

# PwC's US Tariff Industry Analysis – Pharmaceutical, Life Science, and Medical Device

March 17, 2025

## In brief

### What happened?

Since taking office on January 20, President Trump has introduced several policies and executive orders. On his first day in office, he issued the [America First Trade Policy](#), which launched an investigation into unfair trade practices, expected to conclude on April 1. A key component of this investigation, "Unfair and Unbalanced Trade," targets countries with significant annual trade deficits in goods, potentially subjecting them to country-specific tariffs. This includes several European Union nations (e.g., Germany, Ireland, and Italy), Asian jurisdictions (e.g., Vietnam, Japan, and Taiwan), and other global trade partners. A review of unfair trade practices by other countries and a consultation with respect to the United States-Mexico-Canada Agreement (USMCA) also are key components of the investigation.

Additionally, on February 13, President Trump introduced the [Fair and Reciprocal Plan](#), designed to evaluate and impose reciprocal tariffs on countries that enforce higher duties/tariffs on US goods, including through a value-added tax or other non-tariff barriers. The European Union, India, and Japan have been identified as potential targets due to their tariff policies on American products. In addition, at the House GOP Issues Conference in Miami on January 27, 2025, and then again during a press conference in Palm Beach on February 18, 2025, President Trump announced plans to impose 25% tariffs on imported pharmaceuticals, in addition to semiconductors and automobiles.

Both the America First Trade Policy and the Fair and Reciprocal Plan are expected to have their investigations completed by April 1 with potential new tariffs as soon as April 2.

## Why is it relevant?

Importers and purchasers across all sectors, including the Pharmaceutical, Life Science, and Medical Device industry, must assess the impacts of these new policies on a go-forward basis. In PwC's US Tariff Industry Analysis, the data reflects that the total tariff measures could increase from \$0.5 billion a year to nearly \$63 billion a year for the Pharmaceutical, Life Science, and Medical Device industry, although that figure does not take into account countermeasures that trading partners may impose, or behavioral adjustments that companies may make, in reaction to US policy changes. In addition, if pharmaceutical tariffs of 25% are imposed on this sector, tariff revenues could increase by approximately \$76 billion.

The industry could face immediate adverse impacts given its heavy reliance on foreign countries for raw materials and manufacturing. Specifically, impact could include margin erosion, higher drug prices for US consumers, and supply chain disruption. While the industry has historically benefitted from predominantly duty-free and low duty rates, the Trump administration has signaled a higher probability that increased tariffs will be imposed due to its desire to increase production in the United States.

## Action to consider

As tariff rates continue to evolve, it is crucial for US multinational corporations to assess the impact of these trade policies on their business operations and supply chains.

Each multinational corporation, including those not currently subject to tariffs, should assess the pre/post impact of the tariffs on its earnings per share and overall shareholder returns. Focusing the impact assessment at operating profit potentially could create a drag on earnings per share based on the implication of corrective actions on the statutory model. It is crucial for companies to model the changes to have data-driven insights that inform strategic decisions moving forward. Specifically, companies within the Pharmaceutical, Life Science, and Medical Device industry could consider refreshing their operational strategy, including potential changes to a company's overall supply chains, alternative materials sourcing strategies, manufacturing and intangible property (IP) locations, as well as alternative logistics solutions.

Pharmaceutical, Life Science, and Medical Device companies should evaluate the customs valuation of goods and consider strategies that could result in a lower basis of customs valuation upon which duties would be assessed, such as first sale for export and related transfer pricing strategies. In addition, companies should confirm they are declaring the correct country of origin for products being imported into the United States, as complex supply chains and conflicting rules of origin for pharmaceutical products across World Trade Organization countries may result in incorrect origin declarations and unnecessary duties.

## In detail

### Status of tariffs

In terms of tariffs imposed on specific countries, the main focus has been on China, Canada, and Mexico. However, the trade policy landscape remains highly fluid, with new developments arising from additional tariff orders, ongoing investigations, social media posts, and statements from press conferences. **Below are the current US Import Tariffs (as of publication date).**

Country	Rate	Date
<b>China</b>	Up to 25% Majority of goods, or up to 50% for certain classifications, and 100% for electric vehicles	2018 to Feb 2025
	20% All products (including products from Hong Kong)	Feb 4, 2025
<b>Mexico</b>	25% All products (Tariffs delayed until April 2 for goods (including automobiles) covered by USMCA)	March 4
<b>Canada</b>	25% All products except energy (Tariffs delayed until April 2 for goods (including automobiles) covered by USMCA) 10% for Energy or energy resources	March 4
<b>Rest of World</b>	TBD - <b>America First Trade Policy</b> Investigation	April 1
	TBD - <b>Fair and Reciprocal Plan</b> Investigation	April 1 - Aug 12
<b>All Locations</b>	Steel & Aluminum: 25% tariff on covered imports from all jurisdictions	March 12
<b>All Locations</b>	De minimis - Proposed prohibition on de minimis entries for all goods subject to Sec.301, Sec. 232, or Sec. 201, and IEEPA tariffs	TBD

### Tariff analysis overview

To illustrate how impactful these tariffs might be, PwC prepared a US Tariff Industry Analysis using 12 months (January 2024 through December 2024) of US Census data, along with Trump’s current tariffs on China and proposed tariffs for Canada and Mexico. PwC also prepared potential directional proposed tariff estimates on reciprocal tariffs for the remaining Rest of World (ROW) jurisdictions using various sources, including World Trade Organization data and Most Favored Nation rates. For the reciprocal tariffs, PwC has made calculations to account for a combination of Sec. 2 (a): tariffs imposed on United States products and Sec. 2 (b): extraterritorial taxes (e.g., VAT) of the Fair and Reciprocal Plan. PwC did not make any estimates for retaliatory tariffs or for the factors listed within Sec 2(c), 2(d), or 2(e) of the Fair and Reciprocal Plan.

PwC’s US Tariff Industry Analysis encompasses all US imports that cover over 100 industries and imports from over 230 jurisdictions into the United States. The results of the tariffs under the Trump administration among the “Dutiable” and “Non-dutiable” groups for the Pharmaceutical, Life Science, and Medical Device industry are illustrated in Figure 1 below.

**Figure 1: US annual imports (January 2024 through December 2024): Comparison of “Dutiable” vs. “Non-dutiable” goods pre-election vs. the potential impact of Trump’s newly imposed and proposed tariffs for the Pharmaceutical, Life Science, and Medical Device Industry**

Type of Goods	Pre-election		Imposed and potential Trump tariff impact					Total Impact*
	Import Value	Current Tariff	China/HK at 20%	Mexico	Canada	Potential ROW	Total Additional Prospective Impact*	
<b>Dutiable</b>	<b>\$9B</b>	\$0.5B	\$0.8B	\$0.0B	\$0.0B	\$1B	\$2B	\$2B
<b>Non-Dutiable</b>	<b>\$294B</b>	\$0	\$3B	\$3B	\$2B	\$53B	\$60B	\$60B
<b>Total*</b>	<b>\$303B</b>	\$0.5B	\$4B	\$3B	\$2B	\$54B	\$62B	\$63B

Source: PwC Tariff Industry Analysis relying on US Census Bureau, “Monthly U.S. Imports by North American Industry Classification System (NAICS) Code,” January 2024 – December 2024.

\*Differences in total amounts are due to rounding

Approximately \$303 billion of imported goods entered the United States in the last year for the Pharmaceutical, Life Science, and Medical Device industry. Of that total, approximately \$294 billion entered duty free. The Trump administration's stated policies pertaining to Canada and Mexico and other trading partners suggest that the status of Free Trade Agreements (FTAs) and Special Trade Programs vis-a-vis proposed tariffs may be in jeopardy, and additional tariffs will apply on top of any existing FTA and Special Trade Program benefits.

Implementation of tariffs on pharmaceuticals, such as the recent imposition of an incremental 20% tariff on all goods from China, is contrary to the United States' longstanding participation in the World Trade Organization's 1994 Agreement on Trade in Pharmaceutical Products, which broadly eliminated tariffs on most pharmaceutical products. Going forward, this shift could result in duties and fees being assessed on the full US import value of \$303 billion (including the approximately \$294 billion that is currently "Non-dutiable"), encompassing a multitude of US imports previously exempt from tariffs.

The estimated annual total tariff amount for Pharmaceutical, Life Science, and Medical Device industry could increase dramatically to nearly \$63 billion (from \$0.5 billion), with approximately \$2 billion derived from "Dutiable" goods and approximately \$60 billion derived from "Non-dutiable" goods (the latter reflecting an increase from zero tariffs today). Moreover, tariffs could increase by \$76 billion if sector-specific tariffs of 25% are imposed on the industry. Many US multinationals in the Pharmaceutical, Life Science, and Medical Device industry have structured their supply chains based on longstanding near-zero tariffs on active pharmaceutical ingredients, medical components, and raw materials. The imposition of tariffs on previously "Non-dutiable" goods, such as drug ingredients, surgical instruments, and medical device components, could significantly disrupt sourcing strategies, increasing manufacturing costs and potentially leading to higher prices for essential medicines and healthcare products. This shift may force companies to reconfigure supply chains, seek domestic alternatives, or absorb higher costs, impacting overall profitability and market competitiveness.

A wide array of exporting jurisdictions likely will be affected by Trump administration's tariffs. Figure 2 below shows the top exporting countries into the United States for the Pharmaceutical, Life Science, and Medical Device industry broken out by potential tariff and annual tariff increase.

**Figure 2: Top 10 US importer jurisdictions and potential tariff impact: Pharmaceutical, Life Science, and Medical Device industry**

Jurisdiction	Annual % of US imports	Additional tariff %*	Estimated tariff increase \$
Ireland	26.1%	25%	\$19.5B
Germany	7.3%	20%	\$4.5B
Switzerland	7.3%	9%	\$1.8B
Singapore	6.7%	9%	\$1.8B
China	6.0%	Additional 20%	Additional \$3.6B
Italy	4.6%	23%	\$3.3B
India	4.4%	28%	\$3.4B
Belgium	4.2%	23%	\$2.9B
Mexico*	4.0%	25%	\$3.1B
Japan	3.1%	10%	\$0.9B

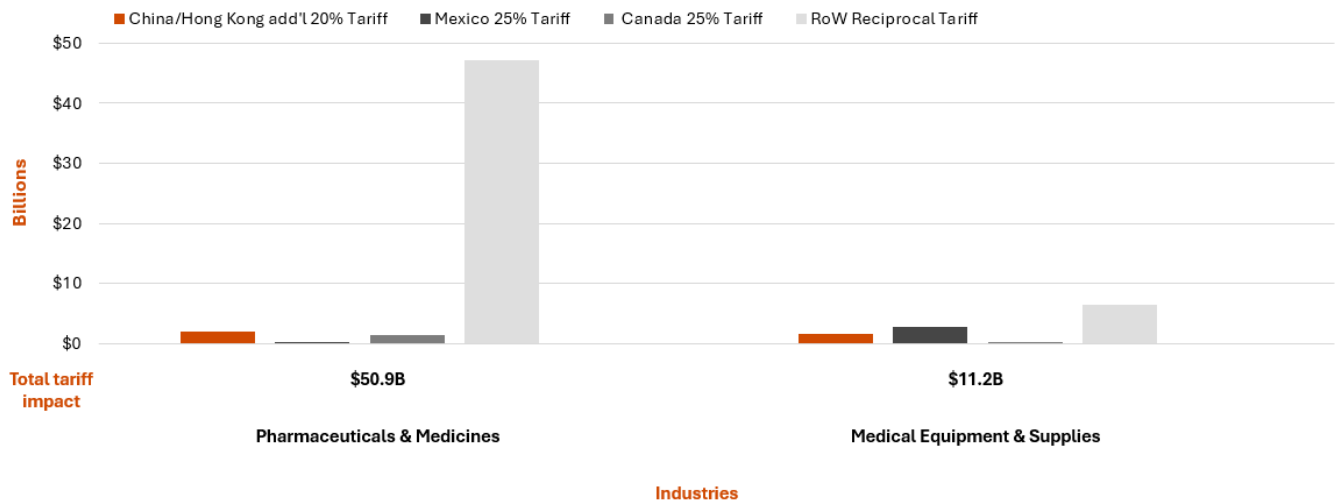
\*The Mexico analysis assumes tariffs would be applied to all tangible products coming from Mexico into the United States, regardless of tax structure (e.g., if the company is a Maquiladora, toll manufacturer, or contract manufacturer). The percentage for jurisdictions other than Mexico, China, and Canada are the potential reciprocal tariff rates.

Multinationals with operational footprints in Ireland, Germany, and Switzerland may be significantly impacted by the potential tariffs, particularly in the Pharmaceutical, Life Science, and Medical Device industry. Ireland, a major exporter of pharmaceuticals, faces potential disruptions and cost increases for its billions in drug exports into the United States. Germany, known for its medical devices and pharmaceutical exports, risks higher prices and supply chain instability due to the tariffs. Switzerland, home to major pharmaceutical companies, could see its products become more expensive and less competitive in the US market. In addition, China has become a key supplier for raw materials used in the production of active pharmaceutical ingredients and has a sizeable production footprint for generics and biosimilars. These tariffs threaten to increase costs for US consumers and healthcare providers while disrupting global supply chains.

### Top impacted industries

To analyze the current vs. proposed tariff state, Figure 3 summarizes the prospective annual impact for the top segments within the Pharmaceutical, Life Science, and Medical Device industry with the largest incremental increase of potential tariffs.

**Figure 3: Top segments within Pharmaceutical, Life Science, and Medical Device industry – impact by potential rate per jurisdiction**



Source: PwC Tariff Industry Analysis relying on US Census Bureau, "Monthly U.S. Imports by North American Industry Classification System (NAICS) Code," January 2024 – December 2024.

Previously exempt from most tariffs, companies within the Pharmaceutical, Life Science, and Medical Device industry could have a large exposure if the Rest of World rates are enacted and there are no exemptions or exclusion programs announced.

In response to President Trump’s implementation of a 10% additional tariff on imports from China on February 4 and an incremental tariff of 10% on March 4 under the authority of the International Emergency Economic Powers Act (IEEPA), China already has announced its own retaliatory actions, which have included imposing tariffs on certain US exports. In addition, China also has filed a complaint with the World Trade Organization over these tariffs.

### Reciprocal tariffs may be on the horizon

To help shed light on the America First Trade Policy investigations concerning “Unfair and Unbalanced Trade,” PwC also has used the US Tariff Industry Analysis to illustrate the top 20 jurisdictions with US trade deficits in Figure 4 below.

**Figure 4: Top 20 annual trade deficit jurisdictions in 2024**

Jurisdictions	Total export Value	Total import Value	Trade balance*
China	\$144B	\$418B	(\$274B)
Mexico	\$334B	\$490B	(\$156B)
Vietnam	\$13B	\$140B	(\$126B)
Ireland	\$17B	\$92B	(\$76B)
Germany	\$76B	\$147B	(\$71B)
Taiwan	\$42B	\$113B	(\$70B)
Japan	\$80B	\$144B	(\$64B)
South Korea	\$66B	\$127B	(\$62B)
Thailand	\$18B	\$63B	(\$45B)
India	\$42B	\$86B	(\$44B)
Italy	\$32B	\$71B	(\$38B)
Canada	\$349B	\$386B	(\$37B)
Switzerland	\$25B	\$57B	(\$32B)
Malaysia	\$28B	\$50B	(\$22B)
Indonesia	\$10B	\$28B	(\$18B)
Austria	\$4B	\$17B	(\$12B)
Cambodia	\$0B	\$13B	(\$12B)
Sweden	\$8B	\$17B	(\$9B)
Hungary	\$3B	\$12B	(\$9B)
France	\$44B	\$52B	(\$9B)

\*Differences in total amounts are due to rounding

In the Pharmaceutical, Life Science, and Medical Device industry, jurisdictions such as Ireland, Switzerland, and India play a crucial role in supplying critical medicines and healthcare equipment. Tariffs could lead to increased drug prices, higher costs for hospitals, and potential shortages in the healthcare supply chain, which may put additional strain on consumers and medical providers.

### Potential mitigation strategies

As a result of the anticipated disruptions to global commerce and trade, costs associated with production, regulatory, and tax compliance are expected to rise and potentially multiply for many companies. Companies within the Pharmaceutical, Life Science, and Medical Device industry reliant on global sourcing should proactively adapt to this evolving trade environment to mitigate financial and operational risks across the value chain. This would necessitate a multi-faceted approach across the supply chain, trade and customs, and tax departments as illustrated below.

Area	Key impacts and challenges	Mitigation strategies
1 Company Overall	<ul style="list-style-type: none"> <li>Reduced US gross margin/operating profit</li> <li>Earnings per share erosion</li> <li>Future cost uncertainty</li> </ul>	<ul style="list-style-type: none"> <li><b>Perform pre/post scenario analysis</b> – an end-to-end assessment to understand your impact down to the individual import. Modeling is crucial and these models may vary significantly by sub-sector</li> <li><b>Advocate policy</b> – request that new tariffs allow for exclusions or potential duty drawback</li> <li><b>Evaluate options</b> – for potential US domestic production or sourcing, as well as operating model</li> <li><b>Develop your strategy</b> – with a holistic approach covering supply chain, trade and customs, as well as tax</li> <li><b>Competitive pricing</b> – assess competitor pricing to evaluate if price adjustments remain competitive, especially if rivals source materials at lower costs</li> </ul>
2 Trade & Customs	<ul style="list-style-type: none"> <li>Increased compliance</li> <li>Additional tariff recovery measures</li> <li>Limited team bandwidth</li> </ul>	<ul style="list-style-type: none"> <li><b>Defer duty</b> – leverage foreign trade zones or bonded warehouses to increase cash flow and potential duty deferral benefits</li> <li><b>Recover duty</b> – utilize duty recovery programs such as Duty Drawback</li> <li><b>Re-evaluate value</b> – potentially lower the basis of customs value using First Sale for Export or other valuation strategies</li> <li><b>Revisit the basics</b> – potentially change to a lower duty tariff code via product or packaging modifications</li> <li><b>Shift country of origin</b> – to avoid tariffs driven by a shift of significant value-add activities</li> </ul>
3 Supply Chain	<ul style="list-style-type: none"> <li>Increased import and overarching landed cost</li> <li>Imbalance on US vs. non-US sourcing cost</li> <li>Pressure on supplier and customer pricing</li> </ul>	<ul style="list-style-type: none"> <li><b>Conduct US sourcing and manufacturing dependency analysis</b> – examine key dependencies of supplying and manufacturing countries, suppliers, and products that may help with potential sourcing and manufacturing planning</li> <li><b>Revise supply chain strategy</b> – assess the financial exposure posed by the proposed tariffs through end-to-end supply chain modeling. Scenario analysis can identify vulnerabilities or opportunities (e.g., onshoring). Determine alternative strategies that may include changes in suppliers, manufacturing footprint, use of free trade zones, postponement strategies, and product redesign, etc.</li> <li><b>Consider flexibility and / or resiliency options across the supply chain</b> – assess scenarios and costs to dual-source manufacturing of key product lines for the US market, including the positive impact of increased business continuity planning as part of the overall risk management strategy</li> <li><b>Consider retaliatory tariffs</b> – understand how retaliatory measures by trade partners may impact your operating model</li> </ul>
4 Tax	<ul style="list-style-type: none"> <li>Transfer Pricing disruption</li> <li>Transaction and functional recharacterization</li> <li>Generate cash through tax operating model enhancements</li> </ul>	<ul style="list-style-type: none"> <li><b>Assess transfer pricing policy</b> – determine whether post-tariff impact on imported goods (and associated service and intangible transactions) may move intercompany margins out of arm's length range, requiring proactive review and adjustment to maintain ongoing compliance</li> <li><b>Analyze transactional and functional characterization</b> – including product price unbundling, realignment of assets and risks, to adjust import value of US destined goods</li> <li><b>Revisit tax operating model</b> – identify overall income tax impacts and opportunities such as mix of income, tax attributes, incentives as part of the company's re-evaluation of supply chains (generate 'above-the-line' cash savings)</li> </ul>

## The takeaway

Pharmaceutical, Life Science, and Medical Device companies should evaluate how potential tariffs could impact their overall business model and annual operating profit. Utilizing data-driven insights is critical to help drive strategic decisions and identify viable options moving forward. Aligning supply chain, tax, customs, and financial strategies is essential to reduce risks and avoid unexpected costs. Effective management of inter-company pricing can help address the conflicting priorities of tax authorities and customs agencies. By adopting a coordinated approach, businesses can navigate these complexities while maintaining stability and achieving an effective governance and compliance framework.

## See also

- [PwC's US Tariff Industry Analysis: How Trump's tariffs could impact US companies](#)

## Let's talk

PwC is utilizing industry data and schedules to run tailored analyses of companies' operating models. For a deeper discussion of how the Trump administration tariffs might affect your business or if you would like to have your data run within the proprietary PwC Tariff Industry Analysis, please reach out to your PwC contact or one of the following contacts:

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