

CAPITOL STREET

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100% Pharma & API Tariff Likely Applies to Few or No Manufacturers

Exemptions Galore: MFN Participants, Domestic Manufacturing, Generics, Biosimilars, Orphan, Designated Specialty Drugs

Relevant Companies ALL BIOPHARMA

»» Our Take & Next Up

In what feels like a near-term positive for most drugmakers, significant exemptions are included in President Trump's April 2 Executive Order (EO) implementing Sec. 232 tariffs of 100% on imported pharmaceuticals and their active ingredients (API). The EO is [here](#) with the Annex [here](#); the fact sheet is [here](#).

While the full impact of the EO remains to be seen, key exemptions include cell and gene, orphan, and antibody drug conjugates (ADCs). The tariff will go into effect in 120 days for certain large companies, and 180 days for smaller companies. The administration also issued an update to its Sec. 232 tariffs on steel and aluminum ([here](#)) the same day.

Now, smaller companies will have 4-6 months to negotiate a deal with the White House or face new tariff policy. The White House continues to engage with manufacturers that are not part of the 16 MFN agreement companies. The tariff risk is likely higher for companies focused on small molecules and those without orphan products (no exemptions).

We could see more companies announce deals in the coming weeks. With the nearly 6 month delay in implementation, it is also possible that the administration may delay the tariffs once again to minimize impact on the midterms, making tariffs moot by that point.

Many small and large biotech and pharma manufacturers would not even have to engage with the administration as they fall within the numerous exemptions. Drugmakers that have agreed, or are in the process of agreeing, to Most Favored Nation (MFN) pricing will be exempt from tariffs through the end of Trump's term. Companies may also submit domestic manufacturing plans to qualify for a reduced tariff rate of 20% if MFN liability outweighs the potential tariff costs. The administration provides tariff exemptions for generics, orphan drugs, cell and gene therapies, antibody drug conjugates, and certain other specialty drugs. See full list of exemptions outlined [here](#) and below.

»» Key Points

The 232 tariff announcement addresses some of the remaining questions on pharma-specific tariffs. We note that while the 100% tariff rate is significant, the administration provides multiple ways to escape the costs via MFN agreements, domestic manufacturing plans, and exemptions for novel therapeutics including cell & gene therapies. For companies that remain exposed, the tariff could apply to all, some, or none of the products in their portfolios.

The 232 policy is separate from Trump's reciprocal tariffs. The Supreme Court struck IEEPA/reciprocal tariffs in February. The EO also is separate from the 10% global tariff that Trump imposed to replace the invalidated levies.

Sixteen (16) of the largest drugmakers who made MFN deals with the White House would be exempt from the 100% pharma tariff (until January 2029). One remaining holdout, Regeneron, expects to reach an agreement in the coming days ([here](#)). Recall, MFN deals have been announced with AbbVie, Amgen, AstraZeneca, Boehringer Ingelheim, Bristol Myers Squibb, EMD Serono, Eli Lilly, Genentech, Gilead Sciences, GSK, Johnson & Johnson, Merck, Novartis, Novo Nordisk, Pfizer, and Sanofi (our takes [here](#), [here](#), [here](#), and [here](#)).

Companies that commit to onshoring manufacturing in the U.S. could qualify for a reduced tariff rate of 20% (but the tariff rate would phase back to 100% in 2030). Companies that pledge to bring production to the U.S. will need approval from the government to get tariff relief, and will be expected to bring manufacturing capabilities in equal measure to their sales in the U.S.

The Secretary of Commerce is empowered to raise tariffs on any country or any company that is *not* fulfilling its commitments under any plan or agreement with the US. Also, U.S.-origin pharmaceutical products packaged in dosage form are not subject to tariffs under this action "at this time."

The EO creates a new sense of urgency for other companies to cut deals with the White House.

Additionally, with the release of mandatory MFN models, GUARD & GLOBE, and the tariff risk, we expect the next layer of Biopharma companies who did not embrace voluntary agreements with the White House (Alnylam, Biomarin, Incyte, Alkermes and others in the Midsized Biotech Alliance [here](#)) will engage with the administration to hatch deals so that they are not impacted by these Medicare pricing headwinds.

Who may be subject to the 100% tariff? Some small molecules and nonorphan medicines. We note that a vast majority (over 75%) of US pharma imports come from countries with trade deals. Other exemptions from the 100% pharma tariff include:

- Nuclear medicines
- Plasma-derived therapies
- Fertility treatments
- Cell and gene therapies
- Antibody drug conjugates (ADCs)
- Medical countermeasures (chemical, biological, radiological, and nuclear threats)
- Other specialty pharmaceutical products to be identified by the HHS Secretary
- Pharma products for animal health

Generics and biosimilars are exempt for one year. Within one year – so by April 2, 2027 – the Secretary of Commerce will recommend to the President whether further action needs to be taken (on imports of generic pharmaceuticals).

Country-specific tariff rates would also continue to apply (e.g., 10% from UK & 15% from EU). These include a 15% tariff on products from EU, Switzerland, Liechtenstein, South Korea, and Japan and a 10% tariff on products from the UK. Re the UK, these tariffs are likely in effect 0% as most companies importing from the UK have made onshoring deals with the administration. If a company falls under more than one tariff category, the lower rate would apply.

What happens if a product is subjected to more than one tariff rate? If a product is subject to more than one rate of duty under this proclamation, then the lowest rate applies. That may resolve an apparent inconsistency with some tariff codes listed both in Annex I ([here](#)), which lists the codes to be subject to an additional 100% tariff, and in Annex IV, which lists the codes that will be subject to a 0% additional tariff. In that case, the 0% additional tariff rate would appear to apply.

BACKGROUND

As a reminder, the Sec. 232 investigation on pharmaceutical products was initiated on April 1, 2025. The investigation included finished generic and brand drugs, active pharmaceutical ingredients (APIs), key starting materials, and derivative products. The Secretary of Commerce was required to submit the 232 report within 270 days (by Jan. 11, 2026), after which the White House had 90 days to announce its intended action (by April 11, 2026).

The Supreme Court's February ruling blocking the use of IEEPA tariffs ([here](#)) left Pharma and MedTech in the same position with Sec. 232 tariffs still at the administration's disposal (our take [here](#) and [here](#)). The White House quickly implemented new Sec. 122 tariffs of 10% (soon to be 15%) to fill the void, but we have said they may be more aggressive in advancing Sec. 232 tariffs as a result of the SCOTUS decision (our take [here](#)).

You can't put the MFN genie back in the bottle: MFN, embraced by Trump, is becoming a policy that both sides of the aisle like. This means that MFN risks will extend into the next Congress and Administration, and will exist for some time.

Trump's "Great Healthcare Plan" would codify MFN into law, with the White House shopping legislative language into Reconciliation as soon as summer 2026 (our take [here](#)). Voluntary negotiated deals with HHS/CMS would be grandfathered in under the plan (creating another incentive for companies to engage the White House). Legalizing the federal government's demand on international pricing parity would have widespread industry impact beyond the 16 MFN agreements, but it remains unclear how this would be achieved.

Passing MFN deal terms into law is unlikely in 2026, but now Dems want to add MFN to Medicare Drug Negotiation (our take [here](#)). Senate Finance Cmte Ranking Member Ron Wyden (D-OR) called for MFN in IRA, indicating that international benchmark prices should be a factor in negotiating Medicare prescription prices. Wyden also asked for additional drugs in the IRA above the 10-15 per year. He lastly asked for additional incremental PBM reform after the healthcare extenders passed with the budget on February 3, 2026.

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