Tax Insights
from Customs and International Trade

PwC's US Tariff Industry Analysis – Industrial Products and Manufacturing

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 non-tariff barriers. The European Union, India, and Japan have been identified as potential targets due to their tariff policies on American products.

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 Industrial Products and Manufacturing (IPM), must assess the potential impacts of these new policies on a go-forward basis. PwC's US Tariff Industry Analysis data reflects that the total tariff impact could increase from roughly $23 billion to $165 billion a year for the IPM industry, even before taking into account potential countermeasures that trading partners may impose, or behavioral adjustments that companies may make, in reaction to US policy changes. IPM may have a more significant impact than other industries given that both country-specific tariffs and steel and aluminum tariffs may apply — and both may apply to a large range of products and materials.

The Trump administration is signaling a new direction to encourage domestic production and has proposed lowering the corporate income tax rate as a direct incentive for businesses to increase domestic output. The anticipated tariff revenue could be viewed as an offset to the cost of these tax cuts.

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.

All multinational corporations operating in IPM, including those not currently subject to tariffs, should assess the pre/post impact, including the indirect impacts of the potential tariffs on their 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 IPM companies to model the changes to have data-driven insights that inform strategic decisions moving forward. This new trade policy is likely to prompt companies to more quickly reassess their global operational footprint on a longer-term basis.

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
China	Up to 25% Majority of goods, or up to 50% for certain classifications, and 100% for electric vehicles 20% All products (including products from Hong Kong)	2018 to Feb 2025 Feb 4, 2025
Mexico	25% All products (Tariffs delayed until April 2 for goods (including automobiles) covered by USMCA)	March 4
Canada	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
Rest of World	TBD - **America First Trade Policy** Investigation TBD - **Fair and Reciprocal Plan** Investigation	April 1 April 1 - Aug 12
All Locations	Steel & Aluminum: 25% tariff on covered imports from all jurisdictions	March 12
All Locations	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 IPM industry products 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 duty was paid (e.g., pursuant to the relevant tariff classification and inclusive of Most-Favored Nation duties, 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 newly imposed and proposed tariffs for Industrial Products and Manufacturing industry products

	Pre-election		Imposed and potential Trump tariff impact					
Type of Goods	Import Value	Current Tariff	China/HK at 20%	Mexico	Canada	Potential ROW	Total Additional Prospective Impact*	Total Impact*
Dutiable	**$246B**	$23B	$18B	$2B	$0.6B	$27B	$47B	$70B
Non-Dutiable	**$479B**	$0	$7B	$17B	$21B	$51B	$96B	$96B
Total*	**$725b**	$23B	$25B	$18B	$22B	$77B	$142B	$165B

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 $725 billion of imported goods entered the United States in the last year for the Industrial Products and Manufacturing industry. Of that total, approximately $479 billion entered duty free. The Trump administration's policies pertaining to Canada and Mexico suggest that the status of FTAs may be in jeopardy, and additional tariffs will apply on top of any existing FTA benefits. Going forward, this shift could result in duties and fees being assessed on the full US import value of $725 billion (including the approximately $479 billion that is currently "Non-dutiable"), encompassing a multitude of US imports previously exempt from tariffs.

The estimated annual total tariff amount for IPM could increase dramatically to $165 billion (from $23 billion), with approximately $70 billion derived from "Dutiable" goods and approximately $96 billion derived from "Non-dutiable" goods (the latter reflecting an increase from zero tariffs today). Many US multinationals have built their supply chains to comply with FTAs, and the imposition of tariffs on "Non-dutiable" goods could affect these companies disproportionately by disrupting their sourcing strategies.

The IPM industry may experience greater financial impacts from in-force and proposed tariffs given that the value of goods and material imported is typically higher. And more tariffs may apply — both country-specific and the new steel and aluminum tariffs. Recent tariff proposals would prevent IPM companies from pursuing certain tariff mitigation strategies such as duty drawback.

A wide array of exporting jurisdictions likely will be affected by the Trump administration's tariffs. Figure 2 below shows the top 10 exporting jurisdictions into the United States for the IPM industry, broken out by potential tariff and annual tariff increase.

Figure 2: Top 10 US importer jurisdictions and the potential tariff impact: Industrial Products and Manufacturing

Jurisdiction	Annual % of US imports	Additional tariff %*	Estimated tariff increase $
China	16.7%	Additional 20%	Additional $24.1B
Canada	12.1%	25%	$22.0B
Mexico*	10.2%	25%	$18.5B
Germany	7.1%	20%	$10.1B
Japan	6.8%	10%	$4.9B
South Korea	4.5%	14%	$4.4B
India	4.0%	28%	$7.9B
Italy	2.9%	23%	$4.8B
Switzerland	2.9%	9%	$1.7B
Taiwan	2.4%	5%	$0.9B

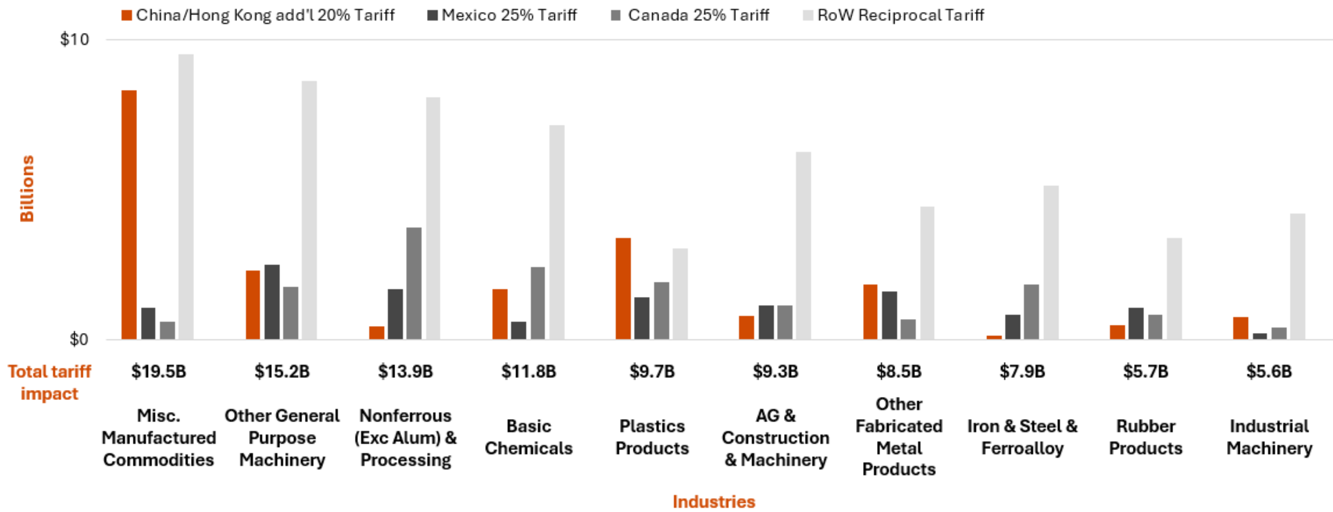
*The Mexico analysis assumes tariffs would be applied to all tangible products coming from Mexico into the United States, regardless of tax structure (e.g., if the company is a Maquiladora, toll manufacturer, or contract manufacturer). The percentage for jurisdictions other than Mexico, China, and Canada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

China, Mexico, and Canada are the main exporting countries to the United States for IPM companies due to a combination of geographical proximity, established trade agreements, and complementary economic structures. The United States-Mexico-Canada Agreement (USMCA) historically has strengthened trade relations by eliminating tariffs on most goods and establishing clear rules for industrial cooperation. China has become a leading exporter due to its large-scale manufacturing capabilities, cost-effective labor, and extensive range of industrial products.

Top impacted industries

To analyze the current vs. proposed tariff state, Figure 3 summarizes the prospective annual impact for the IPM industry with a closer look at more specific product categories.

Figure 3: Top 10 industries within Industrial Products and Manufacturing – 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.

Newly imposed and potential US tariffs can impact these specific IPM subsectors significantly 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 industries rely on just-in-time manufacturing processes.

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

Jurisdiction	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*

The industrial products sector would be hit by rising costs on machinery imports from Germany, Italy, Canada, and Austria. These tariffs could slow infrastructure and construction projects, making specialized equipment more expensive and impacting productivity in critical industries.

Potential mitigation strategies

Disruptions to global commerce and trade, costs associated with production, as well as regulatory and tax compliance challenges are expected to rise and potentially multiply for many companies. Companies 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	• Reduced US gross margin/operating profit • Earnings per share erosion • Future cost uncertainty	• **Perform pre/post scenario analysis** – 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. • **Advocate policy** – request that new tariffs allow for exclusions or potential duty drawback • **Evaluate options** – for potential US domestic production or sourcing, as well as operating model, potential mergers, acquisitions, or divestitures • **Develop your strategy** – with a holistic approach covering supply chain, trade and customs, as well as tax • **Competitive pricing** – assess competitor pricing to determine if price adjustments remain competitive, especially if rivals source materials at lower costs
2	Trade & Customs	• Increased compliance • Additional tariff recovery measures • Limited team bandwidth	• **Defer duty** – leverage foreign trade zones or bonded warehouses to increase cash flow and potential duty deferral benefits • **Recover duty** – utilize duty recovery programs such as Duty Drawback • **Re-evaluate value** – potentially lower the basis of customs value using First Sale for Export or other valuation strategies • **Revisit the basics** – potentially change to a lower duty tariff code via product or packaging modifications • **Shift country of origin** – to avoid tariffs driven by a shift of significant value-add activities
3	Supply Chain	• Increased import and overarching landed cost • Imbalance on US vs. non-US sourcing cost • Pressure on supplier and customer pricing	• **Conduct US sourcing and manufacturing dependency analysis** – examine key dependencies of supplying and manufacturing countries, suppliers, and products that may help with potential sourcing and manufacturing planning. • **Revise supply chain strategy** – 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, product redesign, etc. • **Consider retaliatory tariffs** – understand how retaliatory measures by trade partners may impact your operating model • **Consider foreign-trade zones** – assess utilizing foreign-trade zones to reduce the overall cost of international trade, improve inventory management, boost supply chain efficiency, and improve security over those imports

	Area	Key impacts and challenges	Mitigation strategies
4	Tax	• Transfer Pricing disruption • Transaction and functional recharacterization • Generate cash through tax operating model enhancements	• **Assess transfer pricing policy** – 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 • **Analyze transactional and functional characterization** – including product price unbundling, realignment of assets and risks, to adjust import value of US destined goods • **Revisit tax operating model** – 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)

The takeaway

Industrial products 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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