Tax Insights
from Customs and International Trade

PwC's US Tariff Industry Analysis: What reciprocal and current tariffs may mean for US companies

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In brief

What happened?

On April 2, President Trump signed an executive order implementing "reciprocal tariffs." The order establishes a base tariff of 10% on most imported goods from all countries except Canada and Mexico, effective April 5. The order outlines additional country-specific reciprocal tariffs ranging up to 50%, as detailed in Annex I to the order, which were set to take effect on April 9. The order also identifies certain goods that will be exempt from the reciprocal tariffs. These include items set forth in Annex II, such as certain critical minerals, energy commodities, pharmaceuticals, and specific products such as copper, semiconductors, and lumber, as well as goods covered by separate, existing tariff measures. These exempted goods are expected to be addressed in separate forthcoming executive orders on tariffs.

As part of the April 2 executive order, all goods from Canada or Mexico that do not qualify as originating under the United States-Mexico-Canada Agreement (USMCA) continue to be subject to a 25% tariff pursuant to earlier orders. Certain imports from Canada — specifically energy, energy resources, and potash that do not meet USMCA origin requirements — are currently subject to a lower additional ad valorem duty of 10%. Goods that qualify under USMCA continue to enjoy duty free status of the agreement and are not subject to any additional tariffs. The April 2 executive order specifies that upon the termination or suspension of the earlier orders specific to Canada and Mexico, the 25% tariff will revert to a 12% reciprocal tariff rate.

However, on April 9, the President announced a 90-day pause on the implementation of the adjusted country-specific tariffs (i.e., those ranging up to 50%) to allow time for potential individual country trade negotiations. This pause applies to all jurisdictions but does not impact previously existing tariffs on China, Canada, and Mexico, and retains the 10% base tariff for all other countries. Tariffs on Chinese imports were escalated in response to retaliatory measures taken by China. As part of the April 2 tariff announcement, the United States imposed tariffs on China imports of 34%, which increased to 54% when combined with existing duties. Later in the month, China introduced retaliatory tariffs in response. In turn, the United States raised tariffs on Chinese imports to 84% on April 9, and further to 125% on April 10. With existing duties included, some Chinese goods face total tariffs of up to 145%. The rate of change in the tariff space is challenging to manage and the many varying rates and applications can lead to confusion. See Figure 2 below, for a simplified visual representation to help clarify the various rates.

The administration also eliminated the de minimis exemption for low-value imports from China and Hong Kong, subjecting these shipments to standard duties, which will go into effect May 2. Additionally, on April 11, a Presidential Memorandum was issued to clarify exceptions to the April 2 executive order for certain goods, including smartphones.

Why is it relevant?

The outcomes of the administration's reciprocal tariffs present significant implications for companies operating in or trading with the United States. This Tax Insight serves as an expansion to our April 3 Tax Insight and an update to our March 17 Industry Analysis, which previously included forecasted reciprocal tariff rates.

PwC's updated Industry Analysis utilizes the tariffs that have been implemented by the United States as of April 15 (based on specific factors explained in the next section) as well as potential tariffs on Annex II products. The Industry Analysis data reflects that the total tariff measures could increase from $76 billion to nearly $989 billion per year, 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.

The Industry Analysis reflects that the impacts are far-reaching, across a wide range of industries. Some of the industries that could be most impacted include: industrial products; consumer products; automotive; technology, media, and telecommunications (TMT); energy, utilities, and resources; private equity; and pharmaceutical, life science, and medical devices.

Significant challenges are arising for many multinational businesses, such as sourcing disruption and cost increases. This is compounded with the uncertain tariff landscape going forward, as the administration crafts additional executive orders and continues to negotiate with its global trading partners.

Actions to consider

Multinational companies around the world should assess the impact of these trade policies on their global business footprints — with respect to both imports and exports — as well as the potential related opportunities. Close coordination between procurement, supply chain, tax, and other C-suite leaders to formulate short, medium, and long-term strategies is critical, along with data-driven analysis. Advanced tools are available that companies can leverage using their US customs data to quantify the impact — often with unexpected results. This analysis can serve as a powerful foundation to identify "no-regret" actions and to help mitigate risks.

In detail

Rationale for reciprocal US tariffs

President Trump's April 2 executive order implementing reciprocal tariffs cites a failure of global trade reciprocity, tariff and non-tariff disparities, and foreign policies that suppress wages and domestic consumption while amplifying trade imbalances. The order underscores structural disadvantages faced by US producers, citing low US tariffs compared to significantly higher rates abroad and widespread non-tariff barriers, such as import licensing restrictions, technical standards manipulation, sanitary and phytosanitary measures, weak intellectual property enforcement, and discriminatory digital trade regulations.

Status of recently announced US tariffs

The trade policy landscape continues to shift rapidly, driven by new tariff announcements, ongoing investigations and public statements – including those made via social media and press conferences. While the primary focus of US import tariffs remains on China, Canada, and Mexico, the recent reciprocal tariff measures expand the reach of tariffs. **Below are the current US import tariffs announced by the Trump administration (as of publication date)**.

Country	Products / List*	Total Additional Tariff Post Jan 20, 2025
China**	• All products, not included in Annex II	145%
	• Goods included in Annex II	20%
	• Passenger vehicles / light trucks (non-electric & electric)	45%
	• Other vehicles (non-electric & electric)	170%
	• Auto parts (subject to reciprocal tariffs until May 3, at which time Section 232 tariffs will replace the reciprocal tariffs)	145%
	• Steel, aluminum & derivatives	45%
	• De minimis: international post goods under $800	120% or $100 per item (to increase to $200 after June 1)
	• De minimis: Other goods under $800	All applicable duties
Mexico / Canada	• US content in USMCA-qualifying autos***	0%
	• USMCA-qualifying goods	0%
	• Non-USMCA goods	25%
	• Potash (non-USMCA)	10%
	• Energy and energy resources (non-USMCA from Canada)	10%
Reciprocal Country Tariffs***	• US Imports (after April 5)****	10%
All countries (including Mexico & Canada)	• Steel & Aluminum - plus derivatives (except 200% on Russian aluminum)	25%
	• Autos	25%
	• Semiconductors / pharmaceuticals / lumber / copper / certain critical minerals / seafood	TBD*

** Exceptions listed in Annex III include: articles under 50 U.S.C. § 1703(b), and the following to the extent they are subject to Section 232 duties (current, proposed, or future implementation): steel and aluminum (and derivatives thereof), automobiles and parts, copper, pharmaceuticals, semiconductors, lumber, minerals, and energy (defined by HTS), and certain electronics. Also excluded are articles from Column 2 countries.*

Note: *This updated Industry Analysis does not exclude Annex II products in anticipation of additional tariffs to be announced on products covered in the Annex. Instead, a flat 10% tariff rate has been used as a proxy for what may be the impact for these anticipated tariffs.*

*** With the pre-January 2025 Section 301 tariffs (ranging from 7.5% to 100%) China tariffs can range up to 245%.*

**** US Content: For USMCA-qualifying automobiles, the automotive section 232 tariffs apply only to non-US originating content. Reciprocal tariffs will apply to only the non-US content of a good, if at least 20% of its value is US originating (i.e., 20% of the customs value is attributable to components wholly obtained, produced entirely, or substantially transformed in the US). Additional requirements and documentation are necessary.*

***** Tariff increases to new rates ranging from 11% to 50% may apply to approximately 60 countries after the expiration of the 90-day pause ending on July 9.*

Current tariff analysis: Understanding the potential impacts

PwC's updated Industry Analysis utilizes the tariffs that have been implemented by the United States as of April 15 and factors in the following business rules:

- **Annex II products**: Annex II products are anticipated to have their own executive orders on tariffs for these product groups. To help provide the potential impact of these tariffs on these product groups, PwC utilized a flat 10% tariff rate as a proxy for these anticipated tariffs.

- **Canada and Mexico:** US imports from Canada and Mexico must now meet USMCA qualification criteria to avoid the 25% IEEPA/Fentanyl tariff. Reuters reported that as of 2024 only 37.8% of Canadian imports and 48.9% of Mexican imports qualify for USMCA benefits and enjoy duty-free status under the agreement. Taking this information into consideration, PwC adjusted the data and applied a 25% tariff to the portion of imports that did not meet USMCA requirements.

- **Simplified reciprocal tariff application**: While a flat 10% tariff rate is applied to all rest of world (ROW) countries (excluding China, Mexico, and Canada), this update does not incorporate the previously forecasted country-specific adjusted rates, which ranged up to 50%.

- **Imports from unlisted countries:** More than a dozen countries, primarily smaller nations not subject to additional tariffs, were not included on the April 2 reciprocal list. Imports from these countries were not adjusted in this Industry Analysis.

- **De minimis imports:** While the new regulation will take effect on May 2 for goods valued under $800 per shipment, this analysis does not yet reflect those imports. Once implemented, it is anticipated that this change will significantly impact the Consumer Products and TMT industries, particularly the consumer electronics segment.

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 are illustrated in Figure 1 below.

Note: The Census Bureau breaks out this impact across different buckets that are effectively categorized as "Dutiable" and "Non-dutiable" goods. "Dutiable" goods are those imports upon which a duty was paid (e.g., pursuant to the relevant tariff classification and inclusive of Most-Favored Nation duties or special measures). "Non-dutiable" goods are those imports that entered without payment of duty (e.g., conditionally duty-free goods or goods entered under a special program or Free Trade Agreement (FTA)/exemption). For discussion purposes, PwC uses the breakout of "Dutiable" and "Non-dutiable" goods throughout this publication.

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 base IEEPA *Fentanyl* and *Reciprocal* tariffs

	Pre-election		Imposed and potential Trump tariff impact					
Type of Goods	Import Value	Current Tariff	China/HK Add'l 20% plus reciprocal 125%	Mexico (IEEPA)	Canada (IEEPA)	ROW Reciprocal Amount	Total Additional Prospective Impact*	Total Impact*
Dutiable	**$981B**	$76B	$391B	$6B	$14B	$58B	$468B	$545B
Non-Dutiable	**$2.1T**	$0	$220B	$57B	$46B	$122B	$445B	$445B
Total*	**$3.1T**	$76B	$611B	$63B	$60B	$180B	$913B	$989B
2.5% average tariff rate in 2024								
32.0% projected average additional tariff rate with current tariffs based on 2024 import levels								

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 $3.1 trillion of imported goods entered the United States in the last year. Of that total, approximately $2.1 trillion entered duty free. Going forward, this shift could result in duties and fees being assessed on the full US import value of $3.1 trillion (including the $2.1 trillion that is currently "Non-dutiable"), encompassing a multitude of US imports previously exempt from tariffs.

The estimated annual total tariff amount would increase dramatically to $989 billion (from $76 billion) — which is a 13-fold increase — with $545 billion derived from "Dutiable" goods and $445 billion derived from "Non-dutiable" goods (the latter reflecting an increase from zero tariffs today). The implied average tariff rate would jump from 2.5% to 32% on US imports. Many US multinationals have built their supply chains to comply with FTAs, therefore the imposition of tariffs on "Non-dutiable" goods could affect these companies disproportionately by disrupting their sourcing strategies.

To break things down further, the top 10 US importer jurisdictions are broken out by tariff, tariff increase, and major products impact in Figure 2 below.

Figure 2: Top 10 US importer jurisdictions and potential tariff impact of IEEPA *Fentanyl* and *Reciprocal* orders

Jurisdiction	Annual % of US imports	Additional tariff %*	Estimated tariff increase $	Top products impacted
CHINA	13.5%	Additional 20% plus 125%	$653B	Communication equipment, computer equipment, and misc. manufactured commodities
MEXICO*	15.8%	25%	$64B	Motor vehicles, motor vehicle parts, and computer equipment
CANADA	12.5%	25%	$60B	Oil & gas, motor vehicles, and petroleum & coal products
VIETNAM	4.5%	10%	$19B	Communication equipment, computer equipment, apparel
GERMANY	4.8%	10%	$17B	Motor vehicles, pharmaceuticals & medicines, and other general purpose machinery
JAPAN	4.6%	10%	$17B	Motor vehicles, motor vehicle parts, and AG & Construction & Machinery.
KOREA, SOUTH	4.1%	10%	$13B	Motor vehicles, semiconductor & other electronic components, and motor vehicle parts
TAIWAN	3.6%	10%	$12B	Semiconductor & other electronic components, computer equipment, and communications equipment
INDIA	2.8%	10%	$11B	Pharmaceuticals & medicines, misc. manufactured commodities, and communication equipment
IRELAND	3.0%	10%	$9B	Pharmaceuticals & medicines, medical equipment & supplies, and other chemical products & preparations

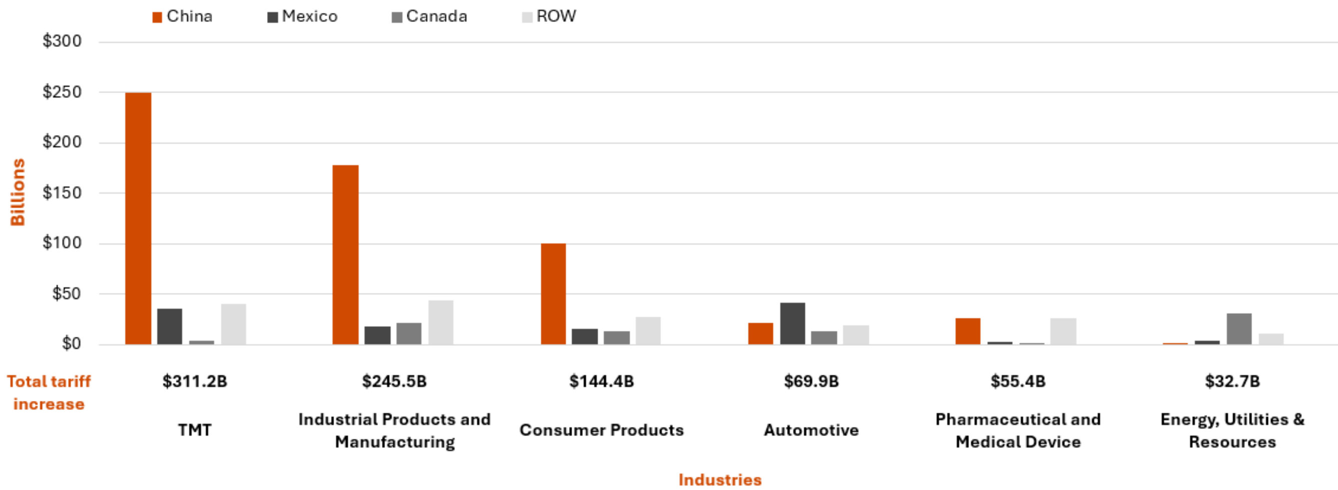
*The Mexico analysis assumes tariffs would be applied to all tangible products coming from Mexico into the United States, regardless of tax structure (e.g., if the company is a Maquiladora, toll manufacturer, or contract manufacturer). US imports from Canada and Mexico must now meet USMCA qualification criteria to avoid a 25% tariff. According to PwC research, only 37.8% of Canadian imports and 48.9% of Mexican imports qualify for USMCA benefits and enjoy duty-free status under the agreement. As a result, PwC adjusted the data to reflect this, applying a 25% tariff to the portion of imports that did not meet USMCA requirements.

Note: Industries most affected by the tariff changes are those that historically have benefited from importing goods with zero to minimal duties, falling under the “Non-dutiable” goods category. Companies that rely heavily on imports from Mexico, Canada, or other FTA partners — or imports that previously were unconditionally duty-free — could face substantial tariff increases. Multinationals also will have to balance the potential opportunity for “tariff arbitrage” (e.g., moving from a location with a 25% tariff to one with a lower tariff against the potential for additional logistics costs and considering the longevity of proposed tariffs).

Top impacted industries

Figure 3 summarizes the prospective annual impact for the top industries with the largest incremental increase of potential tariffs.

Figure 3: Top industries – total potential annual tariff increase by industry



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.

The proposed tariffs are set to create significant challenges across certain industries, which include:

- **TMT:** Companies importing products ranging from semiconductors and electronic components to other communication equipment (e.g., cell phones) from China are preparing for steep disruptions, despite a tariff exemption on key electronics like smartphones and laptops. The TMT industry is forecasted to see a $311.2 billion tariff increase (i.e., from approximately $13 billion to over $324 billion per year).

- **Industrial Products and Manufacturing:** Newly imposed tariffs can impact this industry due to deeply interconnected global supply chains. Components typically are sourced from multiple countries, and tariffs are likely to result in higher prices for business-to-business transactions and ultimately consumers for some period. Disruption to trade, potential shortages, or delays may occur, especially as many companies rely on just-in-time manufacturing processes. The Industrial Products and Manufacturing industry is forecasted to see a $245.5 billion tariff increase (i.e., from approximately $23 billion to over $268 billion per year).

- **Consumer Products:** The apparel and consumer goods sectors face higher costs, which may lead to increased consumer prices and softened demand. This may be exacerbated by the elimination of the de minimis exemption for low-value imports from China and Hong Kong, set to go into effect May 2. Certain select apparel was granted a 90-day delay and is scheduled to take effect in early July. The Consumer Products industry is forecasted to see a $144.4 billion tariff increase (i.e., from approximately $27 billion to over $171 billion per year). ***Note:*** This analysis does not account for the potential increase in de minimis tariffs. Once these changes take effect on May 2, a significant additional impact on this industry segment is expected.

- **Automotive:** Manufacturers reliant on vehicles imported from Mexico and Canada would face cost increases for automobiles and auto parts that are non-USMCA complaint due to the 25% tariff rate imposed on those countries. This industry is forecasted to see a $70 billion tariff increase (i.e., from nearly $8 billion to almost $78 billion a year).

- **Pharmaceuticals and Medical Devices:** Previously exempt from most tariffs, companies in this industry could have a large exposure given the expectation for future executive orders to impose tariffs on this industry and there are no carve-outs granted. The industry is forecasted to see a $55.4 billion tariff increase (i.e., from approximately $500 million to nearly $56 billion a year) assuming a flat 10% tariff.

- **Energy, Utilities & Resources:** Companies integrated with Canada's energy and utility sectors should anticipate higher costs on goods that were previously free from tariffs. The Energy, Utilities & Resources industry is forecasted to see a $32.7 billion tariff increase (i.e., from $400 million to over $33 billion per year).

Mitigation strategies and opportunities

Companies reliant on global sourcing should proactively evaluate this evolving trade environment to mitigate financial and operational risks across the value chain and develop short, medium, and long-term actions. This would necessitate a multi-faceted approach across the supply chain, trade and customs, and tax departments to address not only operational challenges, but also accounting and compliance challenges. Some examples of actions to consider are noted below:

	Short	Medium	Long
Customs	• Analyze "no regret" options (e.g., First Sale for Export)	• Incorporate customs mitigation strategies (e.g., duty drawback)	• Incorporate customs, any changes below
Supply chain / Operations	• Conduct US sourcing and manufacturing dependency analysis • Review pricing and contractual obligations	• Evaluate alternative sourcing / country of origin / manufacturing options • Negotiate pricing with suppliers	• Nearshoring / onshoring • Revise supply chain strategy
Tax / Transfer Pricing	• Assess impact on transfer pricing • Consider upcoming tax reform impacts	• Analyze transactional and functional characterization	• Value chain redesign • Revise tax operating model
Commercial	• Raise prices versus hold prices • Evaluate competitor impacts	• Weigh market share capture options • Product engineering shifts	• Re-engineer business model • Consider options once trade agreements are reached and tax reform is announced

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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