

Written Submission for the HESA Study on Canada's Pharmaceutical Sovereignty



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada

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Standing Committee on Health
House of Commons
Ottawa ON K1A 0A6

Via email: HESA@parl.gc.ca

Re: Written Submission in Response to the Study on Canada’s Pharmaceutical Sovereignty

The Canadian Chamber of Commerce is pleased to contribute to the Standing Committee on Health’s study of Canada’s pharmaceutical sovereignty. Ensuring a reliable supply of essential medicines, devices and equipment is critical for health security and economic resilience. Enhancing access to these goods is also vital for addressing health system challenges and supporting our life sciences sector, which is a driver of innovation and economic growth. In a less secure geopolitical climate, and as we face unprecedented economic headwinds, a strong life sciences sector and domestic production capabilities are valuable national assets.

However, rather than focusing on “pharmaceutical sovereignty,” the government should instead pursue a policy of “pharmaceutical resilience.” While building domestic production capacity is important, it is unrealistic for Canada to domestically produce all the medical goods it needs. The best way to ensure access to critical medicines and equipment is through a competitive life sciences sector. International trade and integration into global supply chains is a vital precondition of our sector’s success and limiting our ability to import the goods we need and of our domestic firms to participate in the global economy will be counterproductive. In addition to strong domestic manufacturing capacity, risks arising from disruptions to global supply chains can also be managed through bilateral or multilateral mechanisms that protect the movement of medical goods during crises.

As the U.S. administration continues the overhaul of its trade policy, Canada’s life sciences sector is faced with a new set of challenges. Chief among these is the effort of the U.S. administration to rebalance global pharmaceutical pricing through its most-favoured nation (MFN) policy. In light of U.S. list prices for name-brand drugs regularly running several times higher than those abroad, the MFN policy would benchmark U.S. prices to countries with a GDP per capita at least 60% of the U.S. Rather than face significant losses in the U.S. market, drug manufacturers could withdraw or avoid smaller markets like Canada, which accounts for only 2% of global pharmaceutical demand.

Given the potentially profound consequences, a response that increases our support for pharmaceutical innovation and production is needed. We have a broad range of potential tools at our disposal, including the creation of a fund to support life sciences innovation, reducing wait times for patients on public plans to access new drugs, building on red tape reduction initiatives at Health Canada, and aligning our intellectual property (IP) rules with



those of key trading partners. These policies will incentivise investment in the life sciences sector and effectively increase our support for pharmaceutical innovation.

A vision of pharmaceutical resilience must also include measures to ensure access to medical devices and equipment, which increasingly work hand in hand with pharmaceuticals in treating medical conditions. Currently, the U.S. administration is conducting a Section 232 study on medical devices, PPE, and consumables. Likewise, while building domestic manufacturing capacity is important, overly restrictive “Buy Canadian” policies could threaten to restrict access to needed devices and equipment in Canada. Limiting trade restrictions on medical devices must also be prioritised in trade negotiations, including during the CUSMA review.

We submit the below recommendations for the Committee’s consideration. We would be happy to discuss the contents of our submission with Committee members in greater detail.

Sincerely,

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Recommendations

1. Continue to build on the vision of the Biomanufacturing and Life Sciences Strategy of a strong domestic life sciences industry

Launched in 2021 during the COVID-19 pandemic, the Biomanufacturing and Life Sciences Strategy (BLSS) invested \$2.2 billion into Canada's life sciences industry. The strategy correctly recognised that decades of decline in Canada's domestic life sciences capacity left us vulnerable and struggling to secure vaccines, medicines and equipment from international partners. It also correctly concluded that the best way to ensure our future health emergency preparedness was to reverse the decline by building a strong and diversified domestic industry. Beyond direct investments, the BLSS identified several other policy measures to support the sector, including developing the life sciences talent pipeline, building public capacity, and regulatory modernisation.

Now that BLSS funds have been fully allocated to address pressing gaps, the focus should be on improving the business environment for life sciences industry. Canada has several natural advantages, including, most notably, a world-class research ecosystem. Yet limited commercialisation pathways, lengthy approval and reimbursement timelines, and poorly calibrated intellectual property rules continue to constrain our potential. We must not forget the lessons of the pandemic and should proceed with a clear vision for growing Canada's life sciences industry.

2. Establish a Health Innovation and Resilience Fund to rapidly address Canada's underfunding of pharmaceutical innovation and respond to MFN policy

A 2025 EY analysis shows that Canada spends just 0.32% of GDP per capita on innovative medicines, compared with 0.78% in the U.S. 0.34% for EU countries. With efforts underway to rebalance funding for global pharmaceutical innovation, this gap puts Canada at risk. If U.S. most favoured nation policy is implemented, our access to latest and best medicines could be severely disrupted, potentially limiting patient access to medicines and freezing pharmaceutical investment.

Establishing a Health Innovation and Resilience Fund is a measure that can help us quickly increase our funding of pharmaceutical innovation and close the gap with other jurisdictions. The Fund could be used to support life sciences innovation and the government's goal of speeding access to new treatments by incentivising provincial and territorial uptake of new drugs on public formularies. Additionally, investments could count towards NATO spending targets where they align with defence objectives.

Lost or delayed access to the best treatments will mean worse health outcomes and potentially higher overall health care spending. Less life sciences investment, which is particularly R&D intensive, could further widen our innovation gap with peer countries and translate to lower economic growth.



3. Better align intellectual property (IP) standards with the EU and U.S. by extending patent term adjustments and data exclusivity

Canada's IP rules are currently misaligned with those in the U.S. and European Union (EU). Canada's patent term adjustment system grants innovators up to two years of additional protection due to time lost during regulatory approval processes, which is significantly less than the five years available in both the U.S. and the EU. The two-year cap may also not satisfy the intent of Canada's CUSMA commitments on IP (chapter 20). Shorter patent term adjustments are a significant source of uncertainty for innovators who may fear insufficient compensation for time lost during regulatory review.

Data exclusivity is also shorter in Canada, lasting only eight years, whereas it lasts 12 years in the U.S., for biologics, and up to 11 years in the EU. An early version of the CUSMA agreement included provisions requiring Canada to extend data exclusivity to 10 years. This extension should be implemented to incentivise pharmaceutical investment, innovation, and product launches in Canada.

4. Work with provinces and territories to accelerate patient access to new treatments

A 2023 analysis by PhRMA shows that Canadians on public drug plans currently face the longest wait times in the G7 to access new medicines. Whereas patients in countries like France and Germany generally face little to no wait times to access new medicines, Canadians must wait, on average, 52 months following the first global launch. This translates to worse health outcomes and more resources spent on emergency room visits or extended hospital stays that could have been avoided had patients had access to the right drugs. Given that approximately 21% of Canadians are on public drug plans, according to Statistics Canada, these delays also disincentivise drug manufacturers from investing and launching new treatments in Canada.

While the drug approval and listing process involves several complicated steps, most delay occurs following the conclusion of pricing negotiations between drug manufacturers and the pan-Canadian Pharmaceutical Alliance, and provincial and territorial governments listing new drugs on their formularies. The federal government should work with provinces and territories to reduce these delays. Ontario's Funding for Specific Treatments (FAST) programme, which provides access to select high-priority cancer drugs immediately following a positive recommendation from Canada's Drug Agency, is a useful model that could be replicated nationally and eventually expanded to other drug categories.

5. Appropriately calibrate "Buy Canadian" policies to prevent medical supply chain disruptions

Foreign drug suppliers account for approximately 70% of Canadian demand. Similarly, Canada depends on a globally integrated medical technology industry for critical devices and equipment. It would therefore be unrealistic for Canada to reshore all production. Proposed "Buy Canadian" policies, while intended to support the domestic industry, could



isolate it from the global ecosystem that supports its competitiveness. Unintended consequences of poorly calibrated “Buy-Canadian” policies are especially concerning in relation to medical goods because they could interfere with patient treatment and lead to worse health outcomes. With the U.S. MFN policy and Section 232 studies threatening a range of medical goods, we should avoid adding to harmful trade restrictions with “Buy-Canadian” policies, especially given the sensitive nature of medical goods. While we should seek to increase domestic production capabilities, incentives should remain voluntary.

6. Work with like-minded countries to ensure access to essential medicines, devices and equipment during crises

Life sciences supply chains are globally diversified and highly integrated. It may be wise to produce certain vulnerable medical goods within Canada, but as a small market, we cannot be fully self-sufficient. Risks to global supply chain disruptions are best mitigated by upholding the rules-based international trading system, which includes working with partners to strengthen specific frameworks relating to the trade of medical goods. Additional agreements with like-minded countries to guarantee the continued flow of medical goods during crises may also be worth pursuing.



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