

## U.S. Tariff Shock & India's Pharma Sector

*Prelims: Current events of national and international importance | Economy*

### Why in News?

*In September 2025, the U.S. announced a 100% tariff on branded and patented pharmaceutical imports effective October 1, 2025, leaving India's pharmaceutical industry at a critical crossroads.*

### India's Pharma Position

- **Pharmacy of the World** - India's pharmaceutical industry is valued at \$50 billion, contributing **1.72% of national GDP**.
- **Export strength** - Ranked as the **3<sup>rd</sup> largest exporter by volume**, shipped \$27 billion in 2023, rising to \$30.47 billion in FY25.
- **Growth** - The sector's 10%-12% CAGR adds 0.5%-1% to GDP growth annually, bolstering forex reserves.
- **Generics dominate** - Generics form the backbone of India's exports, accounting for 70% of exports to the U.S. and Europe.
- **U.S. dependence** - Exports to the U.S. alone reached \$9 billion in FY25, a 14.29% surge year-on-year, and India supplies 40% of U.S. generics.
- **Import Vulnerability** - India imports \$5 billion worth of active pharmaceutical ingredients (APIs) mainly from China (72% share), thereby exposing its supply chain to risks.
- **Domestic Reforms** - GST rationalisation (September 22, 2025), aligned with Ayushman Bharat, reduced drug/device costs and boosts consumption by 8%-10%, insulating markets from tariff-driven hikes.
- **Pharma Diplomacy** - 6 MoUs signed with Trinidad & Tobago (July 2025), Singapore API pact and expanded Serum Institute's collaboration in low-middle-income nations.
- **Trade Promotion** - iPHEX (the international pharmaceutical exhibition) could double exports to Africa significantly.

### U.S. Tariff Shock (2025) -

- **Target** - It **targeted branded drugs** (unless made domestically).
- **Potential Impact** - If extended to generics, could cut export revenues by 10%-15%, trimming GDP growth by 0.2%-0.3% in FY26.
- **Firm-level risks** - Some firms with over 30% U.S. exposure face rerouting costs, regulatory hurdles, API inflation (up 5%-7%), and stalled research and development.
- **Strategic shift** - This tariff shock could spur **"China-plus-one" strategies**,

redirecting exports to Africa and Southeast Asia, potentially raising India's regulated market share from 3% to 3.5% by 2030.

## Quick Fact

### Global Context about Pharma Sector

- **Global pharmaceutical exports** - In 2024, exports were valued at over \$850 billion, driven by ageing populations, chronic diseases, and post-COVID-19 innovation.
- **Top exporters** - Germany (\$119.85 billion), Switzerland (\$99.08 billion), and the U.S. (\$90.30 billion) in 2023-24,
- **Top importers** - U.S. (\$212.67 billion in 2024), Switzerland, Germany, Belgium, and China.
- **Global Trade Dynamics - West vs East** -
  - West emphasises innovation, with the U.S.-EU pact focused on supply chain security,
  - East leverages scale, as China and India expand their biotech and pharmaceutical footprint.
- **Tariff Risk Mitigation** - With 35% of pharmaceutical exports U.S.-bound, eastern alliances could offset 20%-25% of tariff risks.

## Reference

[The Hindu | The U.S. tariff shock, India's pharma future](#)

