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## Trump Saga: Indian bioscience industry readies to brace the impact

**Vishal Dhikale, Associate Vice President, Avalon Consulting explains the situation in the aftermath of impending reciprocal tariffs imposed by the US administration**

The re-emergence of protectionist trade policies, particularly under the Trump administration's reciprocal tariff regime, has triggered widespread uncertainty across global markets. These tariffs, originally aimed at correcting trade imbalances, have instead disrupted supply chains, strained international relations, and elevated operational risks for businesses worldwide.

As the world's fifth-largest exporter, India is significantly exposed to these global trade tremors. With total

merchandise exports in FY 24 valued at \$437 billion—of which the US accounts for 18% (approximately \$78.66 billion)—India's export-dependent sectors are particularly vulnerable. The evolving global landscape presents both opportunities and risks, particularly for the Biotech, Healthcare, and Agriculture sectors. Let's explore the potential impacts on each.

### How Tariffs Disrupt the Global Supply Chain

The impact of reciprocal tariffs can be understood across several key dimensions. Tariffs function as an import tax, driving up input costs for businesses—particularly those with narrow margins and high import reliance. These increased costs are often passed on to consumers, contributing to overall inflation across affected product categories.

Increased costs and uncertainty hinder long-term supplier relationships and slow production due to shortages and delays. To avoid tariffs, companies may shift to suppliers in non-tariffed countries, sometimes at the cost of quality. However, strict adherence to 'Rules of Origin' is essential, as non-compliance could lead to penalties or loss of tariff benefits. Sudden shifts in trade policy lead to unstable pricing, complicating inventory and production planning.

Tariffs raise costs and may restrict access to key inputs in many sectors, hindering R&D and potentially stalling product development. These reflect broader political strife, undermining trust and deterring global investments. Tariffs on raw materials lead to inflated end-user costs, weakening consumer demand and economic output.

### Sectoral Impact: Focus on Biotech, Healthcare, and Agriculture

Biotech: India's pharmaceutical

exports, worth ~\$27 billion in FY24, are central to its biotech ambitions. Tariffs on specialized inputs—such as reagents, enzymes, and lab equipment—could raise R&D and production costs. While direct US tariffs on Indian biotech products remain limited, retaliatory measures from other nations could erode India's global competitiveness.

Disrupted supply chains may hinder access to critical inputs, slowing innovation and product development timelines. On the flip side, this evolving landscape opens doors for Indian firms to collaborate with Western biotech players seeking alternatives to China—potentially attracting increased investments and joint ventures from the US and EU. Healthcare: India exported \$0.72 billion worth of medical devices to the US in FY24, while imports stood at \$1.5 billion. A potential 27% tariff on medical devices could hit Indian exporters hard, especially those focused on high-volume, low-cost consumables. Simultaneously, higher input costs due to tariffs on APIs and intermediates could strain drug manufacturers, despite the government's push for domestic production. Most concerning is the threat of retaliatory tariffs on Indian generics, which form a large chunk of pharmaceutical exports. However, if Western markets reduce reliance on China, Indian generics could see higher



demand, though rising input costs may pose a challenge due to the continued import of APIs from China.

**Agriculture:** India imported \$8.15 billion worth of fertilizers in FY24. Tariffs on such inputs, along with pesticides and machinery, would significantly raise cultivation costs. With agricultural exports exceeding

\$50 billion—\$4 billion of which go to the US—any retaliatory move could impact India's ability to compete in global markets.

The food processing industry may also face pressure from rising costs of imported machinery and ingredients, limiting both export and domestic market potential. However, the overall impact may remain limited due to India's modest export share in many categories. For example, although India is a global leader in rice exports, shipments to US account for only ~\$386M of the \$8B total. Similarly, niche products like psyllium husk and castor oil are less exposed due to limited global substitutes.

### Strategic Business Responses

Technology—particularly AI—is what makes this leap possible. AI-powered oral scans can now detect early signs of disease in under two minutes. They capture subtle patterns invisible to the naked eye, offering dentists a faster, more consistent, and more objective layer of insight. Platforms like scanO are enabling this shift. By streamlining

patient records, simplifying diagnostics, and freeing up chairside time, AI is helping dentists do what they do best—care. And at

scale, these tools make mass screening possible across schools, workplaces, and community health initiatives.

This is where the future of healthcare begins - not in hospital corridors, but in everyday clinics, classrooms, and communities. AI is not the final goal; it is the engine that can power a new approach to preventive care—one that is faster, more intelligent, and truly accessible. If India hopes to reduce the burden of chronic disease, improve productivity, and expand access to quality care, it must stop treating oral health as an afterthought. With the

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right tools and vision, dentistry can become the gateway to early diagnosis and better long-term health.

### Strategic Business Responses

To mitigate tariff-related risks, Indian companies must adopt agile and forward-thinking strategies. There is a need to diversify sourcing, reducing dependency on tariffed nations by identifying new suppliers (domestic or from FTA partners). There is also a need to strengthen local capabilities by focusing on developing local manufacturing and indigenous R&D to minimize dependence on imports. Additionally, exploring partnerships with Chinese companies could provide access to advanced technology and manufacturing expertise. In terms of pricing adjustments, we must balance cost absorption with strategic pricing to maintain competitiveness. For utilizing FTAs, we must explore free trade agreements for preferential access and input sourcing. For inventory and risk management, we need to adopt forecasting tools for stockpiling and risk hedging; consider value engineering to optimize costs.

### Government's Role in Supporting Indian Industry

To protect and promote its healthcare, biotech, and agri-industries amid trade turbulence, India's government must implement supportive policies. In

terms of tariff relief, the government must provide exemptions for critical imports and expand duty drawback schemes. To boost domestic manufacturing, it must scale up PLI schemes, strengthen infrastructure, and facilitate tech transfers. For enhancing export competitiveness, it must accelerate FTA negotiations, ease market access, and reduce non-tariff barriers. In terms of financial aid, there is a need to offer low-interest loans, credit guarantees, and targeted SME support. There is also a need to ease the compliance including simplifying regulatory procedures and expedite clearances. In terms of skill development, there is a need to focus on upskilling for technology adoption and manufacturing excellence. Government must ensure engagement in multilateral forums and pursue bilateral negotiations to ensure Indian interests are safeguarded.

### Turning Challenge into Opportunity

While reciprocal tariffs pose a tangible threat to India's export-driven sectors, they also offer a pivotal opportunity to reimagine supply chains and fortify domestic capabilities. With proactive business strategies and robust policy support, India can navigate the challenges of global trade realignment—emerging not just resilient, but stronger, more self-reliant, and globally competitive across biotech, healthcare, and agriculture. ■