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 ***3rd 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

