Hard Pill to Swallow: Trump's Generic Drug Tariffs & Implications for India

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A New Tariff Regime and India's Exposure

On July 22nd 2026, US President Donald Trump announced that all generic medicine imports would continue to face a zero per cent tariff for two years, effective from August 1st 2026, after which tariffs would be implemented. The two-year window, as mentioned by the President in a social media post, is aimed at "reshoring" generic pharmaceutical production into the United States, and the announcement is a global mandate aimed at phased tariff implementation. A tariff of 100% will be implemented after the first year of the 2-year window, and 200% thereafter. He also added that the existing arrangements for patented and innovative medicines will be preserved.

On September 25th 2025, the United States announced a 100% tariff on imports of branded or patented pharmaceutical

products effective from October 1st 2025. Pharmaceutical companies will be exempt from the tariffs if they built a manufacturing plant in the US, according to both announcements. On April 2nd 2026, Trump imposed a 100% tariff on patented pharmaceutical products and ingredients under Section 232 of the Trade Expansion Act of 1962. The recent announcement rattled pharmaceutical stocks as the Nifty Pharma index fell 1.31%, with 18 of its 20 constituent companies closing lower, and the index closed at 25752.25 points on 22 July.

According to the Global Trade Research Initiative (GTRI), India is among the countries most exposed to the proposed tariffs. In 2025, India exported pharmaceutical products worth USD 25.8 billion globally, of which $9.7 billion (37.7 %) went to the United States, making it India's largest pharmaceutical export market. The previous imposition of tariffs on branded and patented medicine does not have a significant impact on India's exports to the U.S., as India's largest pharmaceutical export market. Earlier US tariffs on branded and patented medicines had only a limited impact on India because its exports are overwhelmingly concentrated in unbranded generic medicines. The latest announcement therefore poses a significantly greater challenge.

Implications for Industry and Healthcare

The implications extend beyond India's pharmaceutical industry. This recent announcement, though aimed at strengthening America's domestic manufacturing capability of generic medicines, does have long-standing impacts on the American healthcare system. The FDA's Office of Generic Drugs (OGD) in their official website states that generic drugs account for more than 90% of prescriptions filled in the United States. Despite India's share in the value of US generic imports being estimated at 30%, it accounts for 47% of America's dispensed generic prescriptions. This indicates that

Indian generic drugs are priced lower than other American domestic and imported alternatives.

In an interview with ANI, Pharmexcil's Chairman Namit Joshi said that "the operating margin in the U.S. is thin,"thereby making it difficult for Indian manufacturers to absorb the costs of tariffs. He added that the options for exporters are to either withdraw from the US market or pass the tariff burden on to consumers through higher prices. Either outcome could reduce the affordability and availability of generic medicines for American patients.

At the same time, Indian pharmaceutical companies have shown little enthusiasm for relocating production to the US. Dr. Reddy's Laboratories Chief Executive Officer Erez Israeli stated that "it's impractical to move such large-scale operations to the U.S. overnight". He also stated that if tariffs are imposed, prices of medicines would increase. Globally, the Indian pharmaceutical industry is the third largest by volume and the eleventh largest by value. It is the largest global supplier of generic medicines, accounting for around 20% of global supply, manufacturing about 60,000generic brands across 60 therapeutic categories. The pharmaceutical industry contributes approximately 1.72% to the nation's GDP. The tariff announcement has left the industry with fewer options for its future enterprise. This constriction is mainly caused by India's entrenched reliance on American purchasing capability.

Opportunities Amid Uncertainty

Despite observable angst amongst the major players of the industry, certain factors suggest the issues predicted as a result of the announcement are neither immediate nor inevitable.

Indian Pharmaceutical Alliance Secretary General Sudarshan Jain told The Hindu that Indian companies have a substantial

U.S. presence, with more than 40 facilities supporting jobs, manufacturing and research. He also stated that India remains a trusted partner supplying affordable, quality medicines to the USA. Similarly, GTRI founder Ajay Srivatsava told the Deccan Herald that "despite the proposed tariffs, many Indian generic medicines could remain competitive because they are seven to ten times cheaper than branded alternatives."

The issue is also likely to remain an important component of the broader India-US trade dialogue. US Secretary of State Marco Rubio met External Affairs Minister S. Jaishankar on 22 July 2026, on the sidelines of the ASEAN and East Asia meetings. In a subsequent press meet, Rubio stated that "they did not get into depth on pharmaceuticals, but would expect India to be concerned about it." Despite the existing concerns over pharmaceutical tariffs, Rubio and Jaishankar reiterated the importance of concluding an interim India-US trade agreement.

Domestic political developments in the United States also introduce an element of uncertainty. The 22nd Amendment to the US Constitution strictly limits any individual from being elected to the presidency more than twice. As the next US presidential election is scheduled for November 2028, a change in administration could alter or reverse the proposed tariff regime before the planned 200% tariff is fully implemented.

At the same time, the transition period provides India with an opportunity to diversify its export markets. Pharmexcil Chairman Namit Joshi told The Hindu that "the zero-tariff window through 2028 gives the industry a meaningful runway to strengthen India's position across multiple markets rather than relying on any single one". India's free trade agreements with the EU and New Zealand are set to provide increased access to these markets. The FTA with the EU provides market access to the region, which is valued at approximately USD 572.3 billion, encompassing pharmaceutical products and

medical technologies. With New Zealand, the FTA expands opportunities for Indian pharmaceutical exports by providing zero-duty access to pharmaceutical products across around 90 tariff lines, where earlier duties ranged up to 5%. The India-UK CETA provides zero-duty market access on 56 pharmaceutical tariff lines. This would make Indian generic medicines more competitive in the UK, which remains India’s largest pharmaceutical export market in Europe.

Although the US is likely to remain India’s most important export destination in the near term, greater market diversification would reduce the industry’s vulnerability to future trade disruptions.