Insights

Impact of Recent U.S. Tariffs on Global Trade and India

April 2025

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Headquartered in India, Primus Partners is one of India's largest Management Consulting firms operating in India, USA, UAE and KSA. With 6 offices and operations in 18 Indian States, Primus Partners has been built around the concept of “Idea Realisation" an approach that focuses on the long-term strategy for our clients driven by innovation that is grounded in execution and realises the benefit of new ideas in short, medium and long term. The concept of idea realisation is delivered by a senior and diverse team backed by industry-leading research capabilities.

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Expert Insights

Davinder Sandhu
Chairperson and Co-founder

The imposition of US tariffs has significant implications for India, impacting key sectors such as steel, aluminum, textiles, and technology. These tariffs disrupt Indian exports, potentially leading to reduced competitiveness, market share erosion, and economic challenges, especially in sectors reliant on US demand. Additionally, tariffs strain bilateral trade relations, fostering uncertainty among Indian businesses and investors.

To mitigate these impacts, proactive diplomatic engagement is crucial, aiming for negotiated settlements or exemptions beneficial to both nations. India had begun thinking in advance, and collaboration in high-value sectors, such as renewable energy, technology, and pharmaceuticals, offers opportunities for mutually beneficial agreements that enhance bilateral cooperation. India could explore strategic partnerships with US businesses, leveraging joint ventures and investments that also create American jobs and economic benefits, thereby incentivizing the US to ease tariffs for a win-win for both trading partners.

Indian industry must plan trade and supply-chain diversification, strengthening commercial relationships with alternative markets in Europe, ASEAN, and Africa, thus reducing dependency on the US market. This is also a time to foster domestic industrial innovation and efficiency to make Indian products more competitive, offsetting tariff disadvantages.

These proactive measures can transform tariff challenges into opportunities for sustainable growth and stronger bilateral economic ties.

Vinay V Singh
Managing Director, Primus Partners USA

The recent U.S. tariffs unleashed across the world have longer-term impacts worth considering, specifically for global supply chains and the integration of economies. In my view, this recent trade tactic was meant to support a shift for increased U.S. manufacturing, bringing back jobs and economic benefits to smaller communities - that could occur, but would require years and years, and more importantly, would require continuity in the U.S. Government. This was done through an Executive Order, which can easily be undone in a few years.

Expert Insights

Ambassador (Dr.) Mohan Kumar
Dean, Strategic and International Initiatives and Professor of Diplomatic Practice, O.P. Jindal Global University (JGU)
Former Indian Ambassador to France and Bahrain

It could have been a lot worse. These tariffs are, to my mind, reversible, and India is still negotiating with the US, which is the right approach. Some sectors may be hit, but overall, we will be able to cope.

Ambassador Sanjay Bhattacharyya
Former Secretary and Former BRICS Sherpa, Ministry of External Affairs

President Trump's tariff measures will trigger uncertainties and disruptions in global trade and increased costs for the US economy in the short run.

For India, it could lead to a setback in the building of supply chains that enhance the efficiency of the manufacturing process. At the same time, the exemptions on certain items of interest, as well as the relative difference in applied reciprocal rates with other exporting countries, can provide new opportunities for Indian exports. Combined with the ongoing trade negotiations with the USA and the desire to increase trade volume to $500 billion, can be a net gain for the Indian economy.

Atul Singh
Founder, CEO and Editor-in-Chief, Fair Observer
Partner, FOI

Donald Trump's new tariffs mark the end of the post-World War II order and post-1991 US-led era of globalization. The new policy paradigm envisages not only tariff wars but also currency wars. Trump's tariffs will trigger retaliatory tariffs and competitive devaluation by other nations.

The implications of Trump's tariffs for India are far-reaching and underrated. The immediate impact will be on Indian goods exports but, after a quarter or two, the recession in the US will have a knock-on effect on the services sector. In turn, this impact on the services sector would lower an already depressed demand and cause an economic slowdown in India.

Strategic Insights and Overview

Macro Level Effects on India

Under the current US tariff system, all countries pay a 10% baseline charge; some items from countries with significant trade deficits are subject to additional reciprocal tariffs (up to 150%).

With an estimated $60 billion of exposure, India's exports in sectors including cars, processed food, agri-products, and medical gadgets could be significantly impacted.

Though pharmaceutical exports are now free, Indian manufacturers could be affected by future tariff increases or non-tariff conflicts, especially with relation to APIs and intermediates.

The United States has expressed regulatory worries about the possible influence of high import levies, duplicative requirements, and indeterminate licensing on future talks, hence adding to trade uncertainty.

Pressure Points Across Industries

Automobiles

Cost competitiveness and reduced demands compelling Indian suppliers to explore alternative export destinations.

FMCG & Agri

Biotech and plant health protocols remain stringent, while tariffs on key agricultural exports such as beverages, oils, and legumes add to export pressures.

Medical Devices

Tariff exposure, price constraints, and BIS standards' adherence.

Services and Digital

Data localization rules, FDI limits, and content control restrict foreign access.

Telecommunications and Chemicals

Licensing, certification, and import restrictions all aggravate the compliance load.

Global Trade Shifts & Policy Context

1. The tariff actions reflect a more comprehensive change in US trade policy, which has moved from multilateral structures to more forceful, bilateral recalibrations.

2. Among the main drivers are addressing trade imbalances, safeguarding intellectual property, and reducing VAT drawbacks for US companies overseas.

3. India's departure from the GSP program and past retaliatory tariff exchanges have heightened tensions, even if engagement is still ongoing.

4. India has the chance to respond to its rising reputation as a reliable worldwide trading partner by strategically combining diversification of export markets, reforms, and strategic negotiations.

Implications on Government & Businesses

Enterprises would be obliged to review their procurement and export policies as well as their exposure to tariff-affected categories.

By means of programs like the Production Line Initiative (PLI) and guaranteeing that regulatory criteria are in line with international norms, Indian companies could preserve their competitiveness by means of domestic manufacturing strengthening.

Concurrent with India's increasing global economic footprint and preservation of investor trust, proactive trade diplomacy, extensive stakeholder participation, and consistent policymaking are needed.

As nations re-evaluate supply networks and marketplaces, India may show itself as a strong, high-trust economy by keeping a mix of national priorities and predictability along with openness in trade.

U.S. Auto Tariffs Reshaping Global Trade: Impact on India's Auto Sector

Major Announcements

25% Tariff rate applied on imported automotive products including OEMs and Component manufacturers.

The U.S. cites that the tariffs imposed can sustain its domestic industrial base and meet national security needs.

White House indicates that it would develop processes to expand tariffs on additional automotive parts duties.

Imported Automotive Products Subject to the 25 Percent Tariff Rate

Passenger Vehicles	❖ Sedans ❖ SUVs ❖ Crossovers ❖ Minivans ❖ Cargo vans
Light Trucks	Vehicle weight up to 8,500 lb; payload capacity up to 4,000 lb
Automobile Parts	❖ Engines ❖ Transmissions ❖ Powertrain Parts ❖ Electrical components & others

Impact on India

The U.S., a key market for Indian auto components ~$1.5 billion annually (components covered under 8708 HSN code), may see reduced demand due to higher tariffs, compelling Indian suppliers to explore alternative export destinations.

In addition to export disruption, the tariff conditions buffer American OEMs and Tier 1 suppliers. Indian exporters will find it harder to compete on cost, especially in sectors like light commercial vehicles and mid-size passenger cars, where U.S. players may gain ground.

Shares of major Indian automakers, including Tata Motors, Maruti Suzuki, Mahindra & Mahindra, Bajaj Auto, and Hero MotoCorp, declined, with the BSE Auto Index falling 6-7% in early trade on 27th March post the announcement.

Global Impact

Japan, a leading car exporter to the U.S., may face reduced sales due to tariff-induced price hikes—triggering ripple effects across supply chains (semiconductors, steel), impacting wages, and potentially lowering GDP.

Although Chinese automakers have limited direct exports to the U.S., the tariffs could give them a competitive edge globally by driving up rival prices—boosting China's presence in emerging markets. BYD shares surged post-announcement, reflecting optimism for Chinese EVs.

European automakers, particularly Germany's BMW, Volkswagen, and Mercedes-Benz, are expected to face significant setbacks and substantial increases in price, making European cars less competitive in the American market. This could lead to a decline in export volumes, potential job losses, and disruption across European supply chains, which are heavily integrated with U.S. operations.

Business Implications

India's passenger car exports to the U.S. remain minimal—just $8.9 million in 2024, accounting for only 0.13% of global car exports. As such, the tariffs are unlikely to significantly affect OEMs like Tata Motors and Maruti Suzuki. However, the impact will be more pronounced for component manufacturers such as Samvardhana Motherson International, Sona BLW Precision Forgings, and others, whose category-wise exports to the U.S. exceed $1.5 billion.

Future Outlook

1. The newly imposed tariffs could act as a catalyst for Indian auto component manufacturers to climb the value chain—shifting from low-margin, generic parts like castings and basic electronics to high-value components such as EV batteries, sensors, and precision-engineered systems.

2. The government is weighing a complete rollback of the 100% EV import tariffs, while automakers are pushing for a phased reduction beginning at 30%. The move could open the doors for global giants like Tesla to enter the Indian market, potentially reshaping the competitive landscape for domestic players such as Tata Motors and Mahindra.

Supply Chain Redistribution Due to U.S. Tariffs: India's FMCG to Rethink Strategies

Major Announcements

26% Tariff rate applied on all products imported by U.S. from India.

India's agricultural exports to the United States were approximately $5.5 billion.

The processed foods & ready-to-eat (RTE) meals segment is one of the fastest-growing Indian exports to the U.S., valued at approximately $1 billion in FY23.

India's Export Volume Area Globally

- Rice - $10.3 Billion
- Spices – $4.2 Billion
- Sugar - $2.8 Billion
- Misc. Processed Items – $1.6 Billion
- Coffee – $1.2 Billion
- Fresh Fruit – $1.1 Billion

Impact on India

Agriculture and allied sector activities employ roughly 54.6% of the workforce and generate 17.8% of the country's gross value added. Rise in tariffs could significantly affect Indian farmers' incomes in an effort to remain price competitive while exporting to U.S..

Exports to the U.S. constitute only about 2% of India's GDP, emphasizing the fact that India's economic growth is less driven by exports and is primarily driven by domestic consumption and investment, prompting FMCG companies to focus on Indian operations towards domestic consumption.

According to think tank Global Trade Research Initiative, the hardest-hit sector in agriculture would be fish, meat, and processed seafood, with $2.58 billion in exports in 2024.

Global Impact

ASEAN countries (second largest exporters to U.S.) are facing some of the highest tariffs in the world, for instance, Cambodia at 49%, Laos at 48%, Myanmar at 45%, Thailand at 37%, and Vietnam at 46%. This makes India a favorable place to shift operations for major supply chains operating in those countries.

Mexico plays a significant role in U.S. agricultural trade, exporting $41.9 billion worth of agricultural products to the U.S. in 2023. The country accounted for 16.3% of U.S. agricultural exports and 23.3% of U.S. agricultural imports. With such strong linkages, Mexico's President says the country won't retaliate with more reciprocal tariffs on U.S. products.

The largest importers of FMCG food products from the USA are Canada, Mexico, and China, followed by Japan and the European Union. While China and the EU have responded with the possibility of countermeasures, Japan has expressed disappointment for not being an exception to reciprocal tariffs.

Business Implications

Trump's reciprocal tariffs are a wake-up call for Indian FMCG players with export exposure to the US or dependencies on imported raw materials. Input costs could rise and market access tighten, leaving little room for error. The response must be sharp and India-first: aggressively localise sourcing, secure alternate input pipelines, and double down on domestic growth through rural expansion, micro-SKU innovation, and smart pricing.

Future Outlook

1. Pursuing Free Trade Agreements with other regions, such as the European Union, could open new markets and reduce reliance on U.S. trade for the country.

2. Investing in manufacturing and infrastructure for domestic consumption can potentially offset the impact of reduced exports. India represents a massive market for global firms, and focusing operations within the country can prove to be a favourable move.

India’s Healthcare Exports under U.S. Tariffs Lens: Impact on MedTech & Pharma

Major Announcements

26% Reciprocal tariff rate applied on medical devices.

Exemption of Indian pharmaceuticals from the latest round of tariffs.

Pharma is exempt for now, but future rounds could hit generics or APIs. That would impact exports and drug affordability.

Announcement of potential separate tariffs targeting the pharma sector can create uncertainty in the market.

Impact on India

In the fiscal year 2023-24, India's exports of medical devices reached $714.38 million, while imports from the US were substantially higher, amounting to $1,519.94 million. This trade deficit is anticipated to widen further as a result of the newly imposed tariffs.

The tariff imposed on medical device imports is lower than those of other countries, such as China (34%), Vietnam (46%), and Taiwan (32%). This can be seen as a potential opportunity to bolster India's position as a major exporter of medical devices on the global stage.

The growth of the Indian Pharma sector will get a further boost due to this exemption from tariffs. This is in alignment with the Mission 500 initiative's goal of doubling bilateral trade to USD 500 billion.

India relies a lot on China for APIs. If the U.S. expands tariffs or supply chains get hit, input costs could rise. India’s PLI scheme for local API production is a key buffer.

Global Impact

1 The exemption of the pharmaceutical sector signifies the vital importance of affordable, life-saving generic medicines in global healthcare and highlights the sector's critical role in ensuring accessible and cost-effective treatments worldwide.

2 The increased tariffs on medical devices could result in a global rise in prices, given India's role as a key supplier of cost-effective, high-quality medical devices.

3 A shift in the import-export pattern is expected worldwide as countries will try to explore alternate trade options and new partnerships.

Business Implications

1 Shares of major Indian pharmaceutical companies with major exposure to the US market, such as Gland Pharma, Aurobindo Pharma, Dr. Reddy's Laboratories, and Sun Pharma, experienced a significant surge, rising by as much as 15%. This uptick reflects investor confidence in these companies' ability to navigate the complexities of the US market and capitalize on emerging opportunities.

2 Despite having an 8% tariff advantage over China, major medical device exporters may still face challenges due to a 15% price gap compared to Chinese products. Exporters such as Medtronic, Baxter India, Poly Medicure, Allengers, and Lifeline Medical Devices are expected to be affected.

Way Forward

1 Better sync between Indian (CDSCO) and U.S. (USFDA) standards can ease exports, cut duplicate compliance, and boost credibility. Tariff relief supports India’s “Pharmacy of the Global South” status, but keeping that edge will need smart diplomacy and market diversification.

2 Negotiating a bilateral trade agreement between the US and India is essential to provide much-needed relief to India's rapidly growing medical devices industry. This strategic move would not only support the industry's growth but also ensure the continued supply of cost-effective, high-quality medical devices to international markets.

Recalibrating India's Tech Strategy: Global Trade Realignments Post U.S. Tariffs

Major Announcements

26% Tariff rate applied on electronic components, telecom equipment, and IT services.

The U.S. imposed a higher tariff on Indian goods, replacing the long-standing global trade framework with a standard 10% baseline tariff, with higher rates for nations deemed to have unfair trade practices.

India's tariff rate is higher than:

24% Japan

25% South Korea

India's tariff rate is significantly lower than:

54% China

46% Vietnam

Impact on India

Higher costs for telecom hardware & electronics, affecting production and exports. India's zero tariffs on semiconductors (vs. Taiwan's 32%) could attract investment, strengthening its role in chip packaging and testing.

IT services at risk as U.S. inflation and economic uncertainty may reduce tech spending, impacting Indian firms.

Smartphones (HS 851713) rank as the third most vulnerable product, with over 50% of India's electronics exports being iPhones assembled in India. A reciprocal U.S. tariff could disrupt Apple's supply chain shift, as India now produces 15% of global iPhones.

Global Impact

For the EU, higher tariffs on telecom equipment and electronic goods have disrupted supply chains for European firms, leading to higher prices for network infrastructure and consumer electronics.

Major electronics manufacturers in Japan, including Sony and Panasonic, face increased component costs, but semiconductor exemptions mitigate risks for firms relying on chip imports from the U.S. and Taiwan.

To avoid excessive tariff burdens, technology firms may diversify their global supply chains, increasing sourcing from regions like ASEAN, Latin America, and Africa.

Business Implications

1. Semiconductors remain tariff-exempt, but higher duties on telecom hardware & components raise costs for Reliance Jio, Bharti Airtel, and manufacturers.

2. U.S. inflation & economic uncertainty may cut IT spending, impacting Infosys, TCS, and Wipro. Stock declines (Persistent -7.4%, Infosys -3%, Wipro -3.5%) reflect contract delay fears.

Future Outlook

1. India should diversify export markets by expanding into ASEAN, Africa, and the EU while strengthening bilateral trade agreements and negotiating sectoral exemptions for key products like electronics and EVs.

2. To reduce import dependence and strengthen resilience, India should leverage zero semiconductor tariffs to attract global investments in chip manufacturing, expand PLI schemes to boost domestic production, and promote localized sourcing from non-U.S. suppliers—positioning itself as a viable China+1 alternative for global tech firms.

U.S. Tariffs on Textiles: Reshaping India's Global Textile Position

Major Announcements

26% Tariff rate applied on imported textiles, garments & apparel.

The U.S. cites that the future of India-US ties in this sector lies at a "critical juncture".

Recent US commentary has emphasised the need for "fair bilateral trading relationships" where the textile sector contributes significantly to India's export share.

US Tariffs Reshape Global Textile Trade Dynamics

- The U.S., a key market for Indian textile trade, reached ~$77.5 billion in the financial year 2024, making the US a pivotal market accounting for 18% of India's total exports.
- In the first half of the fiscal year 2024-25, India's textile and apparel exports amounted to $21.35 billion, indicating a 7% increase vis-a-viz the same period last year.

Impact on India

Tariffs will bring in immediate export challenges as prices of textile products will potentially increase, leading to a decline in export volumes and reducing their competitiveness. This may also result in lower profit margins and additional costs to manufacturers, dampening demand.

India will become a preferred destination for the US for its clothing and textiles requirements, as other competitor countries such as Vietnam, Bangladesh, Cambodia, Pakistan and China face much higher tariffs.

Strategic opportunity for India to invest in improvements in the textile landscape by expanding in alternative international markets and implementing market diversification, creating the possibility of "growth potential" despite the tariffs.

Global Impact

The tariffs will deliver a significant setback to the global economy, particularly impacting textile industries. In the short term, it will impact price and demand. Long run, assembly units will face challenges, workers will demand higher wages, and product prices will remain elevated alongside high interest rates.

Competitive nations such as China, Vietnam, and Bangladesh are subject to even higher US tariffs – 34%, 46% and 37%, respectively, creating disparity at the global level and making US buyers choose cost-effective alternatives.

Developing countries where textiles form a big chunk of the export basket may see shrinking profits resulting in loss of market shares, shift in supply chains and retaliatory tariffs amongst neighbor nations.

India's Stand

1. "Zero to Zero" duty policy endorsed by India's Apparel Export Promotion Council on textile and apparel, may instantaneously make US take away all tariffs on Indian exports.

2. US imports of textiles and apparels increased in volume and value by ~15%, with India being in the top 5 suppliers. The current scenario may be a crucial stage for India to enhance competitiveness and collaborate with industry bodies to negotiate favorable trade terms.

Way Forward

1. The announcement presents a strategic opportunity for India's textile sector to strengthen its position in global trade and manufacturing. India can position itself as a major trade partner, becoming a major player in textile and garment industry.

2. "Key Area of opportunity" as compared to tariffs imposed on other South Asian competition nations, helping India gain larger market share, higher production capacity and favorable import duty structures—positioning India in increasing exports with the US.

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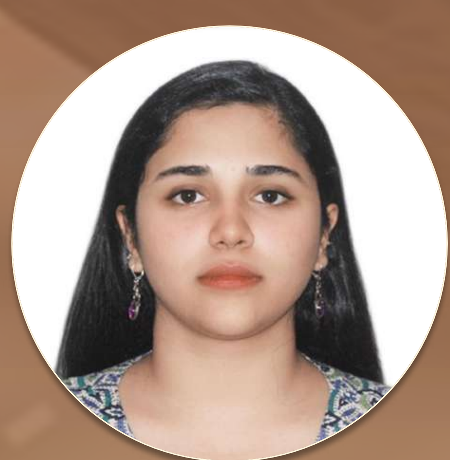

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of our chosen subject to drive innovative and insightful solutions

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representing the Primus collective, where each individual matters

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for building a better tomorrow

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Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Established by seasoned industry leaders with extensive experience in global organizations, Primus Partners boasts a team of over 250 consultants and additional advisors, showcasing some of the finest talent in the nation.

The firm has a presence across multiple cities in India, as well as Dubai, UAE. In addition, the firm has successfully executed projects across Africa, Asia Pacific and the Americas.

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