



## US tariffs What it means for India's auto sector



### The impact of the US tariffs on India's auto sector

Specified automobile and auto parts at 25 percent vide Proclamation dated 26 March 2025.

**Applicable tariffs**

Other automobile and auto parts, at 10 percent - vide Executive Order dated 2 April 2025. A baseline tariff of 10 percent is applicable from 5 April 2025 and a country-specific tariff of 26 percent is likely to take effect from 9 July 2025.

#### Coverage under auto-specific order

##### **Automobile:** (effective from 3 April 2025)

- Passenger vehicles (sedan, sports utility vehicles, crossover utility vehicles, minivans and cargo vans) – 12 specific Harmonised Tariff Schedule of the United States (HTSUS)
- Light trucks- 5 specific HTSUS

##### **Automobile parts:** (to be effective on or before 3 May 2025)

Engine and engine parts, transmission powertrain parts, electrical components of passenger vehicles and light trucks – 127 specific HTSUS



### India's trade with the US

The US is a key market for Indian auto components. In 2024, India exported auto components worth ~US\$2.2 billion to the US, which accounts for ~29.1 percent of the country's total auto component exports. New tariffs may significantly affect India's auto component exports to the US.

#### **Opportunity in adversity:**

While India faces additional tariffs in the US, it may have a comparative advantage vis-à-vis its Asian neighbours as they will face higher reciprocal tariffs. China- 125 percent, Bangladesh- 37 percent, Sri Lanka- 44 percent, Vietnam- 46 percent and Indonesia- 32 percent.

#### Key points to be noted

- These tariffs are in addition to the existing tariffs.
- Determining the value on which the additional tariffs will be levied is critical.
- The possibility of availing duty drawback needs to be considered.

### What should Indian exporters do?

Determine the applicability of relevant proclamation/order for the goods exported

Conduct a tariff impact assessment for thorough understanding of the supply chain, trade flows and contractual obligations

Make necessary adjustments in the supply chain (including pricing policies), shifting of trade routes and optimise procurement strategies

Push for coverage of automobiles and auto components under the Bilateral Trade Agreement between India and the US

Determine the component of US originating goods embedded in the value of exported goods

Establish internal responsibilities for monitoring trade development to enhance organisational readiness