



Aug. 7, 2025

## **Federal Update: Reciprocal Tariffs Take Effect Aug. 7**

### **Introduction:**

Just after midnight on the morning of Aug. 7, President Trump's sweeping "reciprocal" tariffs took effect on dozens of international trading partners, marking another dramatic escalation of the administration's "[America First](#)" trading policy. In April, the President's announcement of 10% baseline tariffs across the globe startled financial markets, leading to a 90-day pause while foreign leaders attempted to negotiate more favorable trade deals. On July 31, President Trump signed an Executive Order which imposed 10% - 41% tariffs on 69 trading partners, effective Aug. 7. Entities including the European Union (E.U.), Japan, and South Korea now face blanket 15% tariffs after landing earlier trade agreements with the United States, while countries such as Taiwan, Brazil, Canada, and India face steeper duties in lieu of a standing trade deal.<sup>i</sup>

These tariffs were levied in an effort to reduce dependence on foreign products, raise federal revenue to offset the national deficit, and protect national security by supporting domestic manufacturing. While administration officials [argue](#) that American consumers and business will largely benefit from increased tariffs, many economists and industry groups believe the effects will be passed on to the public in the form of higher prices and disruptions to global supply chains.<sup>ii</sup> According to the Yale Budget Lab, American consumers will face an overall effective tariff rate of 18.6% following implementation of the Aug. 7 tariffs, which represents the highest national average since 1933.<sup>iii</sup> Yale Budget Lab also estimates that the national overall price level, an average of current prices across a full spectrum of goods and services, will rise by 1.8%, resulting in an average per-household income loss of \$2,400 in 2025.<sup>iv</sup>

### **Effect on Health Care:**

While the overall tariff framework applies to a multitude of goods and products, AMCP has identified several impending effects on pharmaceutical manufacturers and medical device companies, as well as the greater health care system as a whole. On June 4, President Trump [announced a 50% increase on Section 232 tariffs](#) on steel and aluminum, two products often used in the production of surgical instruments, personal protective equipment, and other durable medical products.

In reference to the aforementioned 15% tariff and trade deal with the E.U., negotiators agreed to omit tariffs on certain generic drugs, while other branded pharmaceutical drugs will remain affected. The 15% rate represents a [tariff ceiling](#), and any additional duties levied on the E.U. will not apply to pharmaceuticals. Of note, Europe exports roughly 43% of Active Pharmaceutical Ingredients (APIs) used in brand-name medication, and 18% of the (APIs) used in generic medications consumed in the United States.<sup>v</sup>

While the Aug. 7 tariffs do not include additional duties on Chinese products, the United States and China continue negotiations around a new trade deal before each nation's original, paused retaliatory tariffs take effect on Aug. 12. U.S. officials, [including Secretary of Commerce Howard Lutnick](#), expect the deadline to be extended another 90 days if a deal is not reached by Aug. 12. Recent analysis from the Brookings Institute finds that China is a major producer of products used to develop APIs. While pharmaceuticals consumed in the United States contain a relatively low volume of Chinese-produced APIs, a significant percentage of pharmaceuticals produced in India contain Chinese-sourced materials, raising the risks that a prolonged U.S.-China trade war may have on the global drug supply chain.<sup>vi</sup>

India, which produces 60% of the finished oral dosage forms of all pharmaceuticals and nearly 50% of the generic medications consumed in the U.S., now faces a doubled tariff rate of 50% as the nation refuses to reduce its purchasing of Russian petroleum products.<sup>vii, viii</sup>

Altogether, economists and pharmaceutical supply chain experts find that these tariffs are expected to increase costs for pharmaceutical and medical product manufacturers, who in turn are expected to pass costs onto payers such as employers, the federal government, and patients. Several large payers have already expressed an intent to increase premiums in 2026, citing tariffs, cuts to federal benefit programs, and rising health care costs as driving factors.<sup>ix</sup>

### **Legal Challenges:**

Following the initial round of “reciprocal” tariffs in April, dozens of employers and states sued the federal government for exercising “unbounded authority” to impose broad tariffs across the globe. While the U.S. Court of International Trade initially agreed with the plaintiffs in a [May 28 ruling](#) ordering the unwinding of tariffs, an appeal from the Department of Justice (DOJ) allowed for the tariffs to be reinstated while the case was elevated to the U.S. Court of Appeals for the Federal Circuit. During a July 28 hearing, the circuit court's panel of judges appeared unreceptive to DOJ's argument that the president retains the ability to take extraordinary action during national emergencies. Regardless of the circuit court's future ruling, uncertainty remains around the administration's standing in implementing global tariffs without the explicit approval of Congress, and the case is expected to be elevated to the Supreme Court.<sup>x</sup> Some legal experts believe that an overturning of the President's power to unilaterally implement tariffs would also negate the dozens of trade deals already in place.<sup>xi</sup>

### **Looking Ahead:**

Altogether, the latest slew of tariffs stands as a checkpoint, rather than an endpoint, highlighting the Trump administration's intent to continue implementation of protective tariffs and more favorable trade deals nationwide. While legal challenges continue to move through the federal judiciary, manufacturers, payers, providers, and patients can expect tariff and trade deal announcements to continue for the foreseeable future. On Aug. 5, President Trump told CNBC that prospective, additional tariffs on pharmaceuticals could increase to up to 250%, the highest rate threatened on any product thus far.<sup>xii</sup> Details on this tariff strategy remain unclear, but President Trump briefly explained that he would implement a “small tariff” on pharmaceuticals before raising the rate to 150% and then 250% in a year to a year and a half “maximum.” Additionally, President Trump signed a May 12 [Executive Order](#) on Most-Favored-Nation (MFN) prescription drug pricing, directing the administration to compel drug manufacturers to lower prices based on what they charge in other developed countries. While the policy has yet to be fully enacted or described, AMCP continues to

track regulatory notices regarding the policy and will analyze its impacts in conjunction with pharmaceutical tariffs, once further details are made available. On Aug. 1, AMCP published a Federal Update with further details on the administration's Most-Favored-Nation pricing scheme, available [here](#).

**Table: Pharmaceutical Drug Tariff Rates by Country**

<b>Country/Entity/Product:</b>	<b>Tariff Rate:</b>
European Union	15% for brand-name drugs, 0% for certain generics (negotiated deal)
United Kingdom	10% (negotiated deal)
Switzerland	39% (New Aug. 7 rate)
Canada	35% (New Aug. 7 rate)
Mexico	25% (conducting negotiations)
China	30% (conducting negotiations)
Taiwan	20% (New Aug. 7 rate)
India	50% (New Aug. 7 rate)
Japan	15% (negotiated deal)
Pharmaceuticals, pharmaceutical ingredients, and derivative products	Up to 250%*
Steel/Aluminum	25% for UK-origin products, 50% for all other countries

*\*The effective date and implementation procedures of targeted tariffs on pharmaceuticals, pharmaceutical ingredients, and derivative products is still to be determined*

<sup>i</sup> "Trump's Global Tariff: Complete List of Nations and Rates." *Tariff Check*. Aug. 7, 2025. <https://tariffcheck.org/deadline-deals>

<sup>ii</sup> "Tariffs." *U.S. Chamber of Commerce*. Aug. 7, 2025. <https://www.uschamber.com/tariffs>

<sup>iii</sup> "State of U.S. Tariffs: August 7, 2025." *Yale Budget Lab*. Aug. 7, 2025. <https://budgetlab.yale.edu/research/state-us-tariffs-august-7-2025>

<sup>iv</sup> Ibid.

<sup>v</sup> "Tariffs expected to raise imported drug costs: 4 notes." Alexandra Murphy. *Beckers Hospital Review*. July 29, 2025. <https://www.beckershospitalreview.com/pharmacy/tariffs-expected-to-raise-imported-drug-costs-4-notes/>

<sup>vi</sup> "US drug supply chain exposure to China. Myths, omissions, and related insights." Marta E. Wosinksa and Yihan Shi. *Brookings*. July 28, 2025. <https://www.brookings.edu/articles/us-drug-supply-chain-exposure-to-china/>

<sup>vii</sup> "Indian pharmaceutical firms supplied 47% of all generic prescriptions in US in 2022." *India Brand Equity Foundation*. May 20, 2024. <https://www.ibef.org/news/indian-pharmaceutical-firms-supplied-47-of-all-generic-prescriptions-in-us-in-2022>

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viii “India and the United States manufacture most finished medicines for the U.S. market.” Vimala Raghavendran, Erkan Duman, PhD. *US Pharmacopeia*. Feb. 19, 2025. <https://qualitymatters.usp.org/india-and-united-states-manufacture-most-finished-medicines-us-market>

ix “Tariffs Are Driving 2026 Health Insurance Premiums Up.” Matt McGough. *Kaiser Family Foundation*. June 16, 2025. <https://www.kff.org/quick-take/tariffs-are-driving-2026-health-insurance-premiums-up/>

x “Appeals Court Hears Legal Challenge to Trump Tariffs as Trade War Widens.” Tony Romm. *The New York Times*. July 31, 2025. <https://www.nytimes.com/2025/07/31/business/trump-tariffs-lawsuit-court-appeal.html>

xi “How Trump’s \$150 billion tariff brag could backfire.” Ari Hawkins. *Politico*. Aug. 6, 2025. <https://www.politico.com/news/2025/08/06/how-trumps-150-billion-brag-could-backfire-00494882>

xii “Trump says pharma tariffs could eventually reach up to 250%.” Annika Kim Constantino. *CNBC*. Aug. 5, 2025. <https://www.cnn.com/2025/08/05/trump-says-pharma-tariffs-could-eventually-reach-up-to-250percent.html>