

# CAPITOL STREET

---

April 3, 2025

## Reciprocal Tariffs Onerous, Pharma-Specific Tariffs on Hold

MedTech Supply Chain Likely Impacted (EU, Asia)

Relevant Companies

ALL HEALTHCARE

---

### »» Our Take & Next Up

**The Trump administration unveiled reciprocal tariffs April 2 with pharmaceuticals off the hook for now.** The reciprocal tariffs start at 10% for all countries and run as high as 49% for Cambodia & 50% for Lesotho. Most tariffs fall within the 10s-30s range. We note that pharmaceuticals are exempt from this tariff announcement which is a 10% base rate plus any additional reciprocal tariffs. The 10% tariff on all countries start April 5; individualized tariffs start on April 9.

**This is clearly more onerous than anyone imagined; the carve outs for healthcare may not last.**

Commerce Secretary Howard Lutnick mentioned the MedTech & Pharma carve-outs and noted that the President is studying more focused tariffs there ([CNBC](#) this morning). The EU and China are discussing retaliatory tariffs this morning. Most surmise tariffs will last 3-5 years; they will remain in effect until President Trump determines that the threat posed by the trade deficit is satisfied, resolved, or mitigated. Tariffs may be lifted sooner if other countries act in a way “which remedy non-reciprocal trade arrangement.” Also, the President may increase duties if “U.S. manufacturing capacity and output continue to worsen.” While pharmaceuticals are exempt for now, we believe specific tariffs are being investigated and could be paired with efforts at bringing back most favored nation (MFN).

### »» Key Points

**Reciprocal tariffs will move forward, as announced by the President in the Rose Garden yesterday, or Liberation Day.**

- The administration will charge a minimum base tariff of 10% on all imports. Announcement [here](#). Tariffs start this weekend with 10% tariffs on all countries starting April 5; and individualized tariffs starting on April 9.
- For nations that the U.S. considers to be bad actors on trade, the administration will charge half of what other nations charge for U.S. imports, effective April 9. A full list of reciprocal tariffs can be found [here](#).
- Reciprocal tariffs amount to 34% for **China**, 20% for the **EU**, 46% for **Vietnam**, 32% for **Taiwan**, and 26% for **India** (see chart above), on top of the 10% base rate.

- Exemptions include (but are not limited to) (1) steel/aluminum articles and autos/auto parts; (2) copper, **pharmaceuticals**, semiconductors, and lumber articles; (3) all articles that may become subject to future Section 232 tariffs; and (4) energy and other certain minerals.
- For Canada and Mexico, the existing fentanyl/migration IEEPA orders remain in effect, and are unaffected by this order. USMCA compliant goods will continue to see a 0% tariff, non-USMCA compliant goods will see a 25% tariff, and non-USMCA compliant energy and potash will see a 10% tariff.

**Tariff calculations for tariffs are provided by USTR.** They divided the trade deficit the United States has with each country by the U.S. imports from that country. The calculation is [here](#).

## **BIOPHARMA & GENERICS**

**Pharmaceuticals are carved out from reciprocal tariffs according to EO, though industry-specific tariffs may come into the fray ([here](#)) later.** Domestic manufacturing announcements (LLY, JNJ) may have been successful in helping to delay pharma-specific tariffs.

- Pharmaceuticals have been exempt from tariffs for decades in the US and in other industrialized countries. A pharma specific tariff announcement may be coming in the next few months.
- The industry is lobbying for tariffs on finished products that provide some flexibility or for tariffs to be on-ramped gradually.
- Some pharmaceutical manufacturers could still be impacted through tariffs on their raw materials. Companies with international sourcing may see their costs increase.
- LLY plans to invest \$27 B to build 4 new domestic plants that will take several years to complete ([here](#)). JNJ announced they will invest \$55 B over the next 4 years into 3 new manufacturing plants and R&D ([here](#)).

**International pricing reform (MFN) may be implemented or potentially paired with pharma-specific tariffs.** Efforts to bring back international pricing and pharmaceutical tariffs could be dovetailed to make a significant impact, particularly if the administration believes that tariffs can be used to bring other countries into line on providing information or accepting higher drug prices. MFN may be implemented through CMMI or through the Medicare drug negotiation program for 2028, when Part B therapies become included & when year one drugs are “renegotiated.” The administration may ultimately resort to including it as a key factor in the 2028 drug negotiation process if they fail to solidify a CMMI model.

## **MEDTECH**

**Tariffs are worse than expected across the board, and this includes MedTech.** Global tariffs on every nation will likely impact the MedTech supply chain with differing impacts on each company (BSX, MDT, EW). In particular, the 20% reciprocal tariff on the EU will hit key nations in the supply chain, such as Germany and Ireland. Tariffs on China (31%) and other Asian nations (Malaysia – 24%, Japan – 24%, Vietnam – 46%, Taiwan – 32%) are also likely to impact the sector.

**Gauging the impact of tariffs will take time.** MedTech companies will be assessing the impact of the tariffs in the coming weeks. The companies are likely to look at ways to mitigate the impact by moving where they

assemble, sell, or finish goods. We expect companies to detail these moves and the approximate impact of the tariffs during 1Q25 earnings calls.

**USMCA-exemptions will continue for Mexico and Canada.** Canada and Mexico do not have any reciprocal tariff applied to them as a result of the new order. Instead, the 25% IEEPA duty that applies to Canada and Mexico will remain in force, as will the USMCA-qualified exemption to that duty. If and when the President removes the 25% IEEPA duty from those countries, they will then be subject to a 12% reciprocal tariff, but the USMCA-qualified exemption would continue to apply. As a reminder, President Trump executed these actions under the *International Emergency Economic Powers Act (IEEPA)* to address the flow of fentanyl and illegal aliens across US borders. Should the IEEPA tariffs expire, USMCA products would still be exempt and non-USMCA products would be subject to a 12% tariff.

### Subset of Existing and Reciprocal Tariffs Impacting Healthcare

COUNTRY/REGION	TARIFF	EFFECTIVE DATE
European Union	20% reciprocal tariff	April 9
China	10% bumped up to 20% on all imports 34% reciprocal tariff	March 4 April 9
Mexico	25% on all imports. USMCA products exempted (includes pharma and med tech)	April 2
India	26% reciprocal tariff	April 9
Canada	25% on most imports (oil @ 10%). USMCA products exempted (includes pharma and med tech)	April 2
Malaysia	24% reciprocal tariff	April 9
Japan	24% reciprocal tariff	April 9
Vietnam	46% reciprocal tariff	April 9
Taiwan	32% reciprocal tariff	April 9

Sources: White House, Capitol Street, 2025

Notes:

- (1) 10% baseline tariff exists; figures above indicate incremental tariff, past actions
- (2) Biotech/Pharma exempted from tariffs listed above
- (3) MedTech carved out of Mexico & Canada per USMCA

Ipsita Smolinski  
 Managing Director | Capitol Street  
 ipsita@capitol-street.com

202.250.3741 | www.capitol-street.com

900 19th St NW 6th Fl  
 Washington, D.C. 20006

CAPITOL STREET

---

**Copyright 2025 Capitol Street.**

*This communication, including this broadcast and any attachments hereto, is intended solely for the original recipient(s) and may not be redistributed without the written consent of Capitol Street. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial instruments, nor is it intended as advice to purchase or sell such instruments*