

Trump's tariff war threatens Australia's Pharmaceutical Benefits Scheme and copper exports

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13 July 2025

The Trump administration's escalating global tariff war, above all against China, is causing widespread concern in Australia, as it is internationally.

Alongside Washington's latest measures directed against Japan, South Korea, Southeast Asian countries, Canada and Brazil are two industrial sector tariffs that have serious implications for Australia—200 percent on pharmaceuticals and 50 percent on copper.

Like other post-World War II allies, Australia is not being exempted from the potentially catastrophic impact of the Trump White House's aggressive drive to restore the global hegemony that US imperialism asserted after the last world war.

The latest moves come on top of a 10 percent across-the-board "reciprocal" tariff and 50 percent tariffs on steel and aluminium. Months of anxious attempts by Prime Minister Anthony Albanese and his government to negotiate with Trump or his administration have made no difference to these measures.

The proposed pharmaceutical tariff would first directly affect Australian-based exports to the US. Last year, companies operating in Australia exported \$2.2 billion in pharmaceutical products to the US—more than 40 percent of Australia's total pharmaceutical export value—according to the UN Comtrade database.

Such global tariffs would also have knock-on effects on worldwide medicine prices, while boosting the super-profits of the US drug conglomerates.

An even greater threat would come from the related demand by the US pharmaceutical giants for the demolition or at least decimation of the Australian Pharmaceutical Benefits Scheme (PBS), under which the government regulates the import of pharmaceutical products while subsidising many of them to alleviate soaring prices.

Any dismantling of the PBS, on which the Australian government spent nearly \$18 billion last year to discount retail prices, would have a devastating effect on millions of people, especially working-class households and the most medically vulnerable. It could see prices leap to the levels suffered in the

US.

A 2024 report by research organisation Rand found that US drug prices were, on average, about 370 percent higher than in Australia. Already, a 2023 study in Australia reported that more than 20 percent of older people who were taking prescription drugs had not taken, or had delayed taking, a prescribed medicine due to cost.

The Pharmaceutical Research and Manufacturers of America (PhRMA), representing the major drug firms, has urged President Trump to pull the PBS into tariff negotiations. In a submission to the administration's trade review, PhRMA said US companies were the "constant target of compulsory licensing and other harmful practices" by Australia and the PBS.

If not the complete abolition of the PBS, PhRMA and corporate giants such as Eli Lilly, Pfizer and Johnson & Johnson, are demanding much faster approval times by the PBS and the power to set their own exorbitant retail prices, instead of having to negotiate them with the health authorities.

The PBS

The PBS was established in July 1948 as part of the post-war concessions made by governments in all the major capitalist countries, fearing an upsurge of working class struggles unless steps were taken to prevent a return to the impoverished conditions that had prevailed in the Great Depression of the 1930s.

Under the PBS, the government purchases approved drugs from the pharmaceutical companies and makes them available to patients at heavily subsidised rates. In the 2023-24 financial year, 930 medicines were listed on the scheme with the government spending \$17.7 billion on the cost, or 91.6 percent. The rest was supplied by patients charged a maximum of \$31.60 for each script covered by the scheme.

Decisions to list medications on the PBS are made by the federal health minister based on recommendations from the Pharmaceutical Benefits Advisory Committee. The committee is meant to evaluate the clinical effectiveness, safety, “value for money” and estimated financial impact of new medications.

If a drug is approved, the PBS uses this information to negotiate directly on prices with pharmaceutical companies. Once patents expire, the PBS also promotes the use of less expensive alternatives, such as generics, if they become available.

While unsubsidised medications are technically available in Australia, if approved by the Therapeutic Goods Administration (TGA), they mostly retail at the astronomical prices set by the drug companies, often costing hundreds or thousands of dollars per dose.

The PBS was a centrepiece of the Albanese Labor government’s May 3 election campaign. It pledged to reduce the maximum price of all PBS-listed medications from \$31.60 to \$25 by the end of the year. Fearing immense discontent from any disassembling of the PBS, Albanese told the National Press Club in June that the PBS was “not on the table (for trade negotiations) as far as we’re concerned.”

That is likely to be unacceptable to the Trump administration. According to media reports, drug companies have already begun to stall listing new drugs to the PBS as they wait to see the impact of Trump’s wider pharmaceutical agenda.

It is not just the US conglomerates demanding the abolition or erosion of the PBS. They have been joined by the Australian-based company CSL, whose blood products account for about 90 percent of the Australian pharmaceutical exports to the US.

CSL chairman Brian McNamee has described Washington’s demands as not “unreasonable.” He stated: “Americans have allowed their companies to maximise drug innovation and sell to other countries. Other countries benefit from that and are using the free-rider system. I think this is the same as defence.”

Thus McNamee linked the Trump administration’s threats to its demand for a massive increase in Australian military spending to 3.5 percent of Gross Domestic Product to prepare for an “imminent” war against China.

CSL, which was formerly the Commonwealth Serum Laboratories until the Keating Labor government privatised it in 1994, has already substantially moved operations to the US, where it has 19,000 staff, about 60 percent of its workforce, and has announced plans to invest \$2 billion in production.

Copper tariffs

The military and war content of the Trump administration’s tariffs is even more explicit regarding copper. Much of the copper mined in Australia, by companies like BHP and Rio

Tinto, currently goes to China. Smelters in China refined more than 12 million tonnes of copper last year, accounting for more than 40 percent of global output, according to the International Copper Study Group.

This metal is essential to the production of weaponry, as well as electric vehicles, renewable energy, advanced technology, construction, transmission lines and modern manufacturing. On his Truth Social site, Trump bluntly declared: “Copper is necessary for Semiconductors, Aircraft, Ships, Ammunition, Data Centers, Lithium-ion Batteries, Radar Systems, Missile Defense Systems, and even, Hypersonic Weapons, of which we are building many. Copper is the second most used material by the Department of Defense!”

The fallout for Australian capitalism from the copper tariffs, due to be imposed within weeks, could be even greater than the pharmaceutical measures. BHP and Rio Tinto are two of the biggest copper producers in the world. They export little copper to the US directly, but they will be hit hard by the impact on China’s copper smelters and its wider industrial base, which depends heavily on copper supplies.

Copper ore is one of Australia’s top 10 exports, valued at \$6.7 billion in 2024, even though far behind iron ore, the number 1 export, valued at \$120 billion.

BHP is considering a multibillion-dollar expansion of its Olympic Dam copper mine and smelter in South Australia, which could be placed on hold. Other huge BHP and Rio copper projects in Chile, Peru, Mongolia and Argentina could be jeopardised.

According to a report in the *Australian Financial Review*: “US President Donald Trump’s surprise move to impose a 50 percent tariff on copper imports sent shockwaves through global commodities markets and delivered a gut punch to China’s vast copper refining industry... It also threatens to ripple across supply chains tied to electric vehicles, data centres and consumer electronics.”

On copper, as on its entire mining industry—from iron ore and coal to gas—the Australian capitalist class is caught in the middle of the accelerating US economic and military offensive against Beijing. China is by far the country’s biggest export market, yet the Labor government and the corporate and political establishment as a whole depend overwhelmingly on the US for investment and military backing.

Increasingly, the working class in Australia, and internationally, faces the prospect of both soaring prices and the gutting of social programs to finance military spending as the Trump administration ramps up Washington’s disastrous war drive.



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