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ASIA EDITION

Most of Asia's Pharma Trade Is Sheltered From the US Tariff. That Is Exactly Why You Should Worry.

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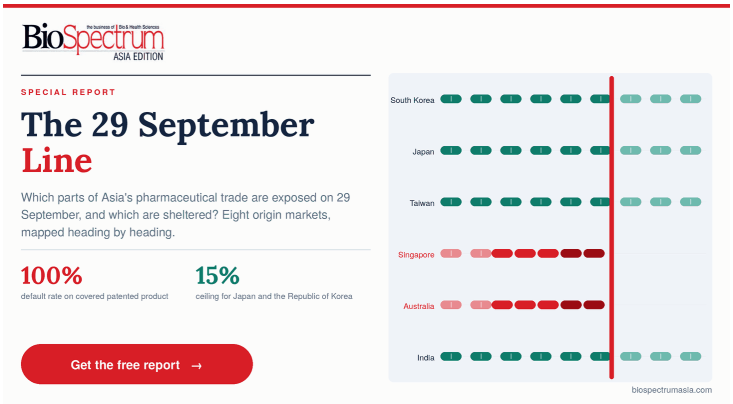
A new BioSpectrum Asia special report maps Section 232 exposure across eight Asia-Pacific origin markets, heading by heading. The findings are not what the headline rate suggests.



On 29 September, the second compliance date under Proclamation 11020 arrives. From that moment, every pharmaceutical importer into the United States that is not one of the seventeen companies named in Annex III faces a headline rate of 100 per cent ad valorem on patented pharmaceuticals, their active ingredients and their key starting materials.

That number has been quoted in almost every story written about this measure. It is also the least useful thing anyone can tell you about it.

The question our readers keep asking is not what the rate is. It is whether the rate applies to them. Answering that properly meant putting the headline aside and building a grid instead, and that is what our new special report does. It maps eight Asia-Pacific origin markets against the covered HTSUS headings, then layers company agreement status on top, because exposure under this measure is decided on three independent axes and most published analysis stops at the second.

The finding that surprised us

Work the grid and something counter-intuitive falls out. The region's largest exporter to the United States by volume, India, is among the least exposed to the September date. Not because it negotiated well, but because the overwhelming majority of what it ships is generic, and generics and their associated ingredients, biosimilars included, sit outside the measure entirely. Taiwan is in the same position, with generics accounting for roughly 86.5 per cent of its finished pharmaceutical exports to the US. South Korea does better still: its dominant export category is carved out, its patented output enjoys a named 15 per cent ceiling, and its two flagship companies have already moved manufacturing onshore.

So the region is largely sheltered. That is the good news, and it is the reason 29 September will be a quieter day in Asia-Pacific than the headline implies.

Here is why it should not be read as comfort. The proclamation says generics are excluded **at this time**. On 21 July, the qualifier was answered in advance: generics are to hold at zero until August 2028, then face 100 per cent for a year, then 200 per cent from August 2029. The carve-out has stopped being a shelter and become a countdown. The runway is two years. Designing, building, commissioning, validating and gaining approval for a sterile manufacturing site in the United States takes considerably longer than that. A manufacturer starting today finishes after the tariff has already landed, and that gap, rather than the rate, is the substantive problem.

The lesson for trade negotiators

There is a second finding worth sitting with. Australia has a free trade agreement with the United States. Singapore has a deep and long-standing relationship and hosts substantial patented manufacture for multinational originators. Neither holds a named pharmaceutical position, so both fall to the full default. Japan and Korea, which secured pharmaceutical-specific commitments, sit at 15 per cent.

General agreements did not transfer. Sectoral commitments did. That distinction will matter far beyond this one measure.

What is in the report

Twenty-five pages, ten figures and two sidebars, built on the text of Proclamation 11020 and its four annexes, the Bureau of Industry and Security notice of 13 May, and the Federal Register record, cross-checked against eight contemporaneous practitioner alerts. It includes the full exposure grid, the rate ladder drawn to true scale, the classification sequence trade counsel are actually running, and a six-item checklist of what has to be finished before entry timing makes the decision for you.

Two variables are still moving. Singapore's status was reported in June to be under bilateral discussion, and the Section 301 replacement duties are under legal challenge. We will keep reporting both through the deadline and past it.

Read the report and check your own exposure: https://www.biospectrumasia.com/specialreport-pharmatariff

The report is editorial analysis and is not legal, customs or investment advice.