



US tariffs

What it means for India's machinery export sector



machinery
export sector

Applicable tariffs

Export of machinery products to attract an additional tariff of 10 percent vide Executive Order dated 2 April 2025.

The baseline tariff of 10 percent is applicable from 5 April 2025, and a country-specific tariff of 26 percent for India is likely to be effective from 9 July 2025.

US reciprocal tariffs

The upcoming 26 percent reciprocal tariff on Indian machinery imports into the US introduces both challenges and potential advantages for the industry. Concerns about pricing competitiveness and import volumes persist, given that higher tariff rates on imports from China- 125 percent and upcoming reciprocal tariffs (effective from 9 July 2025) on Vietnam- 46 percent, Thailand- 36 percent and Indonesia- 32 percent. However, Indian machinery may **still retain a relative competitive edge, allowing for strategic realignments in sourcing and supply chains.**



India's trade with the US

India's trade with the US:

The US remains a crucial destination for Indian machinery exports, which amounted to about US\$5.9 billion in 2023. However, the newly introduced tariffs could significantly influence trade dynamics, potentially reshaping import volumes and cost structures for buyers sourcing machinery from India.

Opportunity in adversity:

Despite the reciprocal tariffs imposed on Indian machinery exports to the US, **India may still hold a comparative advantage over its Asian neighbours**, as their tariff rates are significantly higher.

Key points to be noted

- These tariffs are in addition to existing tariffs.
- Determining the value on which additional tariffs will be levied is critical.
- The possibility of availing duty drawback needs to be considered.

What should Indian exporters do?

Determine the relevant Executive Order's applicability to the goods exported. Review the Harmonised System of Nomenclature (HSN) code to confirm tariff's applicability.

Conduct a tariff impact assessment for a thorough understanding of the supply chain, trade flows and contractual obligations.

Make necessary adjustments in the supply chain (including pricing policies), change trade lanes, and optimise procurement strategies.

Push for machinery products to be covered under the Bilateral Trade Agreement between India and the US.

Determine the component of US-originating goods embedded in the value of exported goods (e.g., US raw materials, tech, design cost and US R&D cost).

Establish internal responsibilities for monitoring trade development to enhance organisational readiness.