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President Trump and White House Announce New Overseas Pharmaceutical Tariff

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Nature and Timing of New Tariff

UPDATE: The White House has announced a pause on the pharmaceutical as of October 1, 2025 to negotiate agreements with pharmaceutical and to finalize the related implementing documents. We will provide updates as they are available.

President Trump announced through his Truth Social account on September 25, 2025, that a "100% tariff" would be placed on branded or patented "Pharmaceutical Products" effective October 1, 2025. This tariff would not apply to companies that are in the process of "building" manufacturing plant(s) in the United States defined in the announcement as "breaking ground" and/or "under construction" in the United States.

This tariff follows recent executive orders directing federal agencies to prioritize domestic production of critical medicines, streamline regulatory requirements for U.S.-based manufacturing, and increase oversight of foreign manufacturing facilities. It also comes prior to the release of details from Section 232 of Trade Expansion Act investigations on pharmaceutical products and active pharmaceutical products (APIs).

We previously issued a broader client alert, Section 232 Update: New Probes on Medical Devices, Robotics; Tariffs on Pharma & More, addressing the Trump Administration's expanded tariff strategy, including new Section 232 investigations into medical devices and equipment as well as robotics and industrial machinery i as well as announced tariffs on lumber and derivatives, heavy trucks, and pharmaceutical products. This alert focuses specifically on the newly announced 100% tariff targeting overseas branded and patented pharmaceutical products.

Scope and Limitations of the Tariff

The tariff does not apply to generic drugs or to manufacturers already building or operating plants in the United States. However, it is likely to have the greatest impact on drugs for rare diseases or specialty pharmaceuticals developed by smaller manufacturers without a U.S. presence. Additionally, while the post referred to branded or patented pharmaceutical products, it remains unclear whether this tariff will be enforced against API manufactured abroad. Some manufacturers and distributors have reportedly been stockpiling API and affected drugs in anticipation of the tariff, but this is likely a short-term mitigation.

Interactions with Existing Tariff Scheme

The impact of the tariff may be further limited by existing trade agreements with the European Union and Japan. The E.U. has already negotiated a 15 percent tariff on pharmaceuticals under its trade agreement with the U.S. and has indicated that it expects manufacturers in the E.U. to be exempt from the most recent 100 percent tariff, though no official clarification has been provided by the U.S. government. Both the European Union, specifically Ireland, and Japan are significant exporters to the United States, so any exemption for these countries would significantly lessen the burdens of the tariff.

Downstream Implications in the United States

While the threat of a 100 percent tariff's immediate impact may be limited by existing trade agreements, the exclusion of generics, and other factors, those in the United States who are in the supply chain of drugs covered by this tariff are likely to feel some financial strain, which may ultimately be passed on to consumers in higher prices or limited access to standard-of-care medicines. It remains to be seen whether an unintended consequence of this tariff will be burdening international development of niche and novel pharmaceuticals.

This new pharmaceutical tariff is one of several tariffs that may have significant downstream effects on the pharmaceutical market. For additional information on the current state of affairs for trade issues, please contact Lee Smith and for the 340B Drug Pricing Program, please contact Michael J. Halaiko, Daniel Abrams, Katherine Denney, or any member of the Baker Donelson Health Law Team.