



ARTICLE

US REMAINS HEAVILY RELIANT ON FOREIGN MEDICINE INGREDIENTS



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Despite discussions over the onshoring of medicines manufacturing, the US remains heavily dependent on active pharmaceutical ingredients (APIs) supplied from overseas, with over 60% sourced from just two countries – India and China. A recent analysis by USP highlights how 48% of APIs (or, the active components in a pharmaceutical drug) imported into the US are from India, and 13% from China. Just 10% of APIs are made domestically.



The global pharmaceutical supply chain: select stages

The US and Europe have long dominated the R&D stage, but China is trying to catch up

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* A Flourish data visualization

Different stages of the pharmaceutical supply chain have different geographical concentrations (see exhibit). The US leads in R&D – although China is trying to catch up. China and India are the world's main players in API production, due to cheaper manufacturing and labour costs, and favorable regulations. Europe dominates the production of finished pharmaceutical products with Germany and Switzerland as top exporters. India, meanwhile, is the world's largest supplier of generic drugs – although it, in turn, relies on China for some 70% of its APIs and raw materials.

COVID-19 exposed the supply chain's vulnerability to sudden demand shifts, supply shocks, changing regulations and over-reliance on key suppliers. With geopolitical tensions adding to anxieties, policymakers in the UK, US, and EU have discussed boosting manufacturing independence. Other efforts have focused on supplier diversification. However, supply chain resilience isn't cheap: keeping more inventory – or increasing domestic R&D and manufacturing – increases costs for healthcare systems just as funding pressures mount.

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