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exceeding expectations

# US Tariffs: A Deep Dive

*Challenges and Opportunities for the Electronics,  
Information Technology and Automotive Sector*

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# Tariff Actions by Trump 1.0

Legislations	Actions	Coverage
Steel and Aluminium (Sec 232 Tariffs)	<ul style="list-style-type: none"><li>• Steel Tariffs of 25% (2018)</li><li>• Aluminium Tariffs of 10% (2018)</li><li>• Extended to certain derivatives of Steel and Aluminium (2020)</li></ul>	<ul style="list-style-type: none"><li>• Country and product specific exemptions (by Trump &amp; Biden administrations)</li></ul>
Several Goods (Sec 301 Tariffs)	<ul style="list-style-type: none"><li>• Tariffs varying from 7.5% to 25% on goods of China<ul style="list-style-type: none"><li>• \$34 Billion: List 1</li><li>• \$16 Billion: List 2</li><li>• \$200 Billion: List 3</li><li>• \$300 Billion: List 4</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Wide coverage of products</li><li>• Specified Tariff items under the four lists</li></ul>

*Sec 232 of Trade Expansion Act, 1962: Safeguarding national security*

*Sec 301 of Trade Act, 1974: Relief from unfair trade practices*

# Tariff Actions by Trump 2.0

Legislations	Actions	Coverage
China Tariffs (IEEPA)	<ul style="list-style-type: none"><li>• Feb 4: 10% Tariffs on Goods of China &amp; HK</li><li>• Mar 12: Increased to 20% on Goods of China &amp; HK</li><li>• National Emergency and public health crisis due to flow of fentanyl)</li><li>• Tariff item 9903.01.20 (separate entry)</li><li>• No drawback</li><li>• In addition to any other duty, charges, fee, AD/ CVD etc.</li></ul>	<ul style="list-style-type: none"><li>• All goods <i>(very limited exemptions: Certain donations, information materials, personal baggage, goods loaded/in transit)</i></li><li>• Certain Ch 98 entries exempted <i>(US goods exported w/o drawback and re-imported, imports by US Govt etc.)</i></li><li>• Value of repairs, alterations, or processing performed in the PRC</li><li>• Value of the article assembled in PRC less the cost or value of US products</li></ul>

*IEEPA: International Emergency Economic Powers Act, 1977: Unusual and extraordinary threat; declaration of national emergency; exercise of Presidential authorities*

# Tariff Actions by Trump 2.0

Legislations	Actions	Coverage
Steel and Aluminium (Sec 232 Tariffs)	<ul style="list-style-type: none"><li>• All previous exemptions withdrawn</li><li>• March 12: Aluminium and derivatives duty increased to 25% from 10% (Russia 200%)</li><li>• Expanded definition of derivatives</li><li>• April 4: Beer (2203 00) and empty aluminum cans (7612 90) added to Aluminium derivatives list</li><li>• No drawback</li></ul>	<ul style="list-style-type: none"><li>• Steel, Aluminium &amp; Derivatives</li><li>• Exemption to derivatives of Aluminum if smelted and cast in US</li><li>• Exemption to derivatives of Steel if melted and poured in US</li><li>• For derivative articles (not in Chapters 76 or 73), additional duty <b>ONLY</b> on aluminum or steel content<ul style="list-style-type: none"><li>• Eg: HTSUS 8547.90.00: <i>Electrical conduit tubing and joints therefor, of base metal lined with insulating material</i></li></ul></li></ul>

# Tariff Actions by Trump 2.0

Legislations	Actions
Mexico and Canada (IEEPA Tariffs)	<ul style="list-style-type: none"><li>• March 4 and 7:<ul style="list-style-type: none"><li>• 25% tariff on non-USMCA goods of Mexico and Canada (except Pot ash/energy products – 10%)</li><li>• All USMCA qualified goods exempted</li></ul></li></ul>

# Tariff Actions on Automobiles and Parts

Legislations	Actions	Coverage
Auto and Auto Parts (Sec 232 Tariffs)	<ul style="list-style-type: none"><li>• April 3: 25% tariff on automobiles</li><li>• USMCA qualified automobiles: Duty on approved non-US content for each model</li><li>• Other countries automobiles - No exemption for US content</li><li>• U.S. content refers to the value of the automobile attributable to parts wholly obtained, produced entirely, or substantially transformed in US</li><li>• May 3: 25% tariff on Automobile parts</li><li>• USMCA qualified parts: No duty unless systems in place to apply duty on non-US content</li><li>• Additional parts to be covered within 90 days and upon application by domestic producers</li><li>• No drawback</li></ul>	<ul style="list-style-type: none"><li>• Auto: Passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans, and cargo vans) and light trucks</li><li>• Auto Parts: Engines and engine parts, transmissions and powertrain parts, and electrical components of Passenger vehicles and light trucks</li><li>• Exemption to vintage cars (manufactured 25 yrs prior to entry)</li></ul>

# Tariff Actions on Low Value Shipments

Legislations	Actions	Coverage
Low Value shipments from China (IEEPA Tariffs)	<ul style="list-style-type: none"><li>• May 2: De-minimis exemption on parcels from China/HK withdrawn (as modified)<ul style="list-style-type: none"><li>• Subject to all normal duties including IEEPA tariffs (except International Parcels)</li><li>• 125%+MFN+Sec 301+AD/CVD etc.</li></ul></li><li>• International parcels from China/HK (as modified):<ul style="list-style-type: none"><li>• May 2: 120% (Intl Parcel \$100 per item)</li><li>• Jun 1: 120% (Intl Parcel \$200 per item)</li><li>• Exempt from MFN and other duties</li></ul></li></ul>	<ul style="list-style-type: none"><li>• De-minimis means shipments up to or lower than \$800</li><li>• <b>Exemption available for India and other countries (even 10% not applicable)</b></li></ul>



# Reciprocal Tariffs with 90 days pause for non-China

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- **EO of April 2, 2025 (IEEPA, Trade Act)**

- Declares a national emergency recognizing a threat to the US economy due to persisting trade deficit cause by:
  - lack of reciprocity in bilateral trade relationships
  - Disparate tariff rates
  - Non-tariff barriers
  - U.S. trading partners' economic policies

- **Tariff Structure (as amended by latest EO of April 8 and 9):**

- Effective from April 5, 2025, a 10% tariff on all imports into the US
- For China/HK/Macau, effective April 10, 2025, 125% tariff
- Effective July 9, 2025, increases to country specific reciprocal tariffs ranging from 11% to 50% as per Annex-1. The covered countries are those with significant trade surpluses with the US - 90 days pause from April 10 to July 8, 2025
- From July 9 (post pause period), India 26% and all countries not listed in Annex-1 continue at 10% tariff
- In addition to any other duties, fees, taxes, exactions, or charges applicable to imported articles
- De-minimis Exemption: Applicable till the time notified by the Secretary of Commerce

# Specific tariff rates proposed under Annex-1 (57 Countries) - from July 9

Country/Region	Tariff Rate	Country/Region	Tariff Rate
China/HK/Macau	125% (April 10)	Bangladesh	37%
European Union	20%	Indonesia	32%
Taiwan	32%	Malaysia	24%
Vietnam	46%	Myanmar (Burma)	44%
Japan	24%	Pakistan	29%
India	26%	Sri Lanka	44%
South Korea	25%	Thailand	36%
Cambodia	49%	Philippines	17%

*\*Unlike prior EOs (e.g., 20% IEEPA tariffs on China/HK), the current EO does not disallow drawbacks*

# Duty only on non-US content

- Duty applies only to the non-U.S. content, provided min 20 percent value is US originating.
- Example:

*Scenario 1:* US component worth \$20 is used in an exported product valued at \$100. The tariff of 10% will apply to the non-US content, which is  $\$100 - \$20 = \$80$ .

*Scenario 2:* If the US-made component's value is less than \$20 (e.g., \$15), the tariff of 26% applies to the full value of product of \$100.

US Component Value	Tariff Base	Tariff Amount (10%)
\$20	$\$100 - \$20 = \$80$	\$8
\$15	\$100 (full value)	\$10.00

- The “US content” is the value of an article attributable to the components produced entirely, or substantially transformed in, the US.

# Tariff Exemption on Smartphones, Computers, Semiconductor Chips, and other advanced electronics.

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- Presidential Memorandum (PM) dated April 11, 2025, clarifies exceptions to reciprocal tariffs.
- PM provides exemption from base line reciprocal tariffs of 10% as well higher country specific reciprocal tariffs including that 125% imposed on China.
- Defines “semiconductors” as exempt from reciprocal tariffs, covering products under specific Harmonized Tariff Schedule of the United States (HTSUS) codes.
- Includes semiconductors, electronic integrated circuits, smartphones, solid-state non-volatile storage devices, flat panel display modules, and various monitors (HTSUS Chapters 84 and 85).
- **Retroactive Application:** Duties collected on exempted products (e.g., semiconductors) since April 5, 2025, are eligible for refunds.
- Goods from China will still be subject to a 20% Tariff under Executive Order 14195 dated 01.02.2025

## On-going Investigation on Semi-conductors and their manufacturing equipments

# Calculation of Reciprocal Tariff

- Formula has been used to compute reciprocal tariffs:

$$\Delta\tau_i = \frac{x_i - m_i}{\varepsilon * \varphi * m_i}.$$

- $\tau_i$  represent the U.S. tariff of rate on country  $i$  and  $\Delta\tau_i$  reflects the change in the tariff rate.  $m_i > 0$  represent total imports from country  $i$ , and  $x_i > 0$  represent total exports.
- Decrease in imports due to a change in tariffs equals  $\Delta\tau_i * \varepsilon * \varphi * m_i < 0$ .
- Use of import/export data from US Census Bureau for 2024.
- Price elasticity of import demand,  $\varepsilon$ , was set at 4 and elasticity of import prices with respect to tariffs,  $\varphi$ , was set at 0.25
- Calculated rate divided by 2 - “discounted rate” for a country.

# Importance of Country of Origin

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## **RECIPROCAL TARIFFS ARE COUNTRY SPECIFIC - 'PRODUCTS OF XX COUNTRY'**

- Whether an electronics product is a 'Product of China' or 'Product of India' or 'Product of xx country'
- Proper declaration of Chapter 99 entry (Classification)
- Applicable reciprocal tariff for China/India/other country (April 10 / July 9)
- Determination of proper Ad valorem rate of duty applicable on Non-U.S. content

# Determining the Country of Origin

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- Section 304(a) of the Tariff Act of 1930 [19 U.S.C. § 1304(a) & regulation 19 C.F.R. § 134.1(b)]
  - “country of origin” is the country of manufacture, production, or growth of any article of foreign origin.
  - Work or material added to an article in another country must effect a substantial transformation in order to render such other country as the country of origin.
  - A substantial transformation occurs “when an article emerges from a manufacturing process with a name, character, or use which differs from those of the original material subjected to the process.”
- Fact-specific and determined on a case-by-case basis. Burden of proof is on person claiming the origin
- Key test - Extent of operations performed and whether the parts lose their identity and become an integral part of the new article
- Change in name
  - Weakest evidence of substantial transformation (*Koru N. Am. Vs USA*, 12 CIT 1120)
  - Courts have primarily focused on changes in use or character (*Precision Specialty*, 24 CIT 1029)

# Determining the Country of Origin

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- Change in character –
  - Component approach or essential character approach – whether valid?
  - Mere assembly of components may not change their character
  - Substantial alteration in the characteristics of the article or components
  - In assembly operations, US courts have often emphasized on imported components undergoing a physical change (*Uniroyal*, 3 CIT 226)
- Change in use
  - Test of pre-determined end use – whether valid?
- Subsidiary or additional factors which US courts have considered (*Superior Wire*, 11 CIT 615)
  - Extent and nature of operations performed – complexity
  - Value added during processing,
  - Change from producer to consumer goods,
  - Shift in tariffs codes



# Determining the Country of Origin

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- *Energizer Battery, Inc. case (2016)*
  - Fifty imported components from China assembled into flashlights in the US
  - 45% of total cost incurred in the US
  - The assembly process was not “*sufficiently complex*”
  - Court held that there was no change in name, character and use (imported components could still be called by their own names, components did not lose their physical identity and had a predetermined use at the time of import)
- *Cyber Power Systems (USA) Inc. (2023)*
  - 5 models of uninterruptible power supplies (“UPS”) and 1 model of surge voltage protectors (“SVP”) imported from Philippines
  - Whether Sec 301 duties apply because main component PCBA was imported from China?
  - *Court held: 4 models of UPS where PCBA was imported from China were ‘Products of China’*
  - *Court’s focus remained on essential component ‘PCBA’ and lack of evidence for complexity of process*

# China's retaliation to Reciprocal Tariffs

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- China imposed 125% retaliatory tariff on all US imports effective April 10, 2025
- 11 American firms (namely, BRINC Drones Inc, Domo Tactical Communications etc), including drone manufacturers, to its "unreliable entity list".
- Export controls on 16 American companies(namely, Universal Logistics Holdings, Inc., Sierra Nevada Corporation etc.) to prohibit the export of Chinese dual-use items.
- Anti-dumping investigations into imported medical CT X-ray tubes originating from the US and India (Targeted companies include GE HealthCare, Varex Imaging etc.)
- Announced export controls on seven varieties of rare-earth elements to the United States, including barium, gadolinium, and terbium. These minerals are critical components in various technologies, including semiconductors, infrared technology, fiber optic cables, solar cells, and military applications.

# Sector Analysis of Tariff Arbitrage - Opportunity for India

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# Opportunity For India- Time for quick action

- Effective April 10, advantage China Vs India (including low value shipments from May 1)
  - *China 125%+20%+MFN+301 Tariffs Vs. India MFN+10%*
- Effective July 9, 26% tariffs for India may increase the cost of India's exports, however, a tariff advantage ensues as compared to many competing nations. For instance,

Country	Tariff (apart from MFN)
China/HK	125%+20%+301 Tariffs
Taiwan	32%
Thailand	37%
Vietnam	46%
Indonesia	32%.

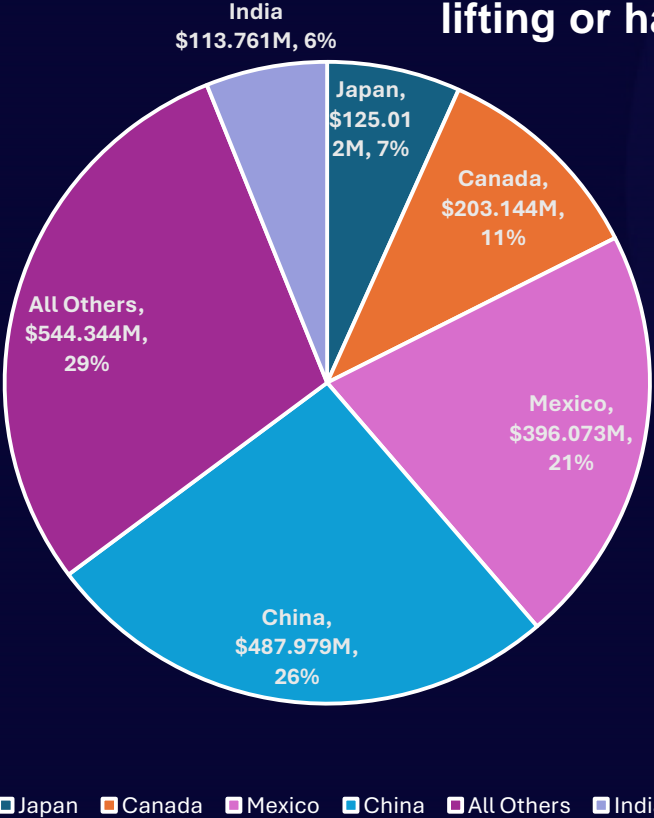
- Competitive advantage to India as compared to countries facing higher tariffs.

# Trade War and Opportunities for India: 2024 Trade Volumes

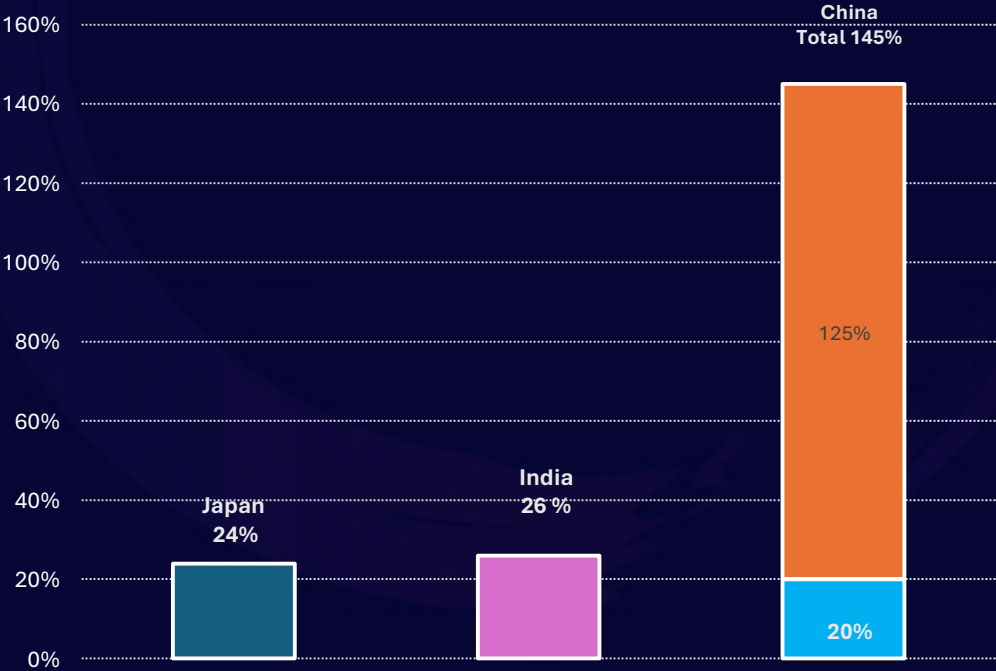
- US Imports from India (2024): \$91.2 billion, US Imports from China (2024): \$462.6 billion
- US Imports from India under Ch 84 & 85 (2024): \$ 21.5 billion, US Imports from China under Ch 84 & 85 (2024): \$ 212.1 billion

ILLUSTRATIVE IMPORTS BY U.S. (VALUES IN BILLION USD \$)				
SECTORS	China	India	Taiwan	Hong Kong
Machinery and mechanical appliances (Chapter 84)	85.13	7.1	57.91	0.062
Electrical machinery and equipment and parts thereof(Chapter 85)	127.06	14.4	32.45	0.299

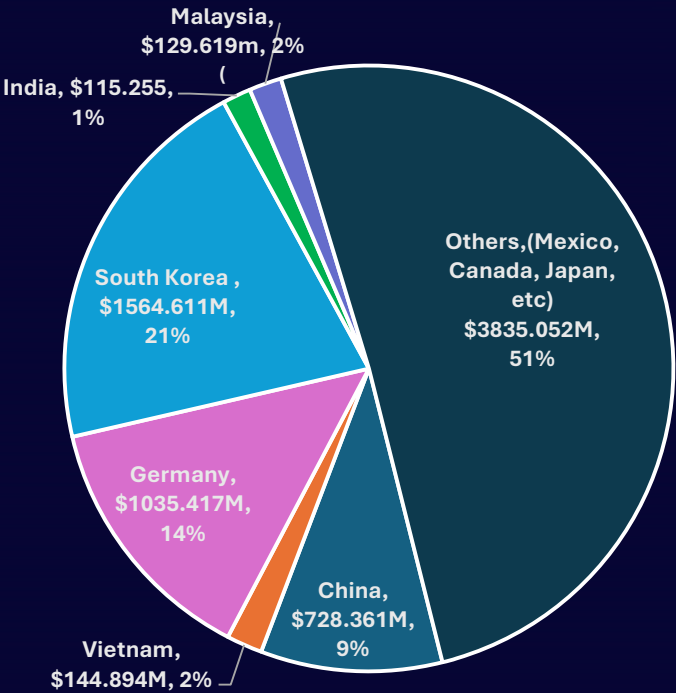
# Major Exporters to United States Parts of fork-lift trucks and other works trucks fitted with lifting or handling equipment(843120)



Trump Tariffs

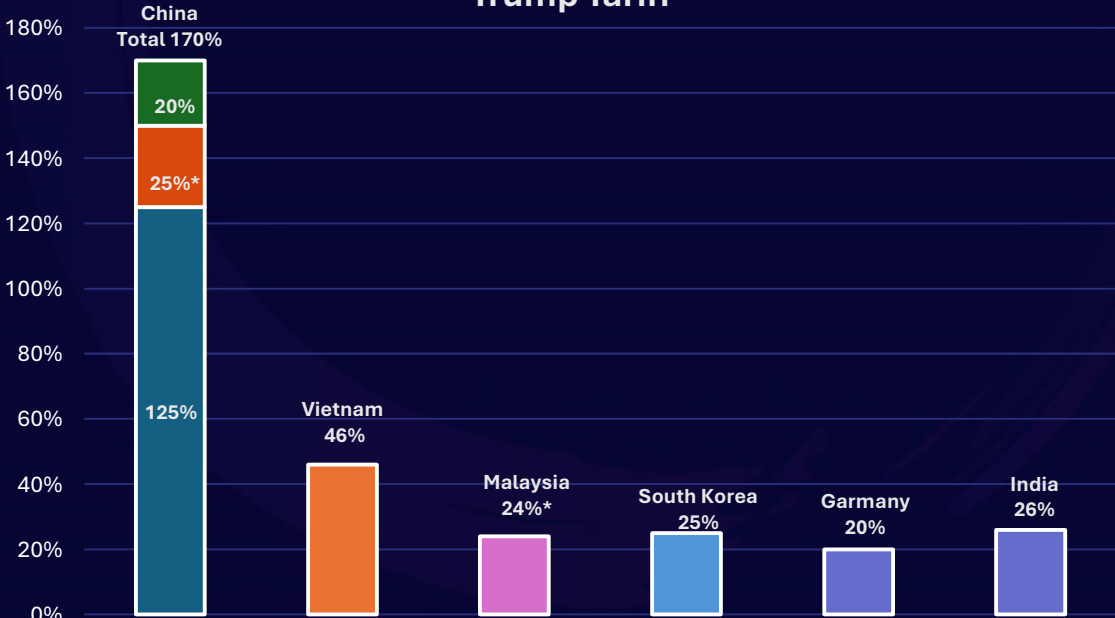


# Major Exports to Machines and mechanical appliances, n.e.s. (847989)



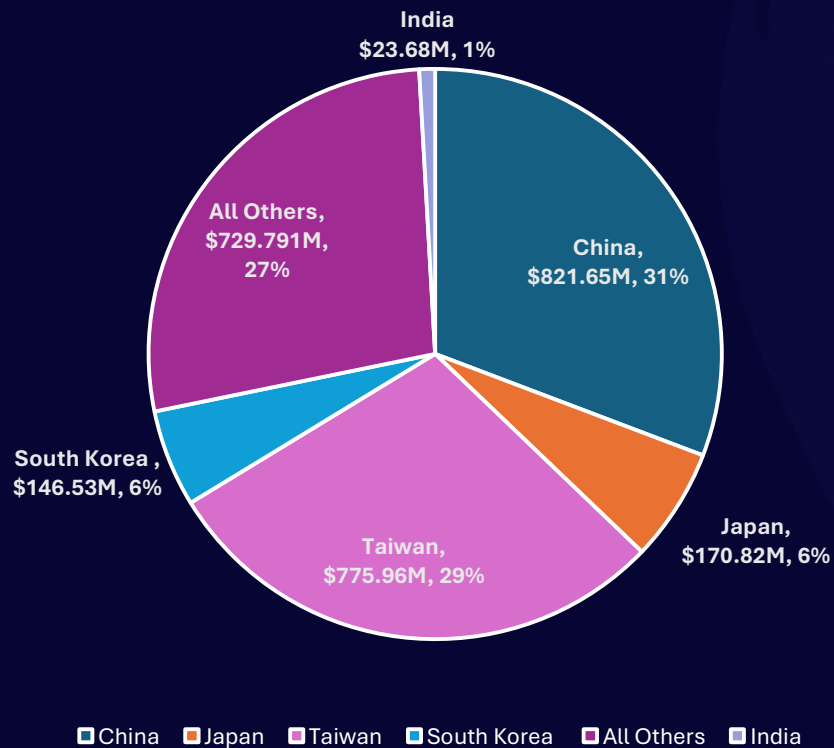
China Vietnam Germany South Korea India Malaysia Others

## Trump Tariff

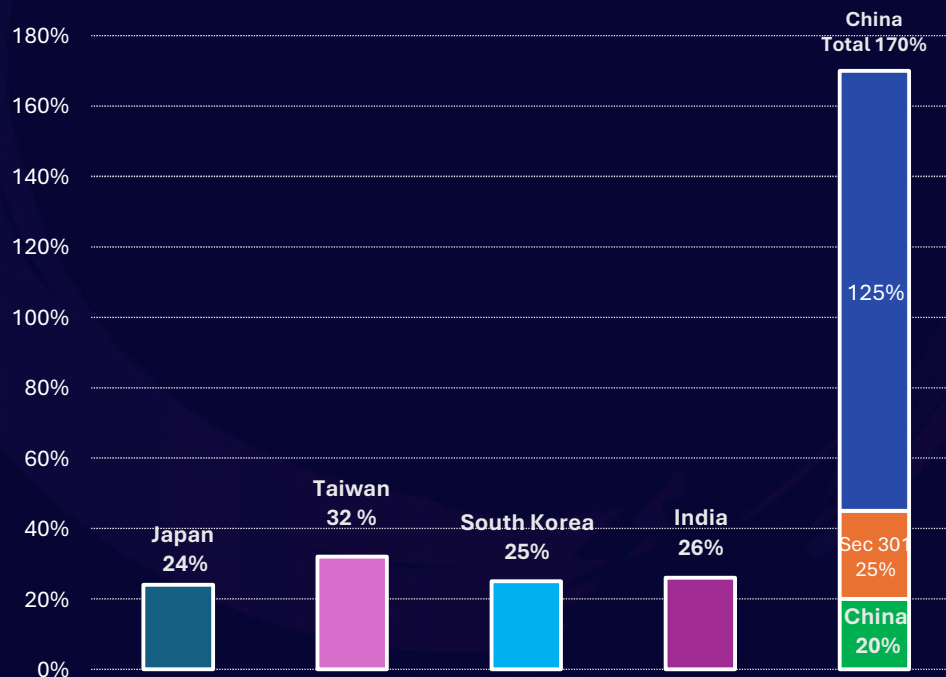


\*some articles of HTSUS 8479.89 at 8-digit level attracts 301 Tariffs of 7.5% or 25% as the case may be.

## Major Exporters to United States Printed circuits (853400)

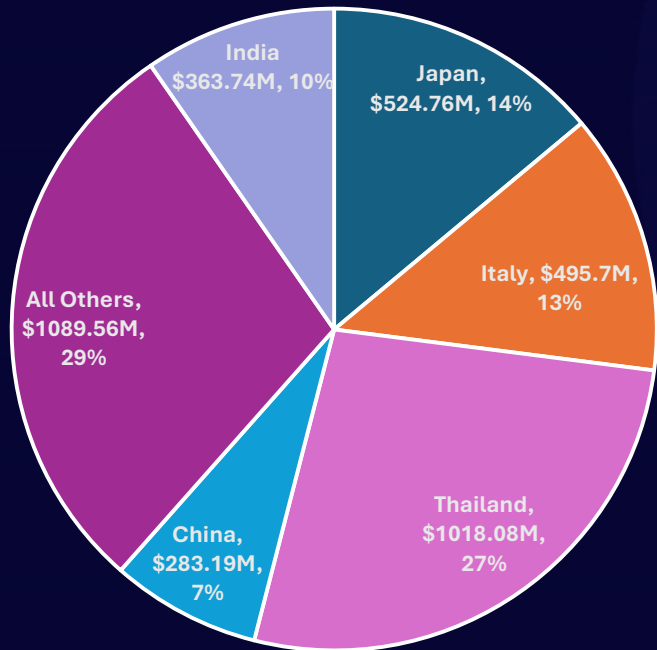


## Trump Tariffs



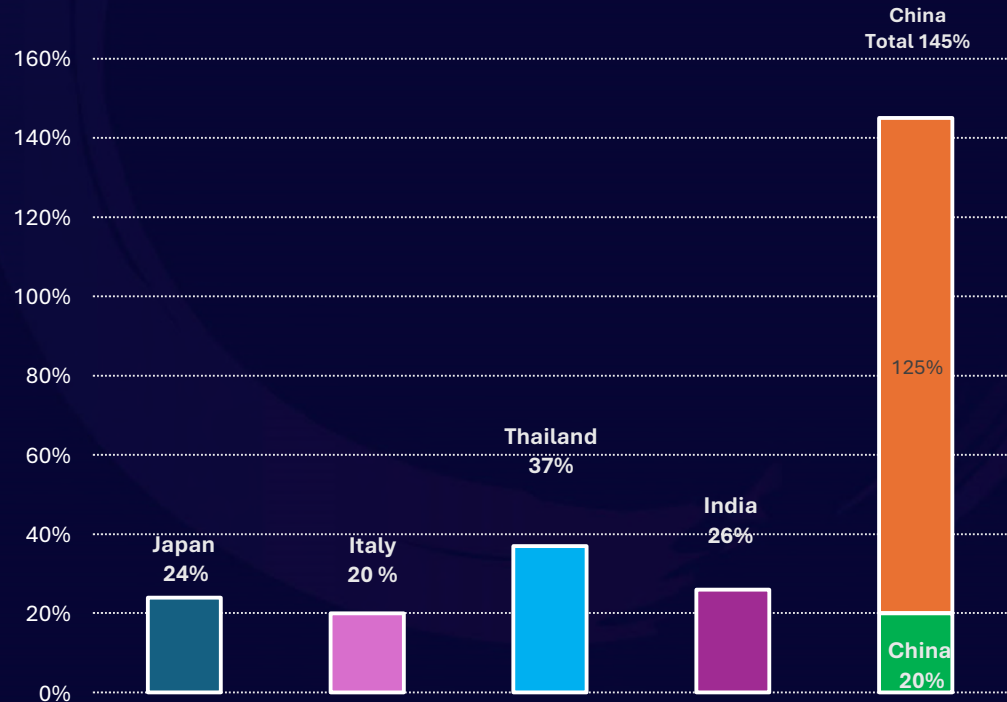


# Major Exporters to United States HTSUS 8504409570 INVERTERS (STATIC CONVERTERS)



Japan Italy Thailand China All Others India

## Trump Tariffs



China  
Total 145%

Thailand  
37%

India  
26%

Japan  
24%

Italy  
20%

China  
20%

# Mapping Trade Volumes: Automotive Sector

ILLUSTRATIVE IMPORTS BY U.S. OF AUTOMOBILES & THEIR PARTS (VALUES IN BILLION USD \$)							
PRODUCTS	TOTAL IMPORTS	MEXICO	JAPAN	CANADA	SOUTH KOREA	CHINA	INDIA
Automobiles and their Parts	391.4	137.2	51.2	50.76	45.38	17.98	2.8

ILLUSTRATIVE IMPORTS BY US OF MOTO CARS/ VEHICLES <10 PERSONS							
SECTORS	TOTAL IMPORTS	MEXICO	JAPAN	SOUTH KOREA	CANADA	CHINA	INDIA
8703 Motor cars/ vehicles <10 persons	219.4	49.98	40.76	38.02	28.4	3.8	0.016

# Mapping Trade Volumes: Automotive Sector (Cont.)

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- Automobiles/automobile parts - kept out of the purview of reciprocal tariffs, but subject to 25% ad valorem duty under Sec 232.
- India's major exports to US: parts of automobiles (chapter heading 8708).
- Competitive disadvantage to India w.r.t. Mexico and Canada:
  - Mexico and Canada are leaders in exports of automobiles/ automobile parts.
  - For Qualified automobiles under USMCA: duty @ 25% only payable on approved non-US content for each model.
  - USMCA qualified parts have been currently kept out of the purview of auto tariff of 25%.
  - Automobiles/automobile parts exported from India to US however will face 25% tariff.
- Competitive advantage to India over China:
  - Chinese exports of automobiles/ automobile parts will also be subject to 25% tariff like India.
  - Over and above 25% tariff, Chinese exports will be subject to 20% (IEEPA) ad valorem tariff also- which totals to 45% of effective tariff.

# Way forward

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- **Export and Investment opportunities**
  - Identify Tariff Arbitrage: Duties spread across legislations
  - Demand supply gaps
  - Engagement with Govt and NITI Ayog
  - Representations to Govt agencies (BTA)
- **Navigate the Challenges**
  - Avoiding circumvention
  - Proper classification, valuations, Rules of origin requirements
  - Price monitoring for trade actions of AD/CVD (SAS)
  - Look out for sanctioned countries/entities/individuals

# Questions & Answers

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Committed to International Standards in Information Security



THANK YOU!



exceeding expectations

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