COALITION AGAINST SOCIALIZED MEDICINE

a Project of THE CONSERVATIVE POLITICAL ACTION COALITION

To: **Hon. Jamieson Greer, United States Trade Representative**
From: **Andrew Langer, Executive Director, Coalition Against Socialized Medicine**
Date: **August 10, 2026**
Re: **Comments on USTR's Request for Comments on the Section 301 Investigation Regarding Germany's Persistent Underpayment for Innovative Pharmaceutical Products, Docket #USTR-2026-0463, Published June 25, 2026.**

Introduction

The Coalition Against Socialized Medicine (hereafter "CASM") respectfully submits the following comments to the United States Trade Representative ("USTR") in response to the Section 301 Investigation into Germany's Persistent Underpayment for Innovative Pharmaceutical Products, Docket #USTR-2026-0463, published in the Federal Register on June 25, 2026.

CASM is a coalition of allied free-market limited-government policy research, education, and advocacy organizations, and is led by the Conservative Political Action Coalition ("CPAC"), a non-profit, non-partisan 501(c)(4) research, education, and advocacy organization based in Alexandria, Virginia.

Our coalition is dedicated to defending the free-market principles that uphold America's healthcare system. We support reforms that protect and promote biopharmaceutical innovation and ensure our foreign allies pay their fair share by rejecting foreign government price controls that distort competitive markets and undervalue critical American medicines. CASM champions patient-centered, market-based solutions that expand access to care, improve outcomes, and reduce costs for both patients and taxpayers.

Executive Summary

Germany benefits from American pharmaceutical innovation while using centralized government reimbursement mechanisms to suppress the prices paid for innovative medicines. These practices

reduce global returns on high-risk research, leave the American market bearing a disproportionate share of the cost of sustaining pharmaceutical development, and may burden U.S. commerce through diminished exports, investment, employment, and intellectual-property value. Section 301 provides an appropriate mechanism for determining whether Germany's practices are unreasonable or discriminatory and for pursuing reforms that restore fairer global support for medical innovation.

CASM respectfully offers the following recommendations:

- **USTR should examine Germany's centralized benefit assessments, government-selected comparators, reimbursement negotiations, and reference-pricing mechanisms to determine whether they systematically undervalue innovative medicines.**

- **USTR should distinguish Germany's general authority to structure its healthcare system from particular governmental practices that unfairly suppress the value of American innovation or exploit manufacturers' inability to withhold needed treatments from patients.**

- **USTR should determine whether Germany's pharmaceutical pricing and reimbursement practices are unreasonable or discriminatory and whether they burden or restrict U.S. commerce within the meaning of Section 301.**

- **USTR should evaluate the burden on American commerce by examining effects on U.S. pharmaceutical revenues, exports, intellectual property, research investment, clinical development, employment, and the development of future therapies.**

- **USTR should quantify the extent to which Germany's reimbursement policies leave American patients and the U.S. healthcare system bearing a disproportionate share of the global cost and risk of pharmaceutical innovation.**

- **USTR should seek measurable reforms through consultations with Germany, including more transparent and objective valuation standards, greater recognition of meaningful clinical innovation, and reimbursement practices that contribute more fairly to future research and development.**

- **If consultations fail to produce meaningful reform, USTR should consider proportionate action directed at the governmental practices responsible for the distortion while avoiding unintended harm to patients, pharmaceutical supply chains, or access to needed treatments.**

A durable resolution should be measured by actual changes in Germany's treatment of innovative medicines, not merely by formal commitments or procedural adjustments. USTR should monitor reimbursement outcomes, market access, and Germany's contribution to the global innovation ecosystem following any negotiated reforms. By combining a rigorous Section 301 determination with measurable negotiations, proportionate enforcement, and continuing review,

USTR can protect American commerce while strengthening the market incentives necessary to develop lifesaving treatments for patients in the United States and abroad.

The Foreign Freeloading Problem

The free market rewards innovation by allowing prices to reflect the value of new discoveries and the substantial investment behind them. When foreign governments cap the prices of those medicines, they distort market signals and undercut the incentives that drove that investment in the first place. By allowing their healthcare systems to benefit from U.S.-driven pharmaceutical advancements while paying below-market rates, foreign freeloaders shift a disproportionate share of the costs of research and development (R&D) onto American patients and the U.S. healthcare system—leaving the U.S. to subsidize biopharmaceutical development alone.

Germany is a clear example of this imbalance. Although the country spends a smaller share of its gross domestic product (GDP) on innovative medicines than the U.S., German patients pay substantially less for many of the same medicines. Rather than paying a price that reflects the true value of treatments and therapies, Germany relies on government price-setting to suppress prices at the pharmacy counter. As a result, Germans unfairly benefit from breakthroughs made possible by U.S. investments and American taxpayers.

This underpayment is not merely the result of ordinary market negotiation. Germany's system uses centralized benefit assessments, government-selected comparators, reimbursement negotiations, and reference-pricing mechanisms to determine how much value will be recognized for an innovative medicine. These mechanisms can undervalue meaningful improvements, place disproportionate leverage in the hands of government-controlled purchasers, and force manufacturers to accept prices that do not reflect the medicine's full clinical and economic value.

A government does not avoid scrutiny merely because its price-suppression mechanisms operate through reimbursement decisions rather than an explicit prohibition on American products. When those mechanisms systematically discount innovation, disregard the global costs and risks of pharmaceutical development, or rely on the inability of manufacturers to withhold needed treatments from patients, they can become unfair and inequitable practices within the meaning of Section 301.

Developing innovative medicines requires years of scientific research, significant financial investment, and substantial risk. Companies are willing to undertake those investments because they expect global markets to appropriately value their products and provide returns that not only recoup those costs but incentivize future R&D.

When Germany and other freeloaders fail to pay their share, manufacturers are not met with the returns they expected. The costs and risks of innovation do not disappear when foreign governments suppress returns. Instead, the American market is left bearing a disproportionate share of the global burden of sustaining pharmaceutical research, while reduced worldwide returns weaken the economic case for pursuing some future treatments altogether. By deliberately contributing less to the costs of future breakthroughs, Germany perpetuates an

imbalance that weakens market incentives, ultimately threatening the development of future treatments.

The resulting burden extends beyond any single manufacturer or medicine. Reduced foreign returns can diminish the value of U.S.-developed intellectual property, weaken pharmaceutical exports, discourage investment in research facilities and clinical development, and reduce the capital available for high-risk scientific programs. USTR should therefore evaluate Germany's practices not only by comparing medicine prices, but also by examining their effects on American revenues, investment, employment, exports, and the development of future therapies.

The Importance of a Section 301 Investigation

Section 301 authorizes USTR to act when a foreign government's policies or practices are unreasonable or discriminatory and burden or restrict U.S. commerce. Germany's pharmaceutical reimbursement policies warrant examination under each part of that standard. The relevant question is not simply whether Germany has chosen a different healthcare system, but whether it uses governmental purchasing and reimbursement power to suppress the value assigned to American innovation while continuing to benefit from the medicines that innovation produces.

A Section 301 investigation into these drug pricing policies is a necessary step toward restoring global market balance and protecting the long-term viability of the innovation ecosystem. Section 301 has already proven to be an effective trade tool for addressing unfair foreign pricing practices and encouraging meaningful negotiations with U.S. trading partners, making its use against Germany a sound decision.

Preserving American leadership in pharmaceutical innovation means encouraging continued investment at home and ending the foreign freeloading of our allies. Challenging unfair pricing practices through Section 301 allows the U.S. to reinforce market conditions that support continued investment in lifesaving medicines for the benefit of patients, innovators, and taxpayers.

CASM urges USTR to use this investigation to identify the specific German policies that suppress the value of innovative medicines, quantify the resulting burden on U.S. commerce, and seek measurable reforms through consultations with the German government. Those reforms should promote greater recognition of clinical innovation, more transparent and objective valuation standards, and reimbursement practices that do not depend upon American patients and taxpayers continuing to shoulder a disproportionate share of global research costs.

If consultations do not produce meaningful reform, USTR should consider proportionate action under Section 301. Any response should be directed toward changing the governmental practices responsible for the distortion while avoiding unintended harm to patients, pharmaceutical supply chains, or access to needed treatments. USTR should also establish a process for monitoring whether promised reforms produce measurable changes in reimbursement, market access, and Germany's contribution to global pharmaceutical innovation.

Conclusion

CASM applauds the USTR's willingness to examine these abusive drug pricing practices. This initiative will help strengthen incentives for continued pharmaceutical innovation at home and ensure that American allies contribute to global innovation—ultimately protecting patient access to future treatments and preserving the free-market principles that have kept the U.S. at the forefront of medical advancements.

CASM therefore urges USTR to determine, based on the record developed in this investigation, whether Germany's pharmaceutical pricing and reimbursement practices are unreasonable or discriminatory and burden or restrict U.S. commerce. Where those statutory standards are satisfied, USTR should pursue durable and measurable reforms that require Germany to recognize more fully the value of American medical innovation.

Thank you for your time and consideration of this matter.

Sincerely,

Andrew M. Langer
Executive Director
Coalition Against Socialized Medicine