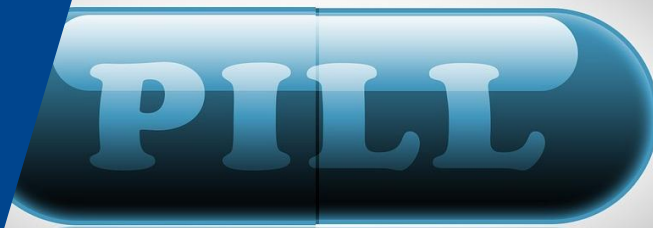


KIEL POLICY BRIEF

Oskar Fairbairn, Lena Fiedler, Holger Görg, and Aoife Hanley

Bitter Pill for Brussels? Trump's Fight with Irish Pharma



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OVERVIEW/ÜBERBLICK

- Around 60% of Irish net exports to US are pharma products.
- A 200% US tariff would devastate all EU exports, not just Ireland's.
- Irish business leaders we interviewed are confident that pharma's competitiveness will ensure its survival

Keywords: US-EU trade, Pharmaceuticals, Ireland, Multinational Firms

- Circa 60 % der irischen Nettoexporte in die USA sind Pharmaprodukte.
- Die Erhebung eines US-Zolls von 200 % würde alle EU-Exporte zerstören, nicht nur die Irlands.
- Irische Wirtschaftsführer sind zuversichtlich, dass die Wettbewerbsfähigkeit die Pharmaindustrie sichert.

Schlüsselwörter: US-EU-Handel, Pharmazeutika, Irland, Multinationale Unternehmen

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BITTER PILL FOR BRUSSELS? TRUMP'S FIGHT WITH IRISH PHARMA

Oskar Fairbairn, Lena Fiedler, Holger Görg, and Aoife Hanley¹

1 WHY IRELAND'S MNES ARE CAUSING RIPPLES IN WASHINGTON

Ireland's pharmaceutical sector, dominated by US multinationals such as Pfizer, Johnson & Johnson, and Merck, has come under intense scrutiny from the US administration. A recent statement by leading US economist Brad Setser highlighted Ireland's role in evolving US-EU trade relations. In a social media post, Setser observed:

*"The widening goods trade surplus vis-à-vis the United States is driven mostly by a pronounced increase in exports of pharmaceutical products... which are largely attributable to trade flows from Irish affiliates of US multinationals."*²

In this policy brief, we examine why Ireland's pharma exports have caused ripples in the US. And the consequences for Ireland and the wider EU economy.

1.1 CONTEXT: TRUMP THREATS TO TARGET IRISH PHARMACEUTICALS

Pharmaceuticals are currently under review as part of a broader US investigation into strategic sectors with implications for national security. The review's outcome could see Irish (and EU) pharmaceutical products subjected to steep tariffs — up to 200%, according to a threat made by President Trump earlier this year.

This comes despite a recent 15% tariff deal agreed between the US and EU, which excluded pharmaceuticals pending the conclusion of the security review. While a 200% tariff remains an extreme scenario, the political momentum behind such a move has grown — and Ireland's trade profile may give the EU reason to worry.

1.2 KEY FINDINGS: WHAT OUR ANALYSIS INTO IRISH PHARMA TELLS US

Examining EU and Irish trade flows in pharmaceuticals, our analysis yields four key insights:

1. Ireland runs a persistent goods surplus with the United States

¹ Special thanks to Carmen Andersson and Michaela Rank for help in compiling this document. Also, to Aaron Lohmann, Frank Bickenbach and Wan-Hsin Liu for help in supplying some background to the bilateral trade flows

² June 21, 2025. Posted on the X social media platform.

2. Pharmaceuticals account for circa 60% of this Irish surplus
3. But this surplus is substantially offset by services and intellectual property flows
4. If Trump administration hikes the pharma tariff to a threatened 200%: Harsh consequences for Ireland and the EU (circa 20% of EU exports to the US are pharma)
5. Yet, Irish industry leaders are confident pharma will survive the Trump regime, having chosen Ireland for reasons more substantial than taxation

1.3 PAPER STRUCTURE AND METHODOLOGY

This policy brief is structured as follows:

- **Section 1: The Politics of Irish Pharma.** Sketches the political backdrop, including US administration statements and recent EU-US trade negotiations.
- **Section 2: Which Trade Data?** Describes our data sources, defines the pharma sector and explains our choice of COMTRADE over Eurostat (e.g., FOB valuation consistency).
- **Section 3: Pharma and Ireland's Bilateral Trade with the US.**
- **Section 4. Pharma MNEs: Affiliates Making Medicines, Under Licence Subcontracting, licensing, and IP**
- **Section 5. Interviews with Irish pharma leaders**
- **Section 6. Conclusion**

2 SECTION 1. THE POLITICS OF IRISH PHARMA

Concerns over Ireland's pharmaceutical sector and its role in widening the US-EU trade imbalance are not new. The debate intensified in March 2025, following a sharp exchange between US President Donald Trump and Irish Taoiseach Micheál Martin. In a White House address, President Trump stated that:

"Look, the Irish are smart. You have smart people and you took our pharmaceutical companies and other companies. Through taxation — proper taxation — they made it very, very good for companies to move over there..."

And all of a sudden, Ireland has... got the entire US pharmaceutical industry in its grasp. When the pharmaceutical companies started to go to Ireland, I would have said that's okay. If you want to go to Ireland, I think it's great. But if you want to sell anything into the United States, I'm going to put a 200 percent tariff on you so you're never going to be able to sell anything into the United States."³

³ Roll Call. Remarks by President Donald Trump and Taoiseach Micheál Martin of Ireland in Bilateral Meeting. March 12, 2025. <https://www.rollcall.com/factbase/trump/transcript/donald-trump-remarks-bilat-micheal-martin-ireland-march-12-2025>.

This statement signals a broader shift within the US administration towards restricting pharmaceutical imports from the EU, and Ireland in particular. Pharmaceuticals are now under scrutiny as part of a Section 232 national security investigation launched by the U.S. Department of Commerce's Bureau of Industry and Security (BIS). This same legal framework is being used to assess import risks across other strategic sectors such as semiconductors and energy.⁴

Pharmaceuticals have since been designated a critical national industry, comparable in strategic importance to energy. The driving concern behind this classification is the perceived over-reliance of the United States on external — particularly European — suppliers for essential goods. This dependency is viewed as a source of potential supply chain vulnerability, with risks amplified in times of geopolitical tension or health crises.

Ireland's corporate tax strategy has also drawn criticism. The country's 12.5% corporation tax rate⁵, long seen as a powerful lever for attracting foreign direct investment, is increasingly viewed in Washington as part of a broader pattern of tax arbitrage — encouraging US multinational enterprises (MNEs) to relocate high-value activities abroad. Moreover, the controversial 'Double Irish' taxation loophole, officially closed as recently as 2020, allowed MNEs to push their tax obligation even below the headline rate by setting up an Irish domiciled second company subject to lower tax obligations.

MNEs primarily use Ireland as a global export hub. The result is a disproportionately high level of exports, especially in pharmaceuticals. This export dynamic now underscores the ongoing trade dispute between Ireland and the US.

3 SECTION 2. WHICH TRADE DATA?

Our policy brief sketches the US–EU trade relationship in pharmaceuticals. But before we examine trade flows in pharmaceuticals, it is necessary to agree on a working definition of this sector. In everyday usage, pharmaceuticals include vaccines, serums, and packaged medications available through pharmacies or health practitioners.

In trade datasets, pharmaceuticals correspond to HS codes 3001–3006 — the core of Chapter 30. Some expanded definitions may include selected chemicals (e.g. APIs, diagnostic reagents, isotopes, enzymes, colouring agents). In this analysis, we focus on the broader definition: HS12 280110 - 350790 for pharma and chemical products, unless noted otherwise.

Table 1 below, reveals the broad categories of pharmaceuticals for 2024. By far the most important exports are vaccines, antisera and boxed medications, together accounting for around \$33 billion.

⁴ https://www.ey.com/en_us/insights/life-sciences/why-the-trump-pharma-import-inquiry-is-pivotal

⁵ Effective corporation tax rate for MNEs with revenues above €750 million is 15% (<https://www.revenue.ie/en/companies-and-charities/corporation-tax-for-companies/corporation-tax/index.aspx>)

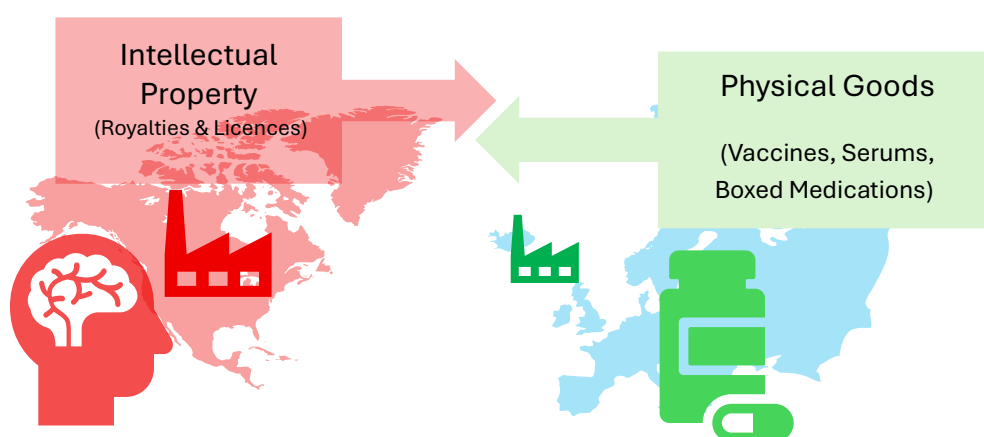
Table 1:
Ireland's pharmaceutical Exports (COMTRADE data)

Ireland Exports of pharmaceutical products to United States	Value	Year
Human or Animal Blood, Antisera and Other Blood Fractions, Vaccines, Toxins	\$22.71B	2024
Medicaments (Put up in Packings for Retail Sale)	\$10.10B	2024
Wadding, Gauze, Bandages and Similar Articles	\$113.31M	2024
Pharmaceutical Goods	\$103.83M	2024
Medicaments	\$54.70M	2024
Glands, Other Organs; Extracts of Glands or Other Organs	\$49.67K	2024

Source: <https://tradingeconomics.com/ireland/exports/united-states/pharmaceutical-products> (accessed on 31.07.2025). Based on the COMTRADE data.

The Irish pharma sector is dominated by multinational enterprises (MNEs). Affiliates of these firms manufacture physical products abroad — for example, in Ireland — under license agreements. The parent (headquarter) firms, in turn, collect royalty payments for the use of their intellectual property. At the centre of this dynamic lies the question of intellectual property: which location captures the true value of production? In Ireland, where the pharma products are physically produced, or in the United States, where the patents and trademarks are located? Figure 1 depicts how we expect this picture to look, with production created in Ireland, resulting in license payments to the US HQ. This illustration is the classic case of trade flows within vertical MNEs.⁶

Figure 1:
Textbook Case of the MNE Business Model



Source: Own illustration.

⁶ Several studies provide helpful reviews of this literature on trade flows within MNEs. For example, Helpman, E., Melitz, M., & Yeaple, S. (2004). "Export versus FDI with heterogeneous firms." *American Economic Review*.

Accordingly, pharmaceuticals can be manufactured under licence in Ireland. How would this textbook business model appear in the official statistics? The latter would record the export of physical pharmaceuticals from Ireland to the US. However, this trade deficit on the goods side should be completely (or at least partially) offset by the parallel sale of manufacturing licences (a service), with the flow of trade moving in the opposite direction. Therefore, before commenting on any trade imbalances in the activities of MNEs operating out of Ireland, we must first examine trade flows in both goods and services.

Recent research highlights the importance of including services in any examination of US trade flows.⁷ Failure to do so gives a biased impression of US-EU trade, since the bulk of merchandise trade runs from the EU to the US, while services trade flows in the opposite direction, helping to offset the goods deficit in the balance of payments.

Broadly, the published trade statistics fall into two categories. The first is COMTRADE, compiled by the United Nations, which covers around 200 countries and accounts for more than 99% of global merchandise trade. The second is EUROSTAT, maintained by the European Commission, which provides detailed data on both goods and services, particularly for trade between EU Member States and major partners such as the United States.

Discrepancies between these datasets are common, reflecting differences in collection methods, data cleaning, and the treatment of shipments routed through third countries (transshipments).⁸

Ultimately, we choose to focus our analysis on COMTRADE data, since these trade statistics most closely connect to the WTO information used to evaluate tariffs and trade policy analysis. Nevertheless, there are some limitations in using the COMTRADE data.⁹ However, to analyse intellectual property, contract manufacturing (production outsourced to another firm), or intra-firm trade within vertically integrated multinationals, we rely on an alternative source: EUROSTAT data.¹⁰

4 SECTION 3: PHARMA AND IRELAND'S BILATERAL TRADE WITH THE US

In this section, we tackle the assertion made by Brad Setser that the US deficit with the EU is largely an artifact of the activities of Irish pharma MNEs. To do this, we first examine the EU deficit with the EU, to check the overall magnitude of this trade gap by looking at flows of both

⁷ Bickenbach, F., Görg, H., & Liu, W. H. (2025). *Transatlantic ties beyond goods trade: Significance and policy implications of EU-US services trade* (No. 193). Kiel Policy Brief.

⁸ COMTRADE sometimes fills missing cells using mirror data, and ideally exports, e.g. of vaccines from Ireland to the United States should match import records for the latter.

⁹ A key limitation of COMTRADE data, is that it only covers services until 2021. And the services data provided are, anyway, too aggregated for any sensible investigation into pharmaceuticals. Our key variable of interest, intellectual property relating to this sector, cannot be identified separately from the data.

¹⁰ See Eurostat, *International Trade in Services (ITSS) Statistics – Methodological Guidelines* (latest edition), which detail the coverage of services, royalties, licensing, and intra-group flows not captured in merchandise trade statistics.

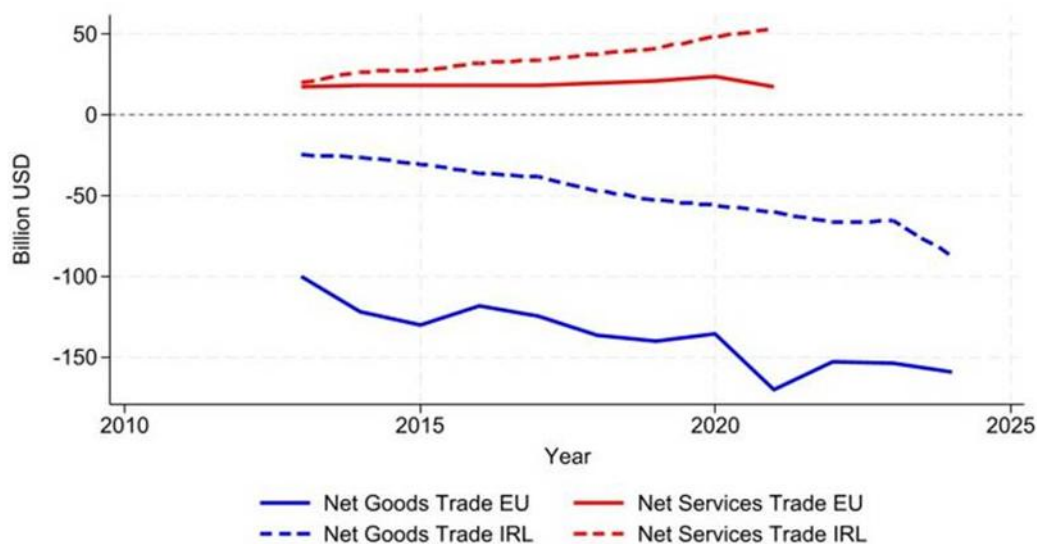
services, as well as physical goods. From here, we zero into physical goods, since these flows have been singled out for the ‘reciprocal’ tariff proposed by the Trump administration in early 2025. From flows of physical goods we move to Ireland and its pharma industry, illustrating its importance in Ireland’s overall trade. Finally, we conclude with our assessment of the activities of Irish pharma firms in exacerbating the US-EU deficit situation.

But first we examine the US-EU overall trade deficit, taking a big picture which considers the activities of flows in both services as well as physical goods. To begin with, let us start with the US trade deficit with Ireland, according to Trump’s Reciprocal Trade formula. Using COMTRADE data and applying the Reciprocal Trade formula, the bilateral trade position of Ireland was 0,42 and 0,40 in 2024 and 2023, respectively.¹¹ These high percentages suggest a higher purported trade deficit between the US and Ireland, Ireland’s bilateral trade position with the US closer to China than fellow European countries Germany or France. But Trump’s Reciprocal Trade formula relates only to the trade in physical goods.

Looking at Figure 2, it becomes immediately clear that services sold by the US (where the country has a comparative advantage) are insufficient to balance out the deficit on the goods side. While the US deficit in physical goods plummeted beyond \$150 billion (blue continuous line), net services flows from the US were unable to counteract these outflows. COMTRADE does not report services data from 2018, but even in the strongest year for services (2020), net services to the EU did not exceed a surplus of \$25 billion.

Figure 2:

Services from US Cannot Balance the Goods Deficit



Source: Own calculation based on the COMTRADE database. Net values are exports minus imports. EU is all member states excluding Ireland.

¹¹ Values based on imports to the US from Ireland (€83 and €104 billion in 2024 and 2023) and exports from the US to Ireland (€17 billion, in each of the two years).

Interestingly, bilateral flows in physical goods and services were more balanced out for Ireland. Here we see that although the US ran a substantial deficit in physical products with Ireland (blue dotted line), that this was, largely, counteracted by net services outflows from the US to Ireland (red dotted line). In this sense, while Ireland dominates in the export of goods to the US, the latter dominates in the export of services to Ireland. In terms of numbers for 2021, the US exported services to the value of \$74.8 billion compared to a much smaller equivalent (\$21.3 billion) of services exported in the opposite direction.

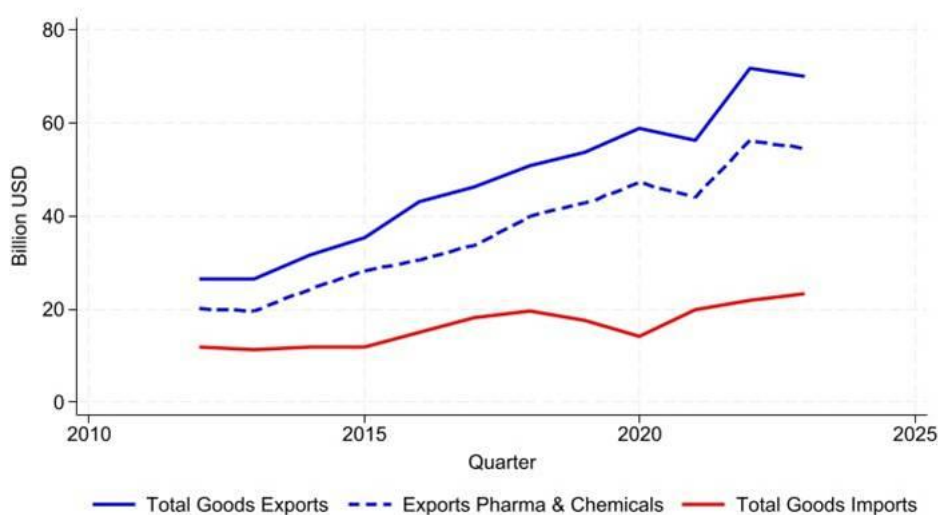
However, US economists can argue that this victory of their services industries, is hollow if their trade model is unable to deal with a deficit on the goods side.

We have already seen in Figure 2 that the US is unable, on the strength of its services trade alone, to offset the dominance of the EU in the goods trade. Perhaps, this is why the Reciprocal Tariff Formula, controversially proposed by the Trump Administration in the Spring of 2025, completely dismisses the offsetting role of services in helping to soften the trade deficit.

The path of our investigation now tracks to the core of the Brad Setser statement, that the deficit problem between the US and Ireland is largely a phenomenon caused by the activities of MNEs in Ireland. And moreover, that this deficit problem is largely due to the activities of pharma MNEs.

Figure 3 below shows how bilateral flows between the US and Ireland are almost completely dominated by pharma exports. This figure goes to the heart of the Brad Setser's statement that pharma exports from Ireland are a key driver of the US-EU trade deficit. Of Ireland's total goods exported to the US (continuous blue line), at least 2/3 of these exports are from pharma firms (dotted blue line). Meanwhile, total physical goods imported from the US barely exceed \$20 billion – a mere 1/3 of Irish physical exports to the US.

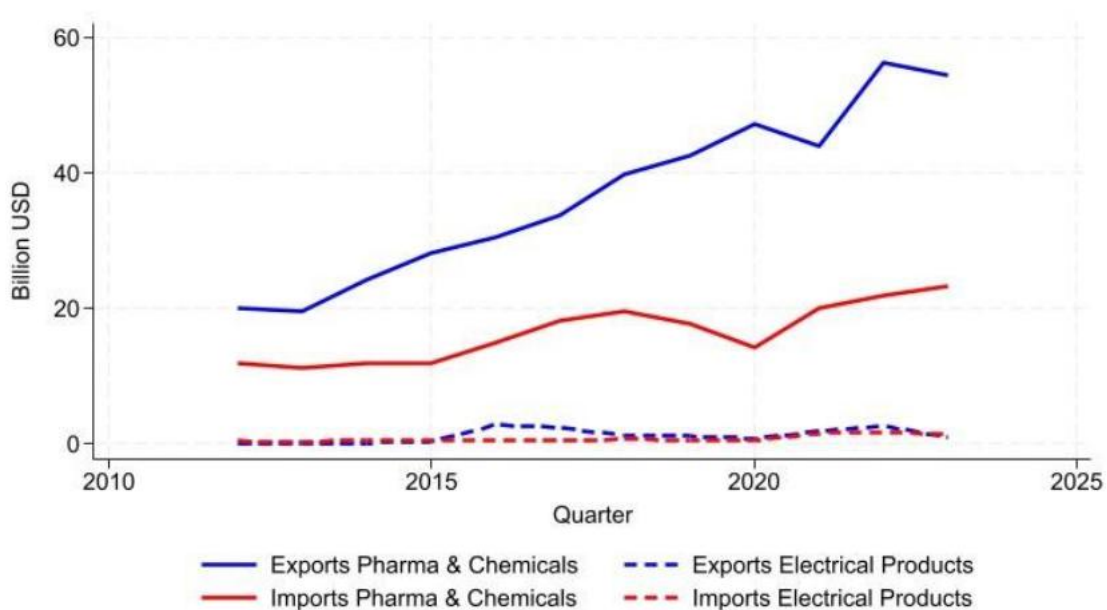
Figure 3:
Pharma Dominates Trade in Physical Goods to the US from Ireland



Source: Own calculation based on the COMTRADE database.

Briefly, we can also report how much physical pharma products pass between the US and Ireland. Figure 4 demonstrates that Irish exports of pharma and chemicals to the US (continuous blue line) far outstrip imports (continuous red line) of the physical product. More importantly, this gap in net exports has been widening since 2015.¹² This is in contrast to another sector, electrical products, where trade is fairly balanced.

Figure 4:
Pharma Exports outstrip Pharma Imports in US-Ireland Goods Trade



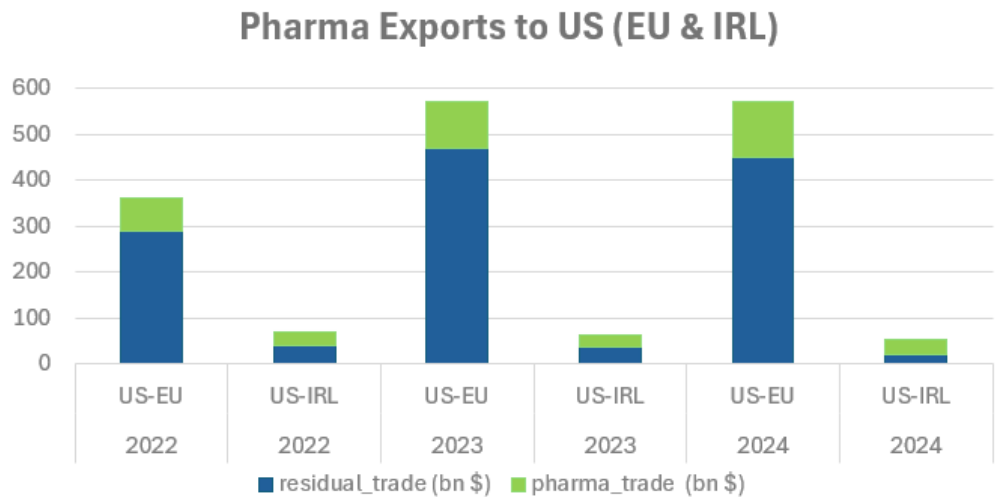
Source: Own calculation based on the COMTRADE database.

Indeed, pharma is critically important for Ireland. To highlight this point, we look at the share which pharma occupies in the overall exports from the EU and Ireland, respectively (Figure 5). Looking at the 3 most recent years for which we have data, 2022-2024, three things become clear: Firstly, net exports (exports – imports) from the EU to the US have grown since 2022.

Secondly, the share of pharma in these exports has increased very visibly across the period. Finally, the bar-chart bars which relate to exports to the US from Ireland echoes what we have seen before: pharma dominates in the exports from Ireland to the US. Therefore, if the Trump administration is proposing to strike pharma by including it in the sectors currently investigated in the Section 232 national security inquiry, Ireland's exports will be severely hit. In terms of values, of the \$571 billion exported from the EU to the US, pharmaceuticals account for approximately \$120 billion (21%). And in the case of Irish exports, of the \$52 billion exported, pharma comprises \$33 billion. In other words, to a staggering 63% of the total goods traded.

¹² And although the COMTRADE data does not report the most recent trade data 2025, practitioners tell how the data has spiked in early 2025, as the pharma industry scrambles to sell product to the US in anticipation of a tariff hike

Figure 5:
Share of Pharma Exports to the US



Source: Own calculation based on the COMTRADE database. Pharma (excl. Chemicals). 2024 values from Trading Economics. (<https://tradingeconomics.com/european-union/imports/united-states/pharmaceutical-products> for 2024)

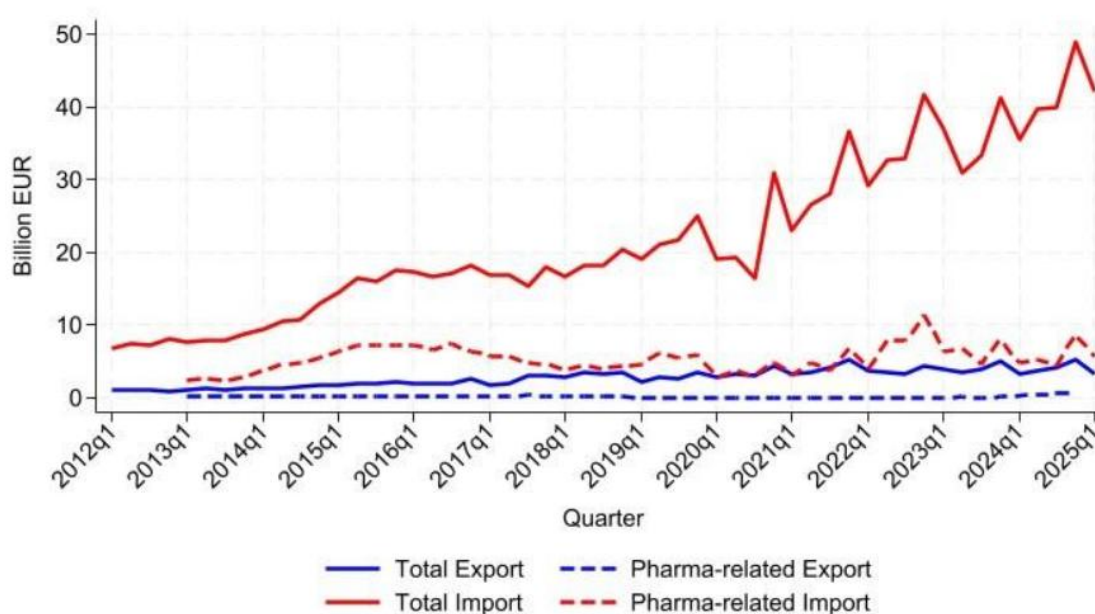
Figure 5 reveals the marked importance of the US pharma trade for Ireland, compared to the aggregate values for the US (excluding Irish trade). One qualifying remark: The values in Figure 5 relate to exports to the US. Interestingly, if we look at imports into the US, we might expect the values to line up with the corresponding value for exports from the EU and Ireland. In fact, this is not the case. Import data underestimate the value of imports into the US from the EU and Ireland, respectively (Appendix 1). This is because of differences in how the data get reported (free on board or factory gate). And because trade negotiations are sensitive to whether we are discussing import or export data, it is useful to note this feature of the statistics.

5 SECTION 4. PHARMA MNES: AFFILIATES MAKING MEDICINES, UNDER LICENCE

Earlier on, our illustration of the MNE business model in Figure 1, depicted the textbook case: intellectual property imported from the US to Ireland, pharma MNEs producing the product under licence. How important are these MNEs to Ireland? While publicly available trade data for Ireland do not distinguish by nationality of the firm, some aggregate data from the Central Statistics Office provide an insight into the importance of multinationals for Irish exports. Overall, in 2022, foreign multinationals based in Ireland accounted for 87% of total exports and 73% of imports. These are large multinational firms, as the CSO reports that multinational firms only

make up about 18% of exporters and 8% of importers.¹³ And the US is by far the largest inward investor – in 2023, FDI from the US accounted for 69% of the total inward FDI stock in Ireland.¹⁴ So far, we have looked at bilateral flows of services and physical goods. But, if we want to shed light on the business model for MNEs, the retention of value in a country like the US, production under license in the Irish domiciled affiliate (See Figure 1), we need to look at transfers of intellectual property (IP).¹⁵ One major concern of the US administration, a reason for the Section 232 inquiry is the desire to bring home America’s strategic industries. And pharma is identified as a sector fitting this category.

Figure 6:
Flows in Intellectual Property



Source: Own estimations based on the Eurostat/CSO data. IP is proxied by royalties and licenses.

Figure 6 turns to the Eurostat data for a measure of imports of intellectual property (IP) into Ireland. Over the period 2012 until 2025, Irish imports of IP have increased steadily, almost reaching \$50 billion in 2024. And these exports are a one-way-street, Irish exports of IP scarcely reaching \$5 billion. In this sense, a country like the US with an affiliate in Ireland would be expected to retain much of the value of these strategic assets, inferring from these bilateral

¹³ <https://www.cso.ie/en/releasesandpublications/ep/p-pte/profileoftradingenterprises2022/#:~:text=In%202022%20there%20were%20close,billion%20of%20goods%20in%202022.%E2%80%9D> (accessed 1 September 2025)

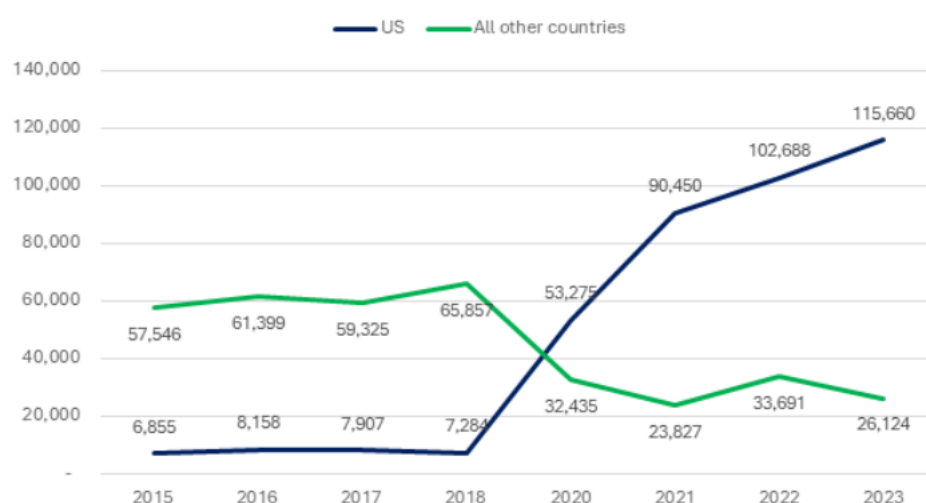
¹⁴ <https://www.cso.ie/en/releasesandpublications/ep/p-fdi/foreigndirectinvestmentinireland2023/ultimateinvestment/> (accessed 1 September 2025)

¹⁵ Intellectual property is usually subsumed into services, making it hard to examine in isolation.

flows. However, there is a surprisingly low level of pharma-related IP imported into Ireland from the US.¹⁶

We can look at intellectual property from another perspective, that of royalties. Figure 7 bases on Coffey's (2021) study, which investigates, among other things, the flows in intellectual property. Interestingly, royalty payments from Ireland seem to have shifted dramatically since 2020. This uptick in payments to the US could be synonymous with the phasing out of the 'Double Irish' model for intellectual property. Increasingly, royalties paid out by Irish affiliates can be mapped to the genuine 'on the ground' activities of these businesses.¹⁷

Figure 7:
Destination of Irish Royalty Payments (€ million)



Source: Eurostat, Balance of Payments. Based on Coffey (2021).

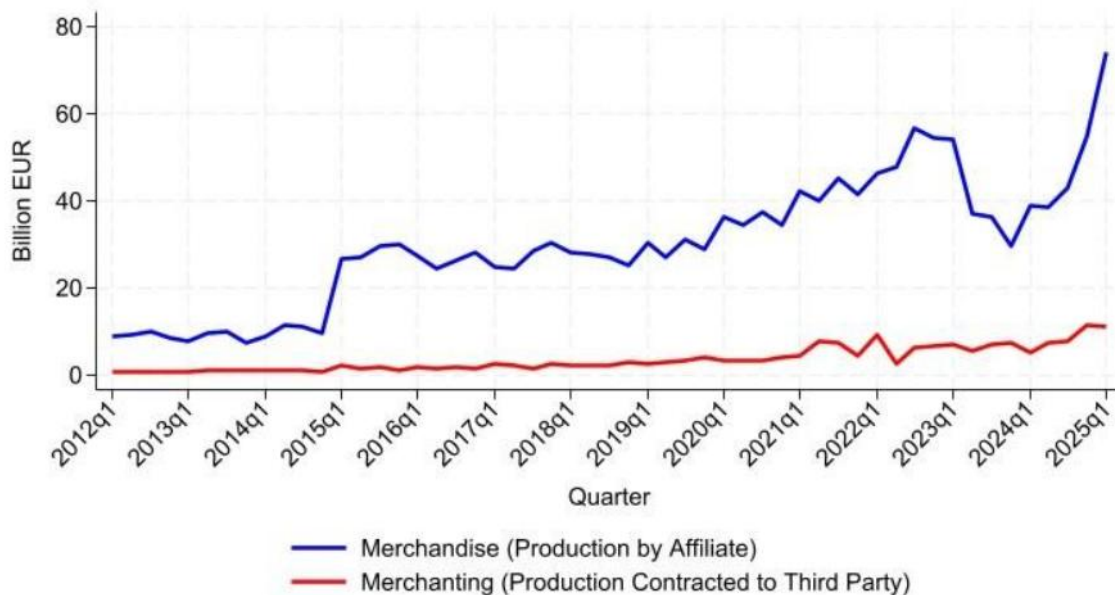
Apart from IP transfers, there is another aspect of the MNE business model – the production of product by third parties (subcontracting). Our examination of the data shows that subcontracting does not significantly shape bilateral flows of pharma between the US and Ireland.

To source data on contracting, we need to use data collected by the European Union (Eurostat). And while it may differ in some aspects to the Comtrade data used so far, the Eurostat data essentially captures the same thing. Figure 8 examines net pharma exports from Ireland. Although the data relates to total net exports of Irish pharma from Ireland (not identified separately by recipient market, we can get some idea of the extent of overall exports (exports – imports) produced by third parties. Subcontracting (merchandising) in more recent years, comprises a small fraction of net production, having reduced exponentially since 2015. From this, we can infer that Irish domiciled affiliates have the capacity to produce the bulk of pharma exported.

¹⁶ Possibly a large component of the IP imports from the US to Ireland are from the Electronics sector, consistent with a study for the EU by Bickenbach, Görg and Liu (2025).

¹⁷ We note that these royalties relate to royalties in total, not necessarily royalties pertaining to the pharma industry. However, the values are highly indicative how the bilateral situation between the US and Ireland has changed, regarding these transfers.

Figure 8:
How Much Irish Pharma is Produced by Third Parties?



Source: Own estimations based on the Eurostat/CSO data. Net exports are exports minus imports.

6 SECTION 5. INTERVIEWS WITH IRISH BUSINESS AND PHARMA LEADERS

In the first section, ‘The Politics of Irish Pharma’ we sketched the backdrop to this argument, that the Trump administration aims to target pharma from the EU. This final section takes a step back from the trade data, asking how the threat by the Trump administration has played out with Irish business leaders. Will it change how things are done in the pharma industry? Will it cause changes to the business model?

In conversations with people working in the Irish pharma industry, their ‘wait and see’ approach is evident. Also evident, is a desire to mollify the Trump administration, to be seen to be doing something to counter the allegations. Some Irish pharma firms, it is claimed, have endeavoured to burnish their image with the US, making small and ‘cosmetic’ FDI investments. If so, only history will tell whether this approach has worked. However, these claims remain anecdotal and were not substantiated by the business leaders interviewed. More interesting (and substantial), is the official stance adopted by those interviewed. For these interviews and dispositions, I draw on the expertise of the following industry representatives:

1. Danny McCoy. (Chief Executive Officer of the Irish Business and Employers Confederation (IBEC))
2. Dr Pat Ivory. (Director of EU & International Affairs, IBEC)
3. Dr. Eimear O’Leary. (Irish Pharmaceutical Healthcare Association)

Are these MNEs worried by the threat of US tariffs? Talking with practitioners, there is a perception that Ireland's pharma MNEs are not substantially threatened by US proposed policy changes. The Irish pharma industry, it is argued, is well diversified. In 2024, €44 billion of the produce of the 50K large workforce was exported to the US – but more than half of the total output of Irish pharma was exported elsewhere. There is a huge presence of non-US firms like Novartis and Roche (Switzerland), Astra Zeneca (UK) or Astellas and Takeda (Japan).

One could also argue that MNEs choose Ireland, not merely for tax reasons. The skill of Irish pharma graduates is not easily replicated elsewhere, representing a win-win for both the US, as well as Ireland. In an example of these skills: the NIBRT (National Institute for Bioprocessing Research & Training) works on advanced bioprocessing technologies, conducting global training in this skills space. Arguments which base on skills and competitiveness, help to dismiss the allegation that MNEs are merely drawn by lucrative tax possibilities. Instead, Ireland is a location where businesses work hard at producing authentic ideas and product. Underscoring this reasoning is the following argument: since 2015, with changes in the tax provisions, the activities of MNEs and their tax obligation came into fuller alignment.¹⁸

Notwithstanding all these arguments which support the competitiveness of Ireland as a location for multinational affiliates, business leaders generally agree that MNEs have historically exploited cost-sharing arrangements, allowing for reduced tax exposures. In the case of cost-sharing, the Irish affiliate of a foreign-owned multinational collaborates in the development of intellectual property, charging other third-party locations for the creation of this technology. In this way, profits get shifted to Ireland. But this financial loophole, the reasoning goes, can be changed at the volition of the US congress – the US holding the power to curb the liberties of its MNEs. However, if these MNEs come to Ireland for reasons other than taxation or trade costs (tariffs), it becomes harder to align US economic aspirations with the forces guiding these firms. In the same way, as an administration cannot control the financial markets, it is a similarly Sisyphean task to try controlling the activities of MNEs, 'bringing them back home' through the application of taxes and tariffs.

Interestingly, resistance against the Section 232 inquiry does not only come from the 'usual suspects', namely Irish business and political leaders. Push-back has also come from the US. Resistance has come from groups as powerful and diverse as PhRMA (Pharmaceutical Research and Manufacturers of America) and the US academic community (e.g. John Hopkins, Bloomberg School of Public Health). One argument underpinning this challenge to the inquiry into Irish pharma, is the strategic importance of active pharmaceutical ingredients (APIs) and finished product, where the US has a high dependency on India and China. Is Irish pharma the 'right' target?

A further point is that the US pharma industry is arguably not in need of protection. Unlike the aluminium industry (also under inquiry), the US enjoys an overall services surplus with Ireland. Specific strengths are its competencies in anti-cancer and anti-obesity medications.

¹⁸ The first phase of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project straddled the period 2013 to 2015.

7 SECTION 6. CONCLUSION

Ireland runs a persistent goods trade surplus with the United States, with pharmaceutical products accounting for around 60% of this surplus. Ireland's goods surplus is partly offset by services flows, most notably substantial payments for intellectual property (IP). Here, Irish-domiciled multinationals make payments to US providers. However, these service flows for IP do not fully balance the trade relationship.

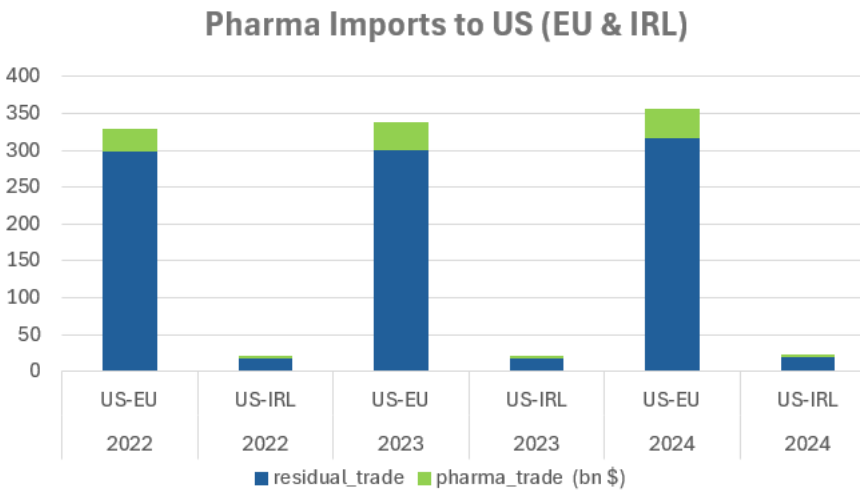
Despite threats from the Trump administration to impose tariffs on pharmaceuticals, potentially as high as 200%, Irish business leaders remain relatively sanguine. They argue that the pharmaceutical sector in Ireland would withstand a Section 232 inquiry and any resulting tariff hikes, as multinational firms have opted to locate in Ireland for reasons that extend well beyond tax benefits or trade cost considerations.

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APPENDIX

Appendix 1:
Share of Pharma Imports to the US (EU & IRL)



Source: Own calculation based on the COMTRADE database. Pharma (excl. Chemicals). 2024 values from Trading Economics.
(<https://tradingeconomics.com/european-union/imports/united-states/pharmaceutical-products> for 2024)

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