

Mitigating the Impact of Tariffs on Canada's Drug Supply



UNIVERSITY OF TORONTO | Institute for Pandemics

Mitigating the Impact of Tariffs on Canada's Drug Supply

KEY CHALLENGES	SOLUTIONS
<ul style="list-style-type: none"> Supply chain vulnerability Regulatory pricing constraints Fragmented coordination Limited investment 	<ul style="list-style-type: none"> Coordinated stakeholder engagement Data-driven policy tools Strategic international partnerships National prioritization of drug supply

A **total of 25 participants** attended the Institute for Pandemics (IfP) Chatham House-style event on *Mitigating the Impact of Tariffs on Canada's Drug Supply* on Wednesday, June 11th, 2025. Attendees included leaders across the nation from professional advocacy groups, pharmaceutical companies, health organizations, economic associations, pharmacy chains, and government.

Summary: Over the course of the two-hour meeting hosted by the IfP at the Leslie Dan Faculty of Pharmacy - University of Toronto, presentations were given on Canada's current drug supply chain, U.S. policy affecting the Canadian pharmaceutical

industry, and possible future directions. A Chatham House-style discussion followed, with attendees raising key challenges and solutions to address the impact of tariffs and protect Canada's drug supply.

Key Challenges highlighted:

- Global supply chain vulnerability: There is general vulnerability to our supply chain that has been heightened by current geopolitical concerns and the proposed tariffs from the United States. There are impacts from tariffs on steel and aluminum, and other possible products after the 232 investigations, as production involves materials from many different countries and sources pose the most near-term threats.
- Regulatory pricing constraints: Canadian price controls and current policy regimes limit the flexibility to absorb tariff-related costs, and decrease the incentive for manufacturers to return production sites to Canada (reshoring), to maintain localized production, and to provide sufficient drug supply for Canadians.
- Fragmented coordination: Organizations operate in silos, with no central coordination across hospitals, provinces, territories, and federal agencies,

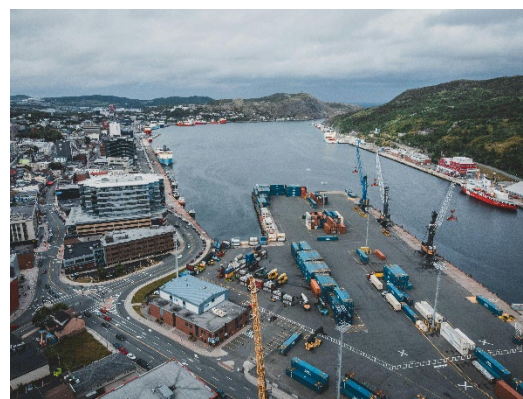


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leading to duplicated efforts, missed opportunities, and confusion over roles; all highlighted during drug shortages. Progress is stalled by unclear roles, priorities and decision-making structures among potential solution partners. This is heightened by the different pathways for the regulatory and reimbursement processes.

- Limited investment in systemic solutions: Public payers and government agencies are not currently equipped to provide these resources, partially due to decreased prioritization of the pharmaceutical sector compared to other sectors.

Potential Risks Associated with Inaction:

- Erosion of local manufacturing capacity: Manufacturers will lack incentives to reshore or maintain local production, leaving Canada reliant on volatile international supply chains.
- Lost International Leverage and Market Opportunity: Canada risks being sidelined in global supply negotiations and trade alliances, limiting access to critical inputs and finished products.
- Limited ability to proactively manage shortages: Slower mobilization during a drug shortage crisis, as decision-making roles remain unclear and cross-jurisdictional coordination is lacking.
- Negative Health Outcomes for Canadians: Drugs and other medical devices may become inaccessible for Canadians due to unavailability or price increases, which can lead to discontinuation of critical therapeutics, or adaptation to inferior products.
- Increased Public Health Burden: Canadians require assistance navigating medical product shortages and the negative health implications they bring, which increases the burden on public health services.

Solutions Raised:

- Inclusive and coordinated stakeholder engagement: Foster focused, coordinated responses, reduce noise, and ensure all relevant voices are heard. There is an urgent need to establish a platform for collaborative discussions at a broader scale to include broad voices in a systematic manner. Future dialogue continues to be needed between stakeholders, policymakers, and government at the provincial, territorial, and federal level can



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be facilitated by the University of Toronto with other groups that are able to convene stakeholders.

- Adaptive planning frameworks: A combination of strategic approaches, including crisis response for quick action on specific issues, scenario planning, and long-term planning to consider the lasting effects of a crisis response.
- Policies that are data-driven and targeted: Create a dynamic risk assessment tool of critical drugs. This data-driven model will identify key priorities and inform targeted policies that will guide regulatory, procurement, tax policy, trade agreement, and pricing decisions based on factors like tariff exposure, supply chain vulnerabilities, clinical importance, and health equity.
- Balance strategic international partnerships and domestic production: Strengthen drug supply security by encouraging local manufacturing through sustainable pricing and incentives, while recognizing the limits of reshoring. Lean into the current opportunity to grow in other markets for Canadian products. Complement with trade alliances, manage current inventories effectively via distribution and revisiting stability data, and optimize stockpiling efforts via friendshoring for emergency preparedness.
- Reframe drug supply as a policy priority: Implement national solutions and advocate for drug supply as an economic and workforce productivity issue, helping to elevate its importance in federal, provincial, and territorial policy prioritization. Consider if this needs to be a health security and national security concern.