Generic Medicines: Can Tariffs Bring Production Back to the United States?

Didier Chambovey, August 2026[1]

On July 22, President Trump announced on the Truth Social platform that generic medicines - currently imported into the United States duty-free - will be subject to a 100% tariff starting in August 2028 for one year, and 200% thereafter. The stated objective is to repatriate the manufacturing of these products. Companies that fail to build factories on U.S. soil within the allotted time would face sanctions, the nature of which has not been specified.

This announcement complements the measure introduced in April concerning patented medicines, which were subjected to a 100% tariff. This rate, however, drops to 20% for companies committing to reshore the production of their treatments and active ingredients within four years. In addition, exemptions are planned for laboratories that join the administration's price-reduction initiatives. Finally, reduced tariff rates apply to countries that have signed trade arrangements with the United States. It has thus been agreed, notably with the European Union and Switzerland, that U.S. tariffs on patented medicines be capped at 15%.

President Trump does not mention similar mitigations for generic medicines, which are explicitly exempted from tariffs in agreements negotiated with the EU, India, and Switzerland. His succinct announcement provides no operational specifications, neither regarding the countries affected nor the products targeted, and the proposed policy is poised to confront substantial headwinds.

A real problem

Generic and biosimilar medicines play a fundamental role in public health systems. They are low-cost copies of older products whose patents have expired and which have therefore lost market exclusivity. In the United States, they account for 90% of prescriptions but only 12% of drug spending. Research has shown that the average dosage-unit cost after discounts of a generic medicine is $4, compared with $157 for patented drugs[2]. These figures underscore the significant consequences that would arise from imposing steep taxes on imported generics in a country where escalating healthcare costs already constitute a major concern for much of the population.

Over roughly the past two decades, the production of generic medicines has increasingly shifted to India and China. This evolution stems notably from cost-cutting pressures imposed by distributors and from the tightening of Western environmental standards in the 1990s. China has acquired a dominant position in the global pharmaceutical market thanks to decades of industrial development, very low production costs (including less stringent environmental standards) and continuous political support.

The origin of generic medicines rests on a highly asymmetric bipolar architecture, dominated by India for final assembly and China for the chemical raw materials and active pharmaceutical ingredients (APIs) essential to their manufacture. This division of labour creates extreme global dependence on a very limited number of producers, including for essential medicines. It is therefore unsurprising that 83% of the one hundred most prescribed generics in the United States have no domestic source of API[3].

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[2] Cf. Feldman R. The devil in the tiers. J Law Biosci. 2021 Jan 22;8(1).

[3] Cf. Sardella, Anthony. US Generic Pharmaceutical Industry Economic Instability, Washington University, Olin School of Business Center for Analytics and Business Insights, 21 April 2023.

One of the main weaknesses of the U.S. model lies in the fact that India, its principal supplier of finished generic medicines, is reliant on China, the chief geopolitical rival, for its inputs. This deep and growing dependence is considered by the U.S. administration[4] as a strategic threat.

More specifically, India supplies nearly half of the United States' generic medicines[5], while importing between 70% and 80% of its APIs and other chemical intermediates directly from China. Of the U.S. market, China[6] controls the raw or key starting materials for 94% of amoxicillin (the most prescribed antibiotic), 74% of heparin (a very common blood thinner), and 70% of acetaminophen (the most widely used analgesic).

Such concentration of production in two states constitutes, for Washington (and many other capitals), a real problem, a critical vulnerability likely to compromise the supply of essential generic medicines in the event of major disruptions: natural disasters, pandemics, geopolitical tensions, armed conflicts, etc. The U.S. administration's aspiration to strategic autonomy is wholly legitimate.

The question, however, is whether Donald Trump's proposed remedy - the imposition of tariffs - can genuinely lessen the United States' deep-seated dependencies on India and, above all, China.

Ineffective tariffs

Most analyses[7] converge on a clear conclusion: tariffs are not an effective solution for securing the U.S. pharmaceutical supply, especially for generic medicines.

It is true that the tariff threat seems to encourage companies producing costly patented medicines with high margins to transfer their intellectual property from low-tax jurisdictions to the United States or to invest in building or expanding facilities there[8].

By contrast, the imposition of high tariffs - on the order of 100% - on generic medicines would increase costs for the U.S. healthcare system, with the most disadvantaged patients bearing the greatest burden. In addition, such surcharges would heighten the risk of supply shortages.

Generic producers, whose profit margins are usually minimal, will struggle to absorb significant additional costs. They cannot always pass tariffs on to prices due to locked-in hospital contracts and may stop exporting less profitable products to the United States, exacerbating already frequent shortages. When a basic medicine runs out, the absence of effective large-scale substitutes can lead to postponed surgeries, medical errors, and avoidable deaths within weeks[9]. Some manufacturers could reduce the stringency of their

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[4] Cf. Report Medicine Supply Chain Security, US Department of State, 2026.

[5] Cf. Senators: Dependence on foreign drug supplies threatens security, health - UPI.com, 8 October 2025.

[6] Press Release Page | Press Information Bureau and Marta E. Wosińska and Yihan Shi. US drug supply chain exposure to China, Brookings Institution, 28 July 2025.

[7] Cf. Onshoring US Pharma Supply Chains | Trump Tariffs | SCAIR Blog, 5 June 2025; Can pharma tariffs "Make America Manufacture Again"? - Pharmaceutical Technology, 21 May 2025; Wosińska, Marta E. Will pharmaceutical tariffs achieve their goals? Brookings Institution, 27 March 2025; Bollyky, Thomas J., Chloe Searchinger, and Prashant Yadav. America's Pill Problem: Tariffs Won't Fix the Country's Reliance on Foreign Medicines, Foreign Affairs, 22 July 2025; Hawkins, Ari, and Oliver Ward. Trump Announcement Of Generic Tariffs Returns Industry To Uncertainty, POLITICO, 21 July 2026; Center for the Business of Health. Pharmaceutical Tariffs and Their Implications for the U.S. Market, 17 April 2025.

[8] Cf. Pharma Tariffs 2026: Supply Chain & Manufacturing Impacts | IntuitionLabs, 7 April 2026.

[9] Cf. Wosińska, Marta E. When medicine supply chains become weapons: China's leverage and how the U.S. should respond. Brookings Institution, 19 March 2026 and Thomas J. Bollyky, Rush Doshi, Olivia Kosloff, Prashant Yadav, and Elena Every. The Pharma Choke Point | Council on Foreign Relations. June 2026.

quality-control procedures in an effort to contain costs, thereby placing suboptimal products on the market.

Also, reshoring production is economically unrealistic. Because of low margins, the costs and time required to establish new generic manufacturing plants in the United States (8 to 10 years) largely nullify the incentives created by tariffs. In addition, Asia retains a decisive advantage in labour and expertise. Thus, tariffs would hit imports but would not make U.S. manufacturing more competitive, nor create new industrial capacity, as structural cost gaps remain too large. The shortage of qualified personnel in the United States does not help.

Furthermore, it should be noted that countries producing generics have already concluded arrangements with the United States providing for tariff exemptions on these medicines (for example, the EU, India, and Switzerland). We should also recall that China - the main target of the tariffs under consideration - is the only actor commanding the political, economic, and technical capacity to mount an effective retaliation. During the flare-up in trade tensions in October 2025, Beijing swiftly compelled Washington to de-escalate by leveraging its control over critical-minerals supply chains. China's potential for retaliation rooted in its extensive role in supplying numerous APIs will not be attenuated by the imposition of tariffs. On the contrary, this structural position may become an additional channel of influence.

In the end, customs duties - if they materialize - remain powerless to achieve the legitimate objective of securing the supply of generic medicines. It is precisely the strong constraints mentioned above that led to the tariff exemption for these products, still in force for at least two years. What practicable alternative solutions are available?

Toward an industrial policy enhanced by international cooperation?

Globalization has created unprecedented interdependencies when it comes to critical goods. In the case of generic medicines, it is plausible to conclude that the market alone does not guarantee sufficient supply security. This failure would justify state intervention in the form of targeted industrial policy and preventive measures.

The high geographic concentration of generic production constitutes a systemic risk for many countries. Ensuring a stable flow of generic medicines requires a coherent strategy combining industrial support, international diversification, transparency, and crisis governance. The recommendations below concern the United States in particular but are likely relevant, *mutatis mutandis*, for other nations.

First, it is important to strengthen local production through targeted support, including investment subsidies and multi-year purchase contracts that ensure stable volumes and prices, making the market viable for local producers and for reliable partners sharing the same concerns[10].

These measures would be accompanied by structured international cooperation to diversify sources of APIs and chemical raw materials, particularly with India, the European Union, Japan, South Korea and Switzerland[11]. Such diversification would reduce the vulnerability induced by a geographic concentration of production capacities that could be exploited for coercive purposes in a context of strategic rivalry[12]. It would also mitigate the effects of trade disruptions caused by health crises or natural disasters.

Building strategic stockpiles for essential medicines and their critical inputs represents another pillar for cushioning sudden breaks in supply. These stockpiles would be managed dynamically and coordinated among partner countries.

At the same time, reshoring would be selective: the goal is not to repatriate all production, but to target segments where dependence is strongest. This strategy requires greater

[10] Cf. *ibidem*.

[11] Cf. *ibidem*.

[12] Cf. Graham, Neils. Pharmaceuticals are China's next trade weapon - Atlantic Council, 7 November 2025.

supply-chain transparency: manufacturers would be required to disclose the origin of APIs and other inputs to enable monitoring of critical dependencies[13].

Finally, reforming the reimbursement system is essential. A model based exclusively on the lowest price encourages production concentration in low-cost areas. Integrating criteria of resilience, diversification, and quality into pricing mechanisms would correct these incentives[14].

Crisis management must also be anticipated: early-warning systems, contingency plans by therapeutic class, and simulation exercises are essential tools for preventing shortages and responding quickly to disruptions[15].

Closing Remak

This ambitious program does not aim to exclude Chinese producers, who will be difficult to surpass in the field of APIs and who will retain a role in the international supply of generic medicines. Rather, it seeks to reduce critical risks by diversifying suppliers.

The suggested set of measures inevitably entails a macroeconomic cost inherent in providing a public good, namely safeguarding access to essential supplies. Moreover, such an effort cannot yield the expected results, nor reproduce the economies of scale required for low-cost mass production, without international cooperation.

The initiative undertaken in the rare-earth sector by the European Union, the United States, and several partner economies may serve as a pertinent example. Its overarching aim is to cover the entire value chain of these materials and to foster alternative mining and refining ventures, thereby broadening supply sources and strengthening resilience to geopolitical and commercial strains[16].

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[13] Cf. footnote 10.

[14] Cf. Marta E. Wosińska and Yihan Shi. US drug supply chain exposure to China, Brookings Institution, 28 July 2025.

[15] Cf. Thomas J. Bollyky, Rush Doshi, Olivia Kosloff, Prashant Yadav, and Elena Every. The Pharma Choke Point | Council on Foreign Relations, June 2026.

[16] Cf. EU and US launch strategic partnership on critical minerals.