

# HOW US LEVY COULD PLAY OUT

Even as United States (US) President Donald Trump announced reciprocal tariffs on trading partners, countries, including India, are chalking out plans and assessing the potential impact. **EY analyses** how the US move would pan out across sectors in India.

Note: USMCA is United States Mexico-Canada Agreement; Source: EY

## Tariff rates for exports to US 'before' and 'after' April 9

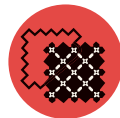
### Gems & jewellery



Export: **\$9.2 bn**  
Before: **5.5% to 13.5%**  
After: **31.5% to 39.5%**

**Remarks:** Although tariffs have been increased, raising challenges and costs for the sector, India still has an advantage as countries like China face even higher tariffs than India. Due to USMCA, Canada and Mexico get a competitive advantage over India.

### Textile



Export: **\$9.5 bn**  
Before: **6% to 9%**  
After: **32% to 35%**

**Remarks:** The sector will also face the heat of the reciprocal tariffs announced by Trump, like others. India still has an advantage as China, Vietnam, and Bangladesh face even higher tariffs.

### Telecom



Export: **\$6 bn**  
Before: **0%**  
After: **26%**

**Remarks:** The sector faces high tariffs but remains competitive as compared to China and Vietnam, who face higher tariffs. Solutions include Mission 500 and concluding the BTA deal by year-end. The government can extend PLI benefits beyond 2026.

### Pharma



Export: **\$8.73 bn**  
Before: **0%**  
After: **0%**

**Remarks:** There has been no major impact as the sector has been exempted under the Executive order Annexure-II. Most of the products under Chapter 30 are covered under the Annexure -I of the executive order.

### Oil & gas



Export: **\$5.8 bn**  
Before: **5.2%**  
After: **5.2%**

**Remarks:** Most of the products under Chapter 27 are covered under the Annexure-II of the Executive Order.

### Agriculture & food products



Export: **\$5.5 bn**  
Before: **4% to 5%**  
After: **30% to 31%**

**Remarks:** While India remains more competitive compared to some of its counterparts, yet Canada, Mexico and Latin American nations have a higher market share and lower tariffs. To support this sector, India should try to conclude US India BTA at the earliest. Due to USMCA, Canada and Mexico get a competitive advantage over India.

### Passenger cars & light trucks



Export: **\$51 mn**  
Before: **2.5%**  
After: **27.5%\***

**Remarks:** India's exports to US are negligible. Hence, this sector is not of the focus from the tariff perspective as of now.

### Auto parts



Export: **\$2.1 bn**  
Before: **2.50%**  
After: **27.5%\***

**Remarks:** There has been a levy of 25% tariff for auto parts. This is expected to increase costs for Indian exporters. There has been no duty arbitrage for India compared to Asian countries like China. India should seek a concessional rate when entering into a Bilateral Trade Agreement (BTA) with US.

