



## China Has More Control Over Your Prescription Drugs Than You May Think

- Experts are expressing concerns over how much control China has over the U.S. pharmaceutical supply chain.
- They say China has a long-term strategy of lowering costs to drive U.S. drug manufacturing out of business.
- They also point out problems with the quality of drugs and ingredients from overseas, which was seen in last year's [recall](#) of blood pressure medications.

How you tackle a skin rash may become a matter of national security.

Most pharmaceuticals used in the United States are either made in nations such as China and India, or use ingredients that come from those countries.

Which means much of America's collective health not only depends on diet and exercise, but also on our relations with those countries.

And during a time when terms like "trade war" are being thrown around daily, experts say it's vital to understand all the possible consequences.

Even ones that might sound like something lifted from a Tom Clancy novel.

"If we had a pandemic and we needed drugs from another country, it could become a defense issue," [James Cassel](#), the co-founder of [Cassel Salpeter & Co.](#), which oversees mergers and acquisitions of healthcare companies, told Healthline. "It's scary. Tariffs are one thing. But what if they just decide not to make something available?"

Other experts say there's too much money at stake for countries like China to hold its drug manufacturing advantage over the United States, unless there's an extreme confrontation.

"I feel this is highly unlikely, as the pharmaceutical industry in China is a priority industry and they need the U.S. orders and the U.S. technologies that often come with these contracts," said [Falguni Sen](#), PhD, director of the Global Healthcare Innovation Management Center at Fordham University's business school in New York. "Can they do it? Sure they can. But I do not see any reason they would do that in pharma."

### **A fragile supply chain**

Nevertheless, as the rhetoric heats up between Washington and Beijing, the fragile nature of the pharmaceutical supply chain is being discussed at the highest levels of the U.S. government.

"The national security risks of increased Chinese dominance of the global API (active pharmaceutical ingredients) market cannot be overstated," said [Christopher Priest](#), the acting deputy assistant director for Healthcare Operations and TRICARE Health plan programs for the Defense Health Agency, which provides healthcare and prescription drugs to the military.

His [comments](#) came at a U.S.-China advisory panel in August.

"Basically, we've outsourced our entire industry to China," retired Brig. Gen. John Adams [told NBC](#) earlier this month. "That is a strategic vulnerability. I think they know exactly what they're doing and they're incredibly good strategists. They're doing this, they select their industries for the future and they've got a plan."

That plan is a long-term approach to pricing, said [David Jacobson](#), MBA, JD, who teaches global business strategy at Southern Methodist University in Texas and is a visiting professor at Tsinghua University in Beijing.

Because the U.S. system is based on finding the supplier with the lowest costs, he said China uses that to its advantage.

"At first glance this may seem great because it lowers the cost for consumers, at least temporarily," Jacobson, who has testified before federal panels on China's state-owned enterprises, told Healthline. "But Americans, from the

government to consumers, play a very short timeline game. Our rivals in China are far better at using a long-term approach. So China allows pharmaceutical pricing to become so low that it drives Western companies out of the manufacturing business.”

So, wouldn't the United States be grateful China keeps manufacturing costs low?

Jacobson said that's part of China's plan.

“They are making strategic decisions to drive us out of business so that they have strategic control over critical supplies of drugs and drug companies,” he said. “The entire USA healthcare system market for generic drugs has moved offshore, primarily to China. Virtually no one is making generics in the USA. Most drugs utilized in the USA are generics. Now we are very vulnerable.”

### **Controlling the supply**

Jacobson said the system keeps the United States at China's mercy in the event of a health crisis, even if China doesn't have ill intent.

“What if a large-scale health problem is confronting the population of the USA and China at the same time? China will prioritize its population at the cost of ours,” he said.

Controlling our pharma supply also means China can withhold supplies just to affect our markets, which Jacobson said is even more dangerous.

“Bright-thinking U.S.-based healthcare communities are seeing this dynamic and working to bring back generic manufacturing and component manufacturing as a national security issue because of the danger of being so dependent on a rival for our well-being,” he said.

We got a glimpse of what a supply chain crunch could look like last year when Hurricane Maria's damage in Puerto Rico caused a [shortage of IV saline bags](#) in the United States.

However, even if China doesn't intentionally tamper with the supply flow, problems can arise.

“There have been supply chain problems in the past,” [Yali Friedman](#), PhD, an author and founder of [DrugPatentWatch.com](#), told Healthline.

Friedman pointed to the [contamination Trusted Source](#) of the blood thinner heparin in 2007 and 2008 that resulted in the deaths of 149 people in the United States.

The Food and Drug Administration responded by stationing inspectors overseas.

There's also the [recall](#) of blood pressure medications that began in July 2018 due to a contaminant in ingredients made in China and India.

"Constant vigilance is essential to ensure the safety of these medicines," Friedman said. "Supply chain safety is something which regulators are aware of and they are constantly seeking to stay ahead of threats."

Even then, there's problems with quality in China, Jacobson said.

"The upper middle class and wealthy population of China never use a generic produced because they know the quality control is so weak. They always buy Western brand-name pharma products to protect themselves and their family," he said.

Sen told Healthline there are other problems with the supply chain, including other countries not having enough inspectors, lack of control over the manufacturing sites, and "natural disasters, such as earthquakes, hurricanes and fires."

Even having enough penicillin could be problematic because the last penicillin manufacturing plant in the United States closed in 2004.

Again, it all comes down to cost, said Sen.

### **The manufacturing issue**

Sen says U.S. drug companies prefer to spend money on developing new drugs, rather than manufacturing them.

"Manufacturing has a different culture from one of being focused on drug discovery and marketing," he said. "Managing two different cultures is very difficult, and if you did not have to do it, you would avoid it."

So, if economic incentive won't bring drug manufacturing back to the United States, what will?

“I see it not as an economic concern, but more of a national security concern,” said Sen. “I hope we will have some key manufacturing capabilities in this country to particularly manufacture vaccines when needed and not have to depend on other countries to help us deal with epidemics.”

Two House Democrats from California co-authored an opinion piece on the matter earlier this month in the [Washington Post](#).

Adam Schiff and Anna Eshoo pointed out that if current economic conditions with China further erode, the Chinese could seek “pressure points” to leverage against the U.S. in pharma manufacturing.

Costs could surge or China could manipulate shortages. They wrote that they plan to hold hearings soon.

“We should not be held hostage by any foreign country,” Eshoo [told NBC](#).