Clifford Chance

Thought leadership

The forces reshaping the global healthcare and life sciences sectors

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Key takeaways

1. The era of healthcare's insulation from geopolitics is over, with tariffs, national security and industrial policy reshaping the sector worldwide.
2. Companies are responding by localising manufacturing, diversifying supply chains and adopting more complex transaction structures to manage regulatory and political risk.
3. As the policy and regulatory environment evolves, preparation, flexibility and vigilance will be critical for healthcare and life sciences businesses in the months and years ahead.

Healthcare and life sciences organisations have long operated in a competitive global environment, serving patients across borders but often remaining insulated from the geopolitical tensions affecting other industries. That era is coming to an end. As governments increasingly view healthcare through the lenses of national security, economic resilience and strategic autonomy, companies are facing new challenges around tariffs, supply chains, investment, market access, compliance and data governance. In this briefing we explore the forces reshaping the sector and examine how businesses can build resilience, seize emerging opportunities and navigate an increasingly fragmented and uncertain global landscape.

The end of pharma's tariff-free status

Historically, in the US, pharmaceutical products have been largely duty-free under a 'zero-for-zero' framework built around access to medicines and global supply chains. Even as the Trump administration imposed tariffs across a wide range of industries, pharmaceuticals were largely spared. That has now changed.

In April 2025, the US Department of Commerce launched an investigation, under section 232 of the Trade Expansion Act, into whether pharmaceutical imports pose a national security risk. By September, President Trump had announced via Truth Social a 100% tariff on pharmaceutical companies unless they invested in the United States. This policy has now been put into practice, introducing a structured tariff framework designed to address two priorities: reducing US dependence on overseas pharmaceutical production and tackling drug pricing concerns. US reliance on foreign-manufactured pharmaceuticals is a bipartisan issue, having intensified during the COVID-19 pandemic. The administration's response is to prompt both US and overseas companies to invest in domestic manufacturing in exchange for significantly lower tariffs.

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Janet Whittaker
Senior Counsel, Washington, DC

Tariffs are also linked to administration efforts to reduce the price of pharmaceutical products through incentives to conclude Most Favored Nation (MFN) pricing agreements – a central pillar of the Trump administration's pharmaceutical policy agenda. US drug prices are higher than those in other developed markets and the administration's view is that other countries are "free riding" on US drug development and innovation.

"Healthcare is no longer immune from the geopolitics of tariffs," says Janet Whittaker, a Clifford Chance Senior Counsel, based in Washington, DC. "For companies and investors, the implications are significant. Understanding tariff exposure, and the opportunities to mitigate it, will increasingly shape investment decisions, pricing strategies and supply chain structuring."

National security concerns

In the US, healthcare and pharma are increasingly being viewed through the lens of national security. This marks a significant shift from a decade ago and is likely to reshape policy no matter who occupies the White House. Diederik Stadig, Senior Healthcare Economist at ING, says: "We see the impact of this shift across three areas – manufacturing, pricing and innovation." In manufacturing, he expects an influx in investments into the US, particularly in branded pharmaceuticals. While generic medicines are exempt from tariffs, they account for more than 90% of prescriptions in the United States. As the US generates more than half of branded pharma revenues globally, policies that encourage domestic production have strong economic and political appeal. "The result is a move towards localisation and strong growth in the contract development and manufacturing organisation (CDMO) sector, where flexible manufacturing creates opportunities," he says.

Pricing is a significant point of tension. Recent developments in Germany and the UK reflect growing concern within the industry about Europe's competitiveness. Meanwhile, China is growing rapidly in terms of clinical trials, research and drug development. "All these developments mean that the balance of power in pharma and healthcare is shifting. We should expect geopolitics and regulatory risk to be much more important considerations for companies going forward," Stadig says.

What's happening in the APAC market?

The Asia Pacific region is not a single regulatory market, but a patchwork of distinct national regimes each imposing compliance requirements on each element of its own healthcare supply chain. Adding to the complexity are geopolitical tensions, the continuing repercussions of COVID-19 (which exposed the difficulties of ensuring the right supply chains at the right time) and an ageing population in most Asian markets. "A common thread we're seeing is that regulation does not end with product approval. Manufacturers, importers, wholesalers and distributors all carry independent licensing approval and legal exposures. A lapse in any one of those nodes can disrupt market access across the whole chain and potentially not just for the product, but potentially for the entity itself," says Vasu Muthyala, a Clifford Chance Partner based in Singapore.

Governments are also taking a more interventionist approach to supply security. In certain jurisdictions, authorities can compel manufacturers or importers to produce, source or prioritise specific products, while others require the reporting of actual or anticipated shortages. At the same time, regulators are demanding greater visibility into overseas manufacturing operations and upstream supply chains. Changes to manufacturing sites or suppliers can trigger notification, approval or re-registration requirements, extending regulatory scrutiny well beyond domestic operations.

An additional layer of complexity is emerging through the growth of digital health. Regulators across the region are increasingly treating digital health products and services as a distinct regulated category. As these rules evolve, organisations will need to navigate an increasingly interconnected regulatory landscape that spans products, supply chains and digital innovation.

Opportunities and challenges for investors

Healthcare, life sciences, pharma and devices are likely to be among the most active sectors for strategic transactions and deal-making over the next decade. For private equity, venture capital and banks, there are significant opportunities. However, while investor appetite is strong, the challenge lies in navigating the growing web of regulatory, geopolitical and national security considerations that shape transactions and factoring those in from the outset. "It's not one finish line anymore. It's a number of different finish lines in each of our regulatory frameworks, in each of our countries, in each of our regions," says Joshua Berman, a Clifford Chance Partner based in Washington, DC. "We're not talking about when the deal gets going, but in the planning stages of deals those conversations have to happen," he says.

National security is now front and centre in healthcare deals in the US, Europe and Asia Pacific. "If you're an investor, if you're a funder, if you're providing debt to a deal, you need to think about the national security considerations. What do I mean by that? Governments are paying closer attention to pharmaceuticals, medical devices, biotech and genomic information and patient data," he says.

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Partner, Washington, DC

As a result, due diligence has become much broader, influencing valuations and deal structures. Buyers are scrutinising not only acquisition targets but also the wider networks of suppliers, manufacturers and third parties that support their operations. Questions surrounding the sourcing of active pharmaceutical ingredients, dependencies on particular high-risk jurisdictions, exposure to sanctions and export controls, and the resilience of manufacturing footprints are now routine and expected.

At the same time, creative deal structures are increasingly common in joint ventures, minority investments and licensing arrangements, regional partnerships, carve-outs and staged acquisitions. "By using these creative structures, we can reduce the regulatory risk. We can take into account these supply-side considerations," says Berman. "Dealmaking will continue to increase but the playbook has changed. You now have to start thinking much earlier about potential roadblocks, obstacles and diligence points, and build them into your deals."

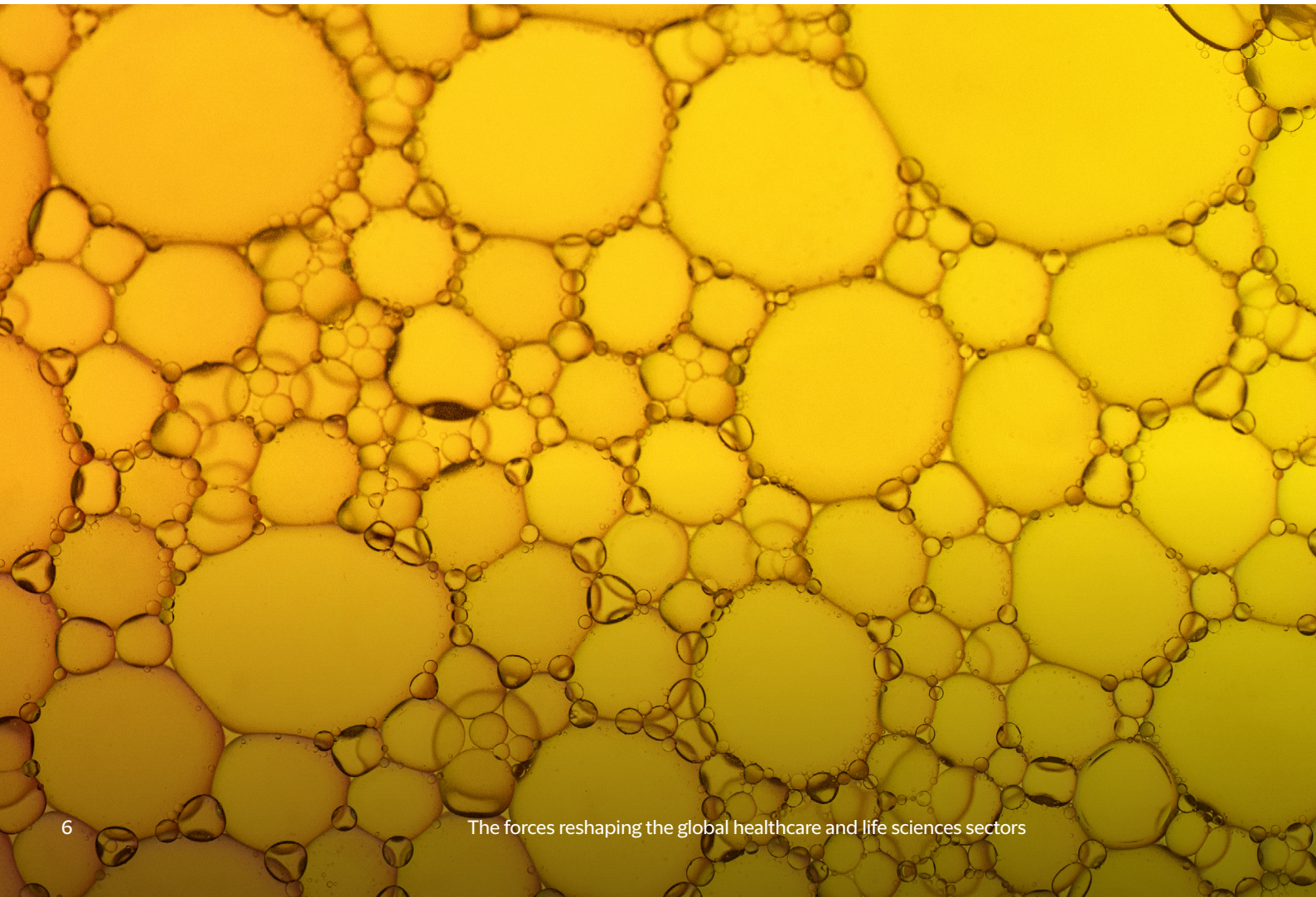
Diederik Stadig says that ING is forecasting 15% growth this year in both deal volume and value reflecting pharma's constant need for pipeline replenishment. "Licensing activity – primarily between Western pharma companies and Chinese biotechs – has gone through the roof, growing from a total deal value of US$3 billion in 2015 to an expected US$250 billion this year. The result will be even more deals, with increasingly complex structures and greater focus on geopolitical scrutiny," he says.

The shift towards localisation

As the sector becomes more fragmented, healthcare companies are moving away from centralised manufacturing and single-source supply chains towards regional production hubs that improve resilience, reduce dependency on imports and respond to growing political and regulatory pressure. “Manufacturers will have production sites in different parts of the world, not just in one or two,” says Torsten Syrbe, Partner and Co-Chair of Clifford Chance’s Healthcare Life Sciences Practice. Saudi Arabia, for example, has a clear strategy, using its Vision 2030 programme to drive investment in local manufacturing for pharmaceuticals and medical devices.

In Europe, progress has been slower than in other markets, partly due to fragmented, complex national reimbursement systems that complicate investment decisions. The European Union is trying to stimulate investment through measures such as the draft Critical Medicines Act, designed to boost local manufacturing capacity and reduce the risk of medicine shortages during supply chain disruptions or geopolitical events. “There is still the question of how localising manufacturing in Europe sits alongside the EU’s pursuit of free trade agreements with countries such as India who want to export their drugs to the European Union – there are still a number of matters that need to be resolved,” says Syrbe.

In the US, investment in localised manufacturing is being encouraged through preferential tariff treatment for companies that expand domestic production. Differentiated tariff rates across jurisdictions including the EU, UK, Japan, South Korea and Switzerland mean that companies will need to carefully consider where they manufacture products destined for the US market. “The country of origin of a pharmaceutical product is the central determining factor of the tariff rate that applies,” says Janet Whittaker.



Managing compliance and enforcement exposure

As sanctions and export control regimes evolve across major markets, healthcare and life sciences companies face a more complex compliance environment. Pharmaceuticals have historically been exempt from sanctions regimes due to humanitarian exemptions. “Those exemptions remain for the most part, but the practical reality is a little more complicated. There’s now greater scrutiny with enhanced screening, licensing, payment channel restrictions and diligence obligations when operating on supplying products to sanctioned jurisdictions,” says Berman. “In the US, enforcers – federal prosecutors, people at Treasury, Commerce, the Justice Department, Health and Human Services – when serving a subpoena, an investigative demand or a request for documents will ask for your organisational chart and then your compliance protocols. That’s where compliance and enforcement come together,” he adds.

Those compliance protocols have to be kept up to date as Vasu Muthyala says: “Prosecutors will ask when was the last time it was updated, is it a risk-based policy, did you take into account new issues that have been identified?”

And Berman adds: “Look to your supply chains – that’s where the rubber’s going to hit the road. Whether you are an investor or a pharmaceutical company or in the healthcare device space, you must understand your suppliers, your contract manufacturers, your distributors and your logistics providers at a much deeper level.”

Forced labour risks are an increasingly important consideration for healthcare and life sciences companies, not only from a compliance perspective but also from a reputational and investment standpoint. Human rights issues within global supply chains can generate significant stakeholder attention regardless of where they occur.

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The huge amount of health data from clinical trials, wearable devices and AI-enabled diagnostic tools is also creating a new compliance challenge for healthcare and life sciences companies. What was once viewed primarily as a privacy issue is increasingly being treated as a matter of economic and national security. Berman says: “In the US, Asia, the EU and the UK, genomic data, AI data and cross-border data transfers are what compliance and enforcers are looking at.” The challenge is compounded by a fragmented regulatory landscape, with different jurisdictions imposing different rules on data collection, storage and transfer. In response, organisations are adopting more localised approaches to data governance, including regional data architectures, restricted data-sharing arrangements and jurisdiction-specific compliance frameworks. Compliance depends not only on understanding a growing patchwork of regulations but also on creating a clear audit trail that demonstrates how data risks are identified, assessed and managed across markets.

Where companies should focus on now

As the policy and regulatory environment evolves, preparation, flexibility and vigilance will be critical for healthcare and life sciences businesses navigating the months and years ahead.

"Tariffs remain one of the most significant developments to watch," says Janet Whittaker. The imposition of up to 100% tariffs on branded pharmaceuticals is a sweeping shift in the US and has far-reaching implications for sourcing, supply chains and pricing. "And that's not the end of the story as there is still a one-year ongoing review around generic medicines, as well as broader investigations into the national security implications of imports of medical devices, PPE and medical consumables," Whittaker says.

For Vasu Muthyala, risks will continue to evolve and compliance functions cannot stand still. Risks need to be constantly assessed and policies and procedures updated to reflect new developments. "In an increasingly politicised environment, companies need to have a defensible position if their decisions are later scrutinised," he says.

While many organisations have robust compliance programmes in place, "supply chains, third party distributors and those sorts of entities might get you into trouble," says Jeff Berman. "This new world of data – AI data and genomic data, also poses additional risks," he adds.

Despite geopolitical uncertainty and growing risks, the sector is performing well. Diederik Stadig notes that global pharmaceutical sales are expected to grow by 5%. "The outlook is actually quite good, although it is important to remain alert and well prepared as the market evolves," he says.

Torsten Syrbe adds, "a key challenge for the sector is ensuring that contractual agreements in M&A, be it SPAs, loan facilities or joint venture agreements are flexible enough to withstand an increasingly unpredictable landscape."

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