

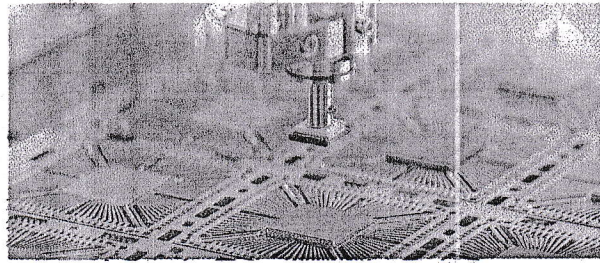
# 'India unlikely to face major impact of US' chip tariffs'

**KV Kurmanath**  
Hyderabad

US President Donald Trump's threat to levy a 25 per cent tariff on chip imports is set to hit the global semiconductor industry hard. However, experts see no major impact on India in the short term.

The Indian Electronics and Semiconductor Association (IESA) has said that imposition of a 25 per cent or higher tariff on semiconductors by the US is expected to have significant consequences for the global chip industry. It, however, may not have any major short-term impact on India.

This move may potentially violate the Information Technology Agreement (ITA) — an international treaty that the US and many countries have signed. As a result, major US semiconductor companies could resist the tariffs, given that many rely on Asian foundries and OSAT (Outsourced Semiconductor Assembly and Test) facilities for production, Ashok Chandak,



**SENDING SHOCK WAVES.** A 25% tariff will significantly increase the cost of semiconductors imported into the US from Taiwan, South Korea and China ISTOCK.COM

President, IESA, said.

"This move will impact costs, supply chains, innovation and geopolitical relations, shaping the industry's future in multiple ways," he explained.

"India, however, is unlikely to experience any major short-term consequences due to this tariff, as it is not a major exporter of semiconductors to the US. Moreover, India's import duty on semiconductors is already zero, meaning there are no reciprocal tariff concerns," he said in a statement on Thursday.

He said that the most of India's upcoming semiconductor manufacturing and OSAT facilities cater to

global brands. India's increasing semiconductor demand will rely on locally manufactured chips, minimising reliance on imports. "In the long run, Indian semiconductor brands will not be at a major disadvantage, as the US tariff is expected to apply uniformly to all exporting nations," he said.

## IMPACT ON US USERS

A 25 per cent tariff will significantly increase the cost of semiconductors imported into the US, particularly from Taiwan, South Korea and China, which dominate the global chip manufacturing space. The additional cost, Chandak said, will likely be

passed on to consumers, making smartphones, laptops, electric vehicles and industrial electronics more expensive. Companies that depend on semiconductor imports, such as Apple, Nvidia and Tesla will face increased production costs, potentially leading to reduced profit margins or higher consumer prices.

"Things are moving at a breathless pace with day-to-day changes in the US administration's stance on international trade. What is clear is that their preference for a bilateral, or country-to-country, approach, with multilateral trading blocs taking a back seat. Reciprocity and retaliation are the order of the day. The considered approach to take right now is to keep all options open," said Nitin Bajaj, Chief Operating Officer of NeoLync.

Yugal Joshi, Partner with Everest Group, said that India's semiconductor industry does not have much scale or global impact to worry about these tariffs. "Given that the US is the largest market for semiconductor, companies do not have much leeway but

to agree and align with this," he said.

"Theoretically, companies may want to offset this cost increase by investing in India to build chips for other regions. However, India lacks such maturity in chip design, manufacturing and supply chain," he said.

"The key risk is some chip companies that wanted to invest in India may not get compelled to invest in manufacturing in the US now, which can reduce the investment pie available for India," he said. "I think we must go and evaluate each specific case independently and then make those assessments. But our philosophy is to operate locally,"

Santhosh Viswanathan, Vice-President and Managing Director (India Region) of Intel Corporation, said.

"We must rely on the rules of the land. As some of these policies pan out, we will look at the issues and how we can service our customers and markets better in that environment," he said.

With inputs from Sanjana B in Bengaluru