewhere. Eli Lilly announced in August that it would increase the UK price of its diabetes drug Mounjaro by 170%.¹⁴

Industry has also ramped up its lobbying efforts. The Pharmaceutical Research and Manufacturers of America, along with individual companies, has unleashed record spending to influence U.S. policy and mitigate the impact of the new measures.¹⁵ They have lobbied against policies that would tie their U.S. prices to those overseas, claiming the United States should not look to other countries to determine its drug prices.¹⁶ European drug companies have also lobbied EU officials. They warned EU Commission leadership that as much as half of their nearly EUR 165 billion in planned investments in Europe over the next five years could be redirected to the United States to mitigate their exposure to U.S. tariffs and unfavorable conditions in Europe.¹⁷

Europe's challenges

The pharmaceutical industry has a complex global supply chain. Most medicines are produced in numerous countries, with plants located worldwide handling various stages of the manufacturing process. Europe is considered the most essential part of the global network that produces brand-name drugs.¹⁸ Pharmaceuticals are the highest-value EU exports to the United States, with over 60% of U.S. pharmaceutical imports originating from Europe in 2024.¹⁹

Trump's tariffs threaten the profitability of pharmaceutical exports and could deter future investment in European manufacturing facilities

The economic and strategic risks of the new U.S. policies are significant for Europe. The continent's pharmaceutical sector is a cornerstone of its modern economy. Trump's tariffs threaten the profitability of pharmaceutical exports and could deter future investment in European manufacturing facilities.

European governments are caught in a difficult bind. They need to maintain their strict drug pricing regimes to ensure healthcare affordability for their citizens. Still, these same price controls will make them less attractive for investment compared to a U.S. market that is reshoring incentives.

Some European countries are particularly vulnerable. In 2024, the leading pharmaceutical exporters to the United States were Ireland (USD 66 billion), Switzerland (USD 19 billion), and Germany (USD 17 billion), representing a combined 44% of all U.S. pharmaceutical imports.²⁰ The potential loss of

high-value jobs, tax revenue, and export income poses a significant threat to the economies of Ireland and Switzerland, in particular.

For Spain, a 15% tariff is estimated to result in a 9.6% decline in pharmaceutical exports to the United States, according to the Spanish Chamber of Commerce.²¹ In response, the Spanish government is developing a financial support plan to aid sectors impacted by U.S. tariffs and pursuing regulatory reforms to modernize the pharmaceutical system.

Patients and innovation

Patients on both sides of the Atlantic will feel the consequences of this trade war. In Europe, there is a tangible risk of higher costs for branded drugs as companies rebalance their global pricing strategies to compensate for lower U.S. revenues.²² Furthermore, if the domestic generics industry is weakened, Europe may struggle to build the capacity needed to ensure a stable supply of affordable medicines. It will likely lead to higher drug prices, with potential shortages.

Patients on both sides of the Atlantic will feel the consequences of this pharma trade war

In the United States, the tariffs are also expected to raise costs for consumers through higher insurance premiums.²³ Supply chain disruptions could also lead to shortages.²⁴

Beyond immediate costs and availability, there is also a looming threat to long-term medical innovation. U.S. tariff and price control policies may reduce the funds available for R&D. This could slow the development of new treatments, particularly for complex and costly diseases.

Market jitters

Trump's actions have caused European and U.S. pharmaceutical stocks to struggle in 2025. The U.S. healthcare sector—a broad category that includes pharmaceutical firms—is down 5% in 2025, lagging significantly behind the overall market's 7% gain.²⁵ Concerns in the regulatory environment are challenging the earnings outlook for U.S. pharma companies.

In early August, Europe's Stoxx Health Care index dropped by nearly 3%, falling to its lowest level since mid-April, driven by Trump's price control directive and tariffs.²⁶ However, it partially recovered as skepticism grew about the feasibility of implementing Trump's price controls, and the 15% tariff was perceived as manageable and less severe than many had feared.²⁷

Conclusion and outlook

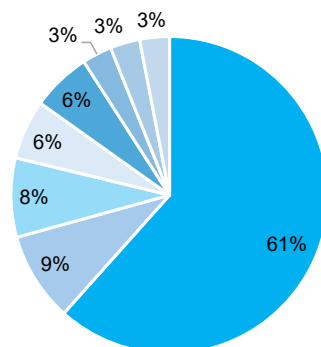
Trump's aggressive tariff and pricing strategy is reshaping the transatlantic pharmaceutical landscape. The winners appear to be U.S. domestic manufacturing in the long run and large, branded drugmakers with the flexibility to absorb costs and shift production. There are many losers: European economies heavily reliant on pharmaceutical exports, generic drug manufacturers squeezed from multiple directions, smaller drug companies lacking scale, and patients who may face higher costs and reduced access to medicines.

Prescription drugs cost too much in the United States. However, instead of benchmarking U.S. prices against those in other countries, U.S. policymakers should develop a transparent and evidence-based approach to drug pricing.²⁸ One option would be to enhance the drug negotiations scheme established by the Inflation Reduction Act of 2022 to include new therapies sooner after they are launched in the United States to help reduce costs for patients and taxpayers.²⁹

Failure to adapt to the changed landscape could lead to the long-term erosion of the EU's world-class pharmaceutical base, with lasting consequences for its economy and health

For Europe, the path forward is fraught with challenges, but it requires decisive action. It should consider a combination of policy reforms to prevent the outflow of EU investments, such as greater pricing flexibility, strengthening intellectual property protections, and streamlined regulatory pathways. Failure to adapt to the evolving landscape could lead to the long-term erosion of the EU's pharmaceutical base, with lasting consequences for its economy and health.

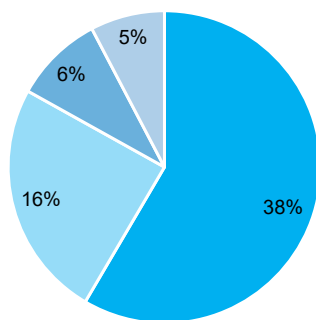
EXHIBIT 5.0 – SHARE OF U.S. PHARMACEUTICAL IMPORTS



■ EU ■ Switzerland ■ Singapore ■ Rest of World ■ India ■ Japan ■ China ■ UK

Source: Tax Foundation.

EXHIBIT 6.0 – SHARE OF EU EXPORTS OF MEDICINAL AND PHARMACEUTICAL PRODUCTS, 2024



■ United States ■ Switzerland ■ United Kingdom ■ China

Source: European Commission.

Notes

- ¹ <https://www.reuters.com/business/autos-transportation/whats-trumps-trade-deal-with-europe-2025-07-27>
- ² <https://geneva-network.com/research/2020-pharmaceutical-tariffs/>
- ³ <https://www.reuters.com/business/healthcare-pharmaceuticals/trump-pressures-17-pharmaceuticals-cut-us-drug-prices-2025-07-31/>
- ⁴ <https://global.morningstar.com/en-gb/stocks/whats-next-pharma-stocks-after-trumps-drug-price-ultimatum>
- ⁵ <https://www.politico.eu/article/us-drug-price-shake-up-access-medicine-europe/>
- ⁶ *Ibid.*
- ⁷ <https://www.reuters.com/business/healthcare-pharmaceuticals/trump-pressures-17-pharmaceuticals-cut-us-drug-prices-2025-07-31/>
- ⁸ <https://www.nytimes.com/2025/07/31/health/drug-prices-trump.html>
- ⁹ <https://www.reuters.com/business/healthcare-pharmaceuticals/us-pharma-tariffs-likely-weeks-away-trump-plans-alaska-sources-say-2025-08-13/>
- ¹⁰ https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_1930
- ¹¹ <https://www.cnn.com/2025/08/01/trumps-drug-price-ultimatum-sets-pharma-firms-scrambling.html>
- ¹² <https://investor.lilly.com/news-releases/news-release-details/lilly-plans-more-double-us-manufacturing-investment-2020>
- ¹³ <https://www.biospace.com/policy/trump-doubles-down-on-pharma-tariff-threats>
- ¹⁴ <https://www.euronews.com/health/2025/08/14/eli-lilly-hikes-uk-price-of-blockbuster-weight-loss-drug-mounjaro-by-up-to-170>
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- ¹⁶ <https://www.nytimes.com/2025/07/31/health/drug-prices-trump.html>
- ¹⁷ <https://www.nytimes.com/2025/04/27/world/europe/tariffs-pharmaceuticals-drugs-medicine-trump.html>
- ¹⁸ <https://www.nytimes.com/2025/07/28/health/trump-drug-tariffs-europe.html>
- ¹⁹ <https://taxfoundation.org/blog/trump-tariffs-pharma-drug-prices/>
- ²⁰ <https://www.voronoiaapp.com/trade/-Top-Exporters-of-Medicinal-and-Pharmaceutical-Products-to-the-US-in-2024-4197>
- ²¹ https://www.camara.es/sites/default/files/documents/Nota%20an%C3%A1lisis%20-%20Impacto%20de%20la%20aplicaci%C3%B3n%20de%20aranceles%20EEUU%2015_%20-%20julio%202025.pdf
- ²² <https://www.politico.eu/article/us-drug-price-shake-up-access-medicine-europe/>
- ²³ <https://taxfoundation.org/blog/trump-tariffs-pharma-drug-prices/>
- ²⁴ <https://www.jmcp.org/doi/10.18553/jmcp.2025.25090>
- ²⁵ <https://www.reuters.com/business/healthcare-pharmaceuticals/five-years-after-covid-pharma-shares-languish-us-policy-limbo-2025-07-23/>
- ²⁶ <https://www.theguardian.com/business/2025/aug/06/stocks-shares-european-drug-companies-three-month-low-trump-tariffs>
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