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Kodak Shifts Into Drug Production With Help of a \$765 Million U.S. Loan

Onetime photography leader is shifting into production of drug ingredients using a loan provided under the Defense Production Act



Kodak is gearing up to produce ingredients for generic drugs.

PHOTO: DAVID BECKER/GETTY IMAGES

By [Rachael Levy](#)

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Eastman Kodak Co. has won a \$765 million government loan under the Defense Production Act, the first of its kind. The purpose: to help expedite domestic production of drugs that can treat a variety of medical conditions and loosen the U.S. reliance on foreign sources.

The onetime leader in photography sales is gearing up to produce ingredients for generic drugs, including the antimalarial drug hydroxychloroquine that President Trump has touted in the treatment of coronavirus. Meanwhile, the U.S. is aiming to shift from relying

on countries such as China and India, Kodak Chief Executive Jim Continenza and U.S. officials said.

The loan is from the U.S. International Development Finance Corporation, a government agency akin to a bank, the officials said. The loan is the first of its kind under the Defense Production Act, which the Trump administration has previously invoked to speed the production of Covid-19 related supplies such as ventilators.

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What strengths does Kodak bring this new endeavor, and what challenges do you think it faces? Join the conversation below.

Mr. Trump in May issued an order allowing the DFC to financially support the “domestic production of strategic resources” for the coronavirus pandemic and “to strengthen any relevant domestic supply chains.”

Kodak’s loan has terms similar to a commercial loan and must be repaid over 25 years, Mr. Continenza said. He said Kodak will produce “starter materials” and “active pharmaceutical ingredients” used to produce generic medicines.

“We have a long, long history in chemical and advanced materials—well over 100 years,” Mr. Continenza said. He added that Kodak’s existing infrastructure allows the company “to get up and running quickly.”

The pharmaceutical focus marks a shift for the company that made a “Kodak moment” synonymous with photos. At its peak, the Rochester, N.Y.-based company was the Google or Apple of its time, employing 145,000 workers world-wide, The Wall Street Journal has reported.

The company invented the digital camera in 1975 but failed to capitalize on it, and filed for bankruptcy in 2012.

Kodak is effectively changing gears. Mr. Continenza said he expects its pharmaceutical ingredients to make up 30% to 40% of its business over time.

For the U.S., the benefit of providing the loan to Kodak is to reduce reliance on other countries, particularly China, for drugs, DFC head Adam Boehler said. “We don’t ever want to be in a position, because of a pandemic, because of any reason,” that a foreign entity could upend U.S. access to medicines or pharmaceutical products, Mr. Boehler said.

China is recognized as the world's biggest supplier of the raw materials—known as active pharmaceutical ingredients—that form the basis of medicines. That dependence on China makes shortages more likely should Chinese manufacturing be shaken, according to a 2019 U.S. government report. China's dominance is growing: The U.S. imported \$3.9 billion worth of pharmaceutical raw material from China in 2017, an increase of nearly one-quarter from the prior year, according to IHS Markit.

Rear Adm. John Polowczyk, who heads the White House's supply-chain task force, said domestic drug production began shifting away from the U.S. in the 1970s, largely for reasons related to cost savings.

Kodak's Mr. Continenza said he expects the loan to create around 300 jobs in Rochester, and 30 to 50 jobs in Minnesota.

Peter Navarro, the White House trade adviser, said he grew concerned about the U.S. reliance on foreign countries for key materials for drug production.

"This is not about China or India or any one country," Mr. Navarro said in a statement. "It's about America losing its pharmaceutical supply chains to the sweat shops, pollution havens, and tax havens around the world that cheat America out of its pharmaceutical independence."

His office is currently considering around 30 firms for funding to fight the virus and protect public health, he said in the statement.

—*Rebecca Ballhaus contributed to this article.*

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