

India likely to offer zero duty on auto parts for US

Talks under bilateral trade agreement could see reciprocal duty cuts

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As negotiations for the bilateral trade agreement (BTA) with the United States (US) are ongoing, India may propose a 0-1 per cent tariff on the import of automobile parts, if the US reduces its 25 per cent duty on the same, a senior official said.

The US last week imposed a 25 per cent tariff on the import of automobiles and certain automobile parts. While vehicle tariffs will come into force from April 3, the tariffs on import of auto parts will be effective no later than May 3.

“In automobiles, they are not ready to reduce the duty, but in components, they may reduce the duty. So, we don’t have an issue in lowering the import duty for components to 0-1 per cent from the existing 10-15 per cent,” the official said.

“The components sector has unofficially said it, but we haven’t mentioned it in the BTA yet because the US hasn’t officially talked about import tariffs on auto components either. This is informal, but the conversation around it will likely be there in BTA. If they do it, we are ready with our offer. Our people need not to worry,” the official added.

Queries sent to spokespersons and secretaries of commerce and heavy industries ministries remained unanswered at press time.

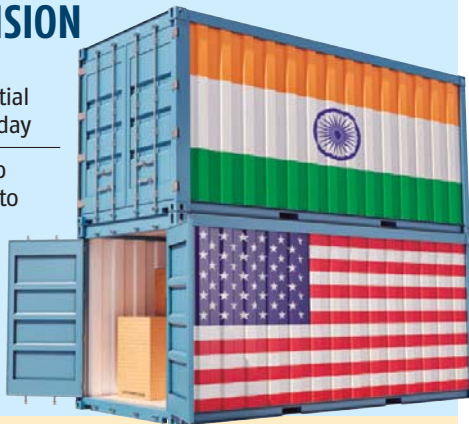
According to market analysts, the operating margins of Indian automobile component exporters will likely compress by 125-150 basis points due to the Trump administration’s decision. Their operating margins are now in the range of 12-12.5 per cent.

The 25 per cent tariff by the US will apply to imported passenger vehicles like sedans, SUVs, crossovers, minivans, cargo vans and light trucks, and critical auto parts such as engines, transmissions, powertrain components, and key electrical components, with processes to expand tariffs on additional parts if necessary, the White House said in a fact sheet.

Though India does not export much of their vehicles to the US, it captures 80 per cent of auto component exports headed to the world’s

TRADE EXPANSION

- India and the US concluded their BTA initial round of talks on Saturday
- Both countries aim to expand bilateral trade to \$500 bn by 2030 through the finalisation of the BTA
- BTA’s 1st phase may be completed by 2025-end



Negotiations focus on

- Reducing tariffs and non-tariff barriers
- Strengthening supply chains
- Promoting growth, national security, job creation

India is among the highest tariff-imposing countries

- India has a 7.5-15% import tariff on US auto components
- The US levies tariffs of 3.4-4% on auto parts imported from India

India's total exports to the US (in \$ bn)



*Apr-Feb
Sources:
Niyat,
Commerce
ministry

largest economy, with engine components, power trains and transmissions being the largest export items.

US auto components in India attract three kinds of tariffs- 7.5 per cent, 10 per cent and 15 per cent, while the US imposes tariffs of 3.4-4.0 per cent on imports from India.

Rationalising the likely move to reduce import tariff on US auto parts, the government official said that the reason why India can reduce import tariff on auto components is because it will allow the US greater access to the Indian automotive market.

India exported auto components worth \$11.1 billion globally in the first half of 2024-25. Of this, nearly 28 per cent—valued at \$3.67 billion—was shipped to the US. In FY24, India’s exports were worth \$6.79 billion, according to the Automotive Component Manufacturers Association of India.

However, India exported motor cars and vehicles worth only \$37.11 million to the US in 2023, the United Nations COMTRADE database showed.

“The challenge will come if the US gives certain countries a better concession than India. India is talking about a BTA with the US. There could be other countries that are also talking about the same. In that case, those countries could become more competitive. Then, how that tax structure gets distorted and to whose advantage and whose disadvantage, we will only know in due course,” an industry executive said on condition of anonymity. Secondly, the challenge could be that the US’ new tariff could lead to a huge price hike in US vehicles, and that will affect their domestic demand, which in turn could impact the demand for parts they are importing into the country.