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Will Trump's new tariff plan on generic drugs strike knee-jerk negative reactions in pharma stocks?

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Tariffs are proposed to increase to 100% from August 2028 and 200% from August 2029

US President Donald J Trump has stated that effective August 1st, 2026, all generic drugs being brought into the United States (US) will continue to have a tariff of zero percent for a two year period of time, after which the tariff will be raised to 100% for a one year period of time, and 200% thereafter.

This is apparently being done in order to reshore Generic Pharmaceutical Production into America, with a penalty to those companies that decide not to build plant and equipment within the stated period of time given to them.

According to Trump, the objective of this Policy is to protect the people of the United States. The Policy on Patented, Branded, or Innovative Drugs, which has been so successful, will remain as is.

Following this announcement, **Param Desai, Research analyst - PL Capital** said, "Several generic pharma companies already have manufacturing facilities in the US, which could partially mitigate the impact. However, a two-year window appears too short to relocate the entire generic pharmaceutical value chain to the US. Trump's term ends in January 2029, while the major tariff impact begins from August 2028, so the eventual implementation remains uncertain if there is a change in administration. We could see a knee-jerk negative reaction in pharma stocks today, particularly among large-cap generic players, until there is greater clarity on the policy."

Thomas V. Abraham, Research Analyst, Mirae Asset Sharekhan further added, "Will await further clarity but my quick sense is hoping that the manufacture being referred to is not all the drugs but having manufacturing units in the US (just like how the policy was for branded drugs). Most companies have some units (organically or in organically) there and 2 years provides enough time to meet the rules. Additionally, in the last such move, branded drug companies subsequently entered into deals with the government to circumvent the impact of tax and same can be sought by generic companies too. However, will wait to see how market responds to this new tariff. Investors could turn risk averse in the near term as they await clarity."

Sharing his perspective, **Namit Joshi, Chairman, Pharmexcil** said, "The zero-tariff window through 2028 gives the industry a meaningful runway, and we see this as time we can use productively — to keep strengthening our position across multiple markets rather than relying on any single one. We've been diversifying for a while now — in the Apr–May FY27 period compared to Apr–May FY26, Europe is up 21% and now accounts for over 20% of our total pharma exports, while Latin America (LAC) remains consistent, growing 23.96% over the same two-month period and now representing nearly 8% of our exports — and that strategy continues regardless of today's news. Generics remain a segment where India brings deep expertise and scale, supplying a large share of the world's affordable medicines, and we expect that strength to continue. On the India-US trade talks: we see today's announcement as an opportunity to build even more clarity into the FTA conversations ahead."

"The proposed US tariffs on pharmaceutical generics, effective August 2028, could impact the business risk profiles of Indian pharmaceutical exporters, given that the US accounts for nearly one-third of India’s pharmaceutical exports, predominantly generics. That said, several structural strengths provide support. First, the US is heavily reliant on imported generics, with Indian manufacturers supplying about 40% of its demand. This may enable the pass-through of a portion of tariff-related cost increases across the value chain. Second, the two-year implementation window provides companies an opportunity to adapt their supply chains. Lastly, the final tariff structure and the outcome of India–US trade negotiations continue to evolve and therefore warrant close monitoring. Nevertheless, the credit profiles of Indian pharmaceutical companies are expected to remain stable, supported by their strong balance sheets", said **Anuj Sethi, Senior Director, Crisil Ratings**.