

The Complexities and Effects of U.S. Tariffs on Global Pharma

(Sources: An article by Jessica Merrill for Scrip, and articles by Eric Saganowsky and Zoey Becker for Fierce Pharma)

The Trump administration's move to impose tariffs of up to 100% on imported pharmaceuticals represents one of the most aggressive interventions in the global drug supply chain in decades. The policy is designed to accelerate the onshoring of pharmaceutical manufacturing, reduce reliance on foreign supply—particularly for active pharmaceutical ingredients (APIs)—and create leverage in ongoing drug pricing reforms. However, what is clear is that the policy is highly structured, with layered exemptions and bilateral accommodations that significantly soften its immediate impact while amplifying its strategic intent.

At the center of the policy is a trade-off mechanism: tariff relief in exchange for pricing concessions and domestic investment. Large pharmaceutical manufacturers that have entered “most favored nation” (MFN) pricing agreements with the U.S. government are effectively shielded from tariffs for a defined period. These agreements require companies to align U.S. drug prices more closely with international benchmarks, offer discounted pricing through government-linked channels, and commit to expanding U.S.-based manufacturing and R&D. Notably, this includes nearly all major global players, meaning a substantial portion of branded pharmaceutical volume avoids the headline 100% tariff altogether.

Beyond these negotiated exemptions, the policy includes broad product-level carve-outs that further limit exposure. Generics and biosimilars, particularly those critical to maintaining affordability and volume stability, are excluded, as are orphan drugs and a wide range of specialty therapies, including cell and gene treatments and plasma-derived products. This reflects a deliberate effort to avoid disrupting essential or innovation-sensitive segments of the market. As a result, the tariff burden is concentrated on a narrower slice of patented, non-exempt products, raising questions about how much aggregate cost pressure will ultimately materialize.

The international dimension of the policy further reinforces its selective application. Imports from key U.S. allies, including the European Union, Japan, and Switzerland, are subject to reduced tariff rates, while companies actively investing in U.S. manufacturing may qualify for transitional rates before tariffs escalate over time. The U.S.–U.K. pharmaceutical agreement represents an even more targeted approach: tariffs on British exports are effectively eliminated in exchange for structural changes to U.K. drug pricing, including higher allowable prices under the National Health Service (NHS) framework. This signals a broader shift toward using trade policy as a negotiating tool to reshape global pricing corridors, rather than simply restricting imports.

Despite these mitigating factors, the policy introduces significant structural tension within the industry. Mid-sized

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- ◆ **McKesson Corporation** announced it has entered into a definitive agreement with funds managed by affiliates of **Apollo (“Apollo Funds”)**, under which Apollo Funds will acquire a minority ownership interest in McKesson’s **Medical-Surgical Solutions (“MMS”)** business. This transaction represents a meaningful milestone as McKesson executes its separation strategy of MMS in preparation of a planned initial public offering. Apollo Funds will invest US\$1.25 billion in convertible preferred equity of MMS to acquire an approximately 13% minority interest in MMS. The transaction values MMS at approximately US\$13 billion total enterprise valuation. McKesson will retain operating control and majority ownership of MMS and consolidate the results for financial reporting.

- ◆ **Regeneron** is making its first foray into the radiopharma arena with the acquisition of **Telix**. Telix will receive US\$40 million upfront and be eligible to earn up to US\$2.1 billion in development and commercial milestone payments plus low double-digit royalties. Should Telix opt out of the co-funding model for a particular program, it is instead eligible to receive up to US\$535 million in milestones, plus royalties. *Israel Lowy*, Regeneron’s clinical development unit head for oncology, said the firm was excited to “explore the utility of these agents either as monotherapy or rationally combined with our immunotherapy platform, particularly in areas of high unmet patient need such as lung cancer,” where its PD-1 inhibitor *Libtayo (cemiplimab)*, “is a global standard of care.”

- ◆ **Zuellig Pharma** announced the successful relocation of its new clinical depot to Misato, strengthening its ability to deliver global quality standards with Japan’s local operational agility and further strengthening its clinical supply capability across Asia Pacific. Japan remains one of the region’s preferred locations for clinical research, underpinned by its strong focus

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The Top 12 Pharma Companies of 2025

(Sources: An article by Edwin Elmhirst for Scrip)

The global pharmaceutical industry experienced notable shifts in competitive positioning in 2025, with Eli Lilly emerging as the new market leader by pharmaceutical sales, while several incumbents faced mounting pressures from patent expirations, portfolio concentration, and changing demand dynamics. Lilly’s rapid ascent—from tenth to first place—was driven primarily by the exceptional performance of its incretin-based therapies, *Mounjaro* and *Zepbound*, which collectively contributed approximately US\$20 billion in incremental sales. The company is well-positioned to sustain leadership, supported by continued innovation in obesity and diabetes, alongside a diversified pipeline spanning oncology, immunology, and neuroscience.

In contrast, Pfizer, while retaining second place, was the

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Tariff Implications (cont'd.)...

biopharma companies and emerging innovators—many of which lack the scale, geographic diversification, or negotiating leverage of large incumbents—face disproportionate exposure. Industry groups argue that the framework creates a “two-tier” system, where companies that have already agreed to government pricing terms receive protection, while others must absorb higher costs or accelerate costly shifts in manufacturing strategy. This could have downstream implications for innovation, particularly in capital-intensive therapeutic areas where smaller firms play a leading role.

Geopolitical complexity adds another layer of uncertainty. The situation is particularly acute for Chinese-origin innovative drugs entering the U.S. market. Companies commercializing these therapies are unclear on whether exemptions, such as orphan drug designation, will apply, and how tariffs might be calculated across complex, multi-country manufacturing chains. While some firms indicate that the direct cost impact may be limited due to relatively low input costs, the broader concern is policy volatility and the potential chilling effect on cross-border licensing, partnerships, and commercialization strategies.

From a supply chain perspective, the policy underscores the U.S. government’s concern over external dependence. Approximately 53% of patented drugs and a substantial majority of APIs used in the U.S. are manufactured abroad, highlighting the scale of the reshoring challenge. The tariff framework, combined with incentives for domestic investment, is intended to gradually rebalance this footprint. However, given the long lead times, regulatory complexity, and capital intensity associated with pharmaceutical manufacturing, meaningful shifts are likely to play out over a multi-year horizon rather than immediately.

In aggregate, the emerging picture is less about immediate disruption and more about strategic realignment. The tariff policy functions as a multi-pronged lever while simultaneously targeting drug pricing, industrial policy, and global trade dynamics. For large pharmaceutical companies, the near-term impact is manageable and may even reinforce their competitive positioning. For smaller players and internationally exposed innovators, however, the environment becomes more complex, requiring careful navigation of pricing negotiations, manufacturing strategy, and geopolitical risk. Over time, the policy is likely to accelerate consolidation, reshape global supply chains, and further intertwine trade policy with healthcare economics in ways that will have lasting implications for the industry.

Top 12 (cont'd.)...

only top 12 company to report a decline in sales, largely due to the continued erosion of its COVID-19 portfolio. This decline, coupled with upcoming patent expirations on key assets, underscores broader challenges facing legacy leaders. Similarly, Merck & Co. saw one of the sharpest ranking declines, falling from second to seventh, reflecting slower growth and declining vaccine demand in key international markets, despite continued reliance on blockbuster oncology drug *Keytruda*.

Across the broader peer set, performance was mixed but generally stable. Johnson & Johnson and AbbVie maintained

strong positions, with growth driven by oncology and immunology portfolios, respectively. Companies such as AstraZeneca and Roche continue to navigate a balance between strong oncology-driven growth and looming patent cliffs, while Novartis and Sanofi are actively investing in next-generation blockbusters to offset future losses of exclusivity.

A unifying theme across the sector is increasing exposure to patent expirations and product concentration risk. Several companies—including Bristol Myers Squibb, Novo Nordisk, and GSK—face near-term headwinds tied to loss of exclusivity, pricing pressures, or intensifying competition. Collectively, these dynamics point to a more volatile outlook for 2026 and beyond, where sustained growth will depend on pipeline execution, lifecycle management, and the ability to diversify revenue streams in an increasingly competitive and policy-constrained environment.

In Brief (cont.)

on medical advancement, rigorous ethical standards and commitment to healthcare. The move in Japan reinforces Zuellig Pharma’s commitment to supporting sponsors and clients with reliable, compliant and seamless access to Japan – advancing its broader mission to make healthcare more accessible.

- ◆ The **U.S. Food and Drug Administration (FDA)** approved **Eli Lilly’s** new weight loss pill, *Foundayo (orforglipron)*. Foundayo is the second daily weight loss pill, the first being **Novo Nordisk’s** *Wegovy* oral pill, which was approved in December 2025. The two pills lead to comparable amounts of weight loss in individuals with obesity, averaging 12% of their body weight after 72 weeks on the highest dose. Medicare is expected to soon cover the pill for some patients, at a co-pay of US\$50 a month, and experts expect that some private insurance plans will also cover it.

- ◆ After more than a decade as CEO of the **Pharmaceutical Research and Manufacturers of America (PhRMA)**, **Steve Ubl** will step down at the end of 2026. PhRMA’s announced Ubl’s departure and will begin the search for his replacement immediately to ensure a smooth transition. “On behalf of the board, I want to express our deep gratitude to Steve for his outstanding leadership and unwavering commitment to PhRMA and the patients we serve,” PhRMA chair and Merck CEO, **Rob Davis**, said in a statement.

- ◆ **Walmart’s Better Care Services** platform is expanding with new offerings that bring together virtual care, nutrition services and pharmacy access in one experience. The service will connect customers to curated third-party providers alongside pharmacy services, nutrition insights and delivery options, and will include weight management support services for customers on or exploring GLP-1 therapies.

- ◆ **Strides** announced that its step-down subsidiary, **Strides Pharma International AG** has entered into an agreement with Sandoz for the acquisition and in licensing of a portfolio of branded generic products across Sub-Saharan Africa, spanning Western Sahara (10 countries), Ghana, Nigeria and Kenya. The deal includes multiple brands across anti-infective, cardiovascular and dermatology segments.

(Sources: Company Press Releases, Drug Store News and FiercePharma)