



DAILY EDITORIAL ANALYSIS

TOPIC

**WEAPONISING HEALTH CARE: US
TARIFFS ON PATENTED DRUGS**

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WEAPONISING HEALTH CARE: US TARIFFS ON PATENTED DRUGS

Context

- The recent announcement of **100% tariffs on imports of patented medicines** by the United States (US) has effectively weaponised access to healthcare **in the US**.

Tariff Breakdown By US

- **Cap of 15% Tariff:** On Imports From European Union and Japan (together they account for **nearly 75% of US pharma imports**);
- **100% Tariffs:** Remaining countries;

US Pharma Landscape

- **Patented Drugs Vs Generics:** Patented drugs account for around **10% of household medical spending**, representing **about 87% of spendings** in pharmaceuticals.
 - ♦ However, Generic drugs account for 90% of prescriptions in the US, but only about 13% spend on it.
- **Domestic Innovation vs. Foreign Production:** US leads in **drug discovery and intellectual property**, but much of the manufacturing — especially for complex biologics and specialty drugs — is outsourced to **global Contract Development and Manufacturing Organizations (CDMOs)**.
- **Global Sourcing:** The US imports a significant portion of its patented drugs from countries like Switzerland, the UK, and Singapore.

Possible Implications

- **Economic Fallout:** According to an **Ernst & Young study**, 25% tariff on patented drugs could raise annual drug costs by \$51 billion.
 - ♦ The financial burden on American patients and insurers could be even more staggering with the **new 100% tariff**.
- **On Insurance Companies:** They may pass on the increased costs to policyholders, exacerbating the already **high out-of-pocket expenses** for life-saving treatments.
- **Supply Chain Vulnerabilities:** The US pharmaceutical supply chain is deeply intertwined with global partners.
 - ♦ Disruptions due to tariffs could lead to shortages or delays in critical treatments.

Impacts on India's Pharma Industry

- India is the **largest supplier of generic medicines** to the US, accounting for over **\$10.5 billion in exports in FY25**.
 - ♦ **India's generics industry** remains **exempt from the new tariffs**.
- **Contract Drug Manufacturing Organizations (CDMOs)** may face pressure as the US pushes for domestic production.

Concerns For India

- **Issue of Uncertainty:** There is **uncertainty around Active Pharmaceutical Ingredients (APIs)** — dominated by India and China.
 - ♦ Any expansion of tariffs to include **generics or biosimilars** could severely disrupt one of India's strongest export sectors.
- **Limited Exposure to Patented Drugs:** Indian companies like Sun Pharma have modest exposure to the patented drug market in the US, with only 17% of their revenue tied to such products.

Patent vs Generic Drugs

- **Patented Drugs:** These are medicines protected by intellectual property rights, typically for 20 years.
 - ♦ These drugs are usually expensive due to monopoly pricing and high development costs.
 - ♦ **Medicines Patent Pool (MPP) of WHO:** It facilitates **voluntary licensing of patented drugs** to improve access in low- and middle-income countries.
- **Generic Drugs:** These are **copies of patented drugs** made **after the patent expires**.
 - ♦ They contain the **same active ingredients** and are **therapeutically equivalent**.
 - ♦ These drugs are significantly cheaper due to competition and absence of R&D costs.
 - ♦ They need to meet rigorous standards for safety, efficacy, and bioequivalence.
 - ♦ **International Nonproprietary Names (INN) System of WHO:** It ensures that generic drugs are clearly identified and safely prescribed worldwide.
- The **Indian Pharmacopoeia Commission** promotes rational use of generics and sets national standards for drug quality.
 - ♦ India is a global hub for generic drug production, supplying affordable medicines to over 200 countries.

Way Forward

- Countries heavily reliant on US demand **need to accelerate efforts to diversify their export markets** and forge **alternative trade alliances**.
- Indian firms may need to consider **shifting manufacturing to US-based facilities or CDMO partners** to bypass future trade barriers and remain competitive under the new regime.
 - ♦ It needs to expand its pharmaceutical footprint in **Africa, Latin America, and the Middle East**—regions where demand for affordable medicines is growing.

Daily Mains Practice Question

[Q] Discuss how the recent imposition of 100% tariffs on imported patented drugs by the United States reflects the weaponisation of health care. What role can India play in mitigating its impact on access to affordable medicines?

Source: TH

