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EDITORIAL ANALYSIS

Tariffs and India's Pharma Sector: The Vulnerability Within the Strength

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INTERVIEW ANGLE

"India's pharma sector is simultaneously America's most affordable healthcare lifeline and a target for manufacturing reshoring — can India negotiate from both strengths?"

WHY IN NEWS

The United States' "Liberation Day" tariffs (April 2, 2026) have raised concerns about India's pharmaceutical exports to the US, which were initially exempted but face policy uncertainty. India supplies approximately 47% of US generic drug prescriptions.

THE EDITORIAL ARGUMENT

India's pharmaceutical industry occupies a paradoxical position in the US tariff landscape: it is simultaneously America's most cost-effective healthcare supplier and a sector targeted for reshoring by the "America First" manufacturing agenda. New Delhi must exploit this paradox as diplomatic leverage — not treat it as a vulnerability.

INDIA'S PHARMA EXPORTS: THE SCALE OF DEPENDENCE

India's pharmaceutical exports to the United States are valued at approximately **$8 billion annually** and cover a vast range of generic medicines. The US depends on India for:

- ~47% of all generic drug prescriptions dispensed
- APIs (Active Pharmaceutical Ingredients) for critical drugs including cardiovascular, oncology, and antibiotic medications
- Affordable medicines under Medicaid and Medicare programmes

If India's pharma exports faced a 27% tariff, the immediate impact would be absorbed partially by manufacturers (margin compression) and partially by US buyers (higher drug costs). Over time, this would disproportionately hurt low-income Americans who depend on generics.

WHY PHARMA WAS EXEMPTED — FOR NOW

The initial executive order on April 2, 2026 exempted pharmaceuticals from the reciprocal tariff — a sign that the US administration recognises its dependence on Indian generics. However, this exemption is not guaranteed to last. The Trump administration has separately announced "Section 232" investigations (national security basis) into pharmaceutical supply chains, specifically targeting India and China as supplier concentration risks.

India must treat the current exemption as a **window for diplomatic engagement**, not as a permanent reprieve.

INDIA'S NEGOTIATING STRENGTHS

1. Cost Advantage is Irreversible on Short Notice

Even if the US invests heavily in domestic pharma manufacturing, rebuilding API and formulation capacity to replace Indian supply would take 5-10 years minimum. Indian generics companies have 45+ years of manufacturing expertise and FDA-approved facilities.

2. Bilateral Trade Talks

India is in discussions with the US for a bilateral trade agreement. Committing to increase US energy imports (LNG), defence equipment, and agricultural products can buy time and goodwill that protects the pharma exemption.

3. IP Flexibilities and Compulsory Licensing

India's use of compulsory licensing (as in Bayer vs Natco, 2012) and its robust generic industry have been persistent irritants to US pharmaceutical lobbying groups. A deal that addresses US IP concerns (stronger data exclusivity, faster patent grant processes) in exchange for stable pharma access could be a viable trade-off.

WHAT INDIA'S PHARMA INDUSTRY MUST DO

- **Diversify export markets:** Europe (especially post-Brexit UK), Africa, Southeast Asia must grow as counterweights to US dependence
- **Move up the value chain:** From generics to biosimilars to specialty and complex generics (more defensible margins)

- **Build US manufacturing presence:** Indian companies with US plants (Sun Pharma, Dr. Reddy's, Aurobindo) are better insulated — this trend should accelerate
- **API localisation:** Reducing dependence on Chinese APIs to strengthen "Made in India" credibility for US negotiators

UPSC RELEVANCE

GS Paper 3 — Economy

- India's pharmaceutical export strategy; generic medicines and affordability
- PLI for pharmaceuticals; API manufacturing
- Value chain diversification and market risk

GS Paper 2 — IR

- India-US bilateral trade negotiations
- Compulsory licensing and TRIPS flexibilities
- Section 232 investigations (US national security tariffs)

Mains Keywords

Generic medicines, API manufacturing, compulsory licensing, bilateral trade agreement, Section 232, PLI pharma, TRIPS flexibilities

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📌 KEY FACTS

India pharma exports to US: ~$8 billion/year

US generic prescriptions supplied by India: ~47%

"Liberation Day" tariffs: April 2, 2026; India rate: 27%; pharma initially exempted

Bayer vs Natco (2012): India's first compulsory licence — Nexavar cancer drug

PLI for pharma: launched 2021; focuses on APIs, KSMs, drug formulations

India has 45+ USFDA-approved facilities (most outside US)

Sources: Mint , Pharmaceuticals Export Promotion Council (Pharmexcil) , PIB

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