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Currency Watch			
USD	EUR	GBP	JPY
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INTERNATIONAL NEWS

A Look Back at ‘Liberation Day’ and the Tariff Turmoil It Unleashed in 2025

April 2, 2025 may well become a day that lives in infamy in the minds of many American importers and exporters across the globe.

Touted by President Donald Trump as “Liberation Day,” the address from the White House’s now paved-over Rose Garden was framed as an act of freedom, but has proven in retrospect to have been a shot across the bow at about 90 of the United States’ closest trading partners.

From that day forward, the global economy has been strapped into a rollercoaster of America’s making, with tit-for-tat tariff escalations seeming to break weekly, if not daily. The unprecedented announcement of a new U.S. tariff strategy changed, perhaps forever, the country’s trade relationships with adversaries and allies alike.

It also reframed entrenched dynamics and norms, calling into question the viability of trade agreements (do tariffs invalidate established free trade deals?) and throwing longstanding regional alliances to the wind.

“For decades, our country has been looted, pillaged, raped and plundered by nations near and far, both friend and foe alike,” Trump said at the time. “Foreign cheaters have ransacked our factories, and foreign scavengers have torn apart our once beautiful American dream.”

The president also introduced the idea of the chronic trade deficit as a national emergency, using the unequal state of trade between America and its peers as justification to invoke the International Emergency Economic Powers Act (IEEPA). “Chronic trade deficits are no longer merely an economic problem. They’re a national emergency that threatens our security and our very way of life,” the president claimed.

Never in the nation’s history has a little-known trade statute, especially one decades old, become a topic of household discussion, the acronym beamed into living rooms via televisions and tablets on a weekly basis.

Eight months later, Trump's use of IEEPA to invoke sweeping tariffs is at the center of a landmark Supreme Court case. Dozens of businesses and states have called his authority into question, spurring conversations about executive versus congressional powers and the deteriorating state of federal checks and balances. Hundreds of plaintiffs have sought relief through lawsuits aimed at stopping the liquidation of duties and ensuring access to refunds.

While Trump's tariff ambitions were publicized long before April—the president slapped China, Mexico and Canada with duties intended to curb mass migration and fentanyl smuggling days after he took office—the sheer scale of the punitive measures unveiled in the spring indicated that the president's second term would be a different animal from his first, when China was enemy No. 1, No. 2 and No. 3.

Instead, Trump's target became the world. And as America began to treat its friends indiscriminately from its enemies, global alliances that don't feature the world's largest economy at their center have started to solidify.

The BRICS Alliance—which counts Brazil, Russia, India, China and South Africa among its foundational members, but has grown to include Ethiopia, Indonesia, Iran, Egypt and the United Arab Emirates—has been more aggressively promoting itself as a counterpoint to Western influence, including the power of the U.S. dollar, since Trump took office. Meanwhile, talks between the European Union and the South American Mercosur nations including Brazil, Paraguay and Uruguay have accelerated, with both sides pushing forward to finalize a deal that would establish the largest free-trade area on the planet.

Trump has repeatedly indicated his displeasure at these developments. But he's also pulled back from traditional leadership engagements that would give him the opportunity to interface with other heads of state and find some common ground. He skipped the G20 Summit in South Africa this November over unsubstantiated claims that the country is committing a genocide of white Afrikaners, for example. And he abruptly departed the G7 Summit, hosted by Canada, to focus on the escalating tensions between Israel and Iran in June.

The tariffs have, in limited cases, served as a catalyst for negotiations—most notably with China and the European Union.

After escalating and de-escalating bilateral duties and sanctions for months, Trump met with Chinese President Xi Jinping in October, effectively ending (or at least pausing) the seemingly interminable lobbying of threats. Xi agreed that China would make a greater effort to tackle the smuggling of chemical precursors used in the making of fentanyl and that it would resume buying U.S. soybeans. Trump pulled back on his threat to hit the country with 100 percent duties, though the country's duty rate still stands at a whopping 47 percent.

Chinese exports to the U.S. market have fallen sharply amid the tariff drama, declining 18.9 percent to \$385.9 billion over the first 11 months of 2025. But despite those losses, the World's Factory has rebounded through its burgeoning business with other partners, especially those in Asia. In November, the country's global trade surplus surged past \$1 trillion for the first time in history.

By contrast, efforts at spurring production in the U.S.—one of Trump's stated goals with the imposition of tariffs—have been middling at best. Many domestic producers have reported increased interest, but few commitments, from American brands. What's more, the imported materials, components and machinery U.S. apparel and footwear producers rely on is being heavily taxed, forcing some to forfeit their businesses altogether.

Despite the unintended consequences of his America First outlook and legal challenges to the tariffs, the president is holding firm on his strategy. With days left until 2026, Trump made an unorthodox address to the nation proclaiming victory on almost all his initiatives, including securing \$18 trillion in investment commitments from foreign nations and companies into U.S. industry as a part of his trade strategy. Those investments will be rolled out over time and through a number of avenues.

"Much of this success has been accomplished by tariffs—my favorite word, tariffs—which for many decades have been used successfully by other countries against us, but not anymore," he said Wednesday evening. "One year ago our country was dead. We were absolutely dead. Our country was ready to fail, totally fail. Now we're the hottest country anywhere in the world."

Source: sourcingjournal.com– Dec 27, 2025

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World to move from tariff gloom to AI boom in 2026: S&P Global Ratings

Though gloom was the prevailing sentiment this year following the series of US tariffs announced in April, with markets across the globe swinging violently, policy uncertainty spiking and many economics teams lowering their gross domestic product (GDP) growth forecasts across a wide swath of countries, the macro outcome was much better than expected in the end, according to S&P Global Ratings.

The reason is tariff rates were negotiated lower (in part in response to the negative market reaction), most trading partners besides China did not retaliate and labour demand and consumer spending—at least for well-off households—remained resilient in a surprisingly large number of economies, the rating agency's global chief economist Paul Gruenwald said in a note.

As the year passed, gloom turned to a modest boom, he observed.

Now it looks like 2025 global growth will be close to trend, but the foundation is narrow, he said.

Weakness in job creation and consumer spending in the United States was offset by data centre and artificial intelligence (AI)-related expenditure in the country, which comprised over 80 per cent of domestic spending in the first half of the year, offset weakness in job creation and consumer spending.

Next year will be a battle between two opposing growth drivers: the negative impetus from ongoing US policy uncertainty and the positive impetus from the AI-driven data centre investment boom, S&P Global Ratings said.

While both are global, the main story is coming from the United States. US trade policy uncertainty has settled down, but not US policy drama overall, Gruenwald observed.

“Uncertainty is a deal negotiation feature, not a bug of the current administration. Statutory US tariff rates may not move much in 2026, but uncertainty around laws, norms, investment rules, military actions, and

geopolitics more generally will remain elevated. This uncertainty will likely dampen investment and discretionary consumption,” he wrote.

Data centre- and AI-related spending looks set to remain robust next year, driving investment spending and boosting technology exports, particularly to the United States.

Generalised uncertainty may even be an extra driver for AI-related spending. Other tailwinds for 2026 will be low energy prices and easy financial conditions, he added.

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The European Union year-end review 2025: An ally bears the brunt

The transatlantic economic relationship between North America (primarily US and Canada) and Europe (primarily EU) entered a new phase with imposition of US tariffs, including 10 per cent base tariff on all imports and a higher 20 per cent tariff targeting goods from the EU, on April 2. Compared to earlier trade disputes, this hike represented a significant escalation. However, by July end, US lowered tariff to a flat 15 per cent on the EU exports entering US, including textiles and apparel. Fifteen per cent tariff still remained a far cry from the targeted zero-for-zero tariff deal.

The EU economy, inclusive of 0.9 per cent growth in the euro area, was projected to grow around 1.1 per cent in 2025 prior to imposing of elevated US tariffs on European goods. Despite lowering of tariff, it is still expected to impact European exports sector. Translated in numbers, the tariff impact is estimated to reduce GDP growth by about 0.2 to 0.5 per cent, and EU exports to the US by 1.1 to 1.5 per cent due to shrinking demand in the US market and tariff-related costs. Sector wise, automotive and fashion & textile stand particularly exposed.

Exports

Valued around €7.4 (\$8.6) billion, the EU's textile and fashion exports to the US face tariff costs that not only disrupted pricing but also threatened competitiveness. The US has been a key export market for European textile exporters, with flagship brands in Italy, France, Spain, and Portugal carving out niches at both the luxury and mid-market tiers.

The imposition of even a lower 15 per cent tariff strips these companies of their price advantage as European goods will now have to carry a higher cost than competing US and third-country products.

For many producers, especially those positioned in fashion-forward but price-sensitive segments, 15 per cent tariff is also a formidable barrier. Brands and manufacturers now face a stark choice, either absorb the additional costs and see profit margins shrink, or attempt to pass on the increase to customers, at the risk of losing market share.

Textile Sector

The European textile sector has always been under extreme competitive pressure from low-cost Asian producers. The US tariff only intensified this pressure. Industry leaders warned that the extra burden could lead to revenue declines, factory slowdowns, and genuine job losses, particularly in traditional textile hubs like northern Italy, Catalonia in Spain, and certain French regions.

Manufacturers associations cautioned that tariffs have set the stage for contraction, not growth. Producers will have to seek alternative export markets in Asia and the Middle East, but breaking into new regions will take time, adaptation, and investment.

As access to the US market will become more difficult, some European textile companies look to double down on localisation strategies, i.e. producing more goods for domestic or EU audiences, or focusing on niche, high-value segments less vulnerable to cost shocks. Others are considering partial production offshoring or forming alliances with non-EU partners to circumvent trade barriers.

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Italy Takes Aim at Ultra-Fast Fashion With New Levy

Italy has made its first official step to curb the impact of ultra-fast fashion, targeting platforms such as Shein and Temu.

On Tuesday, the Senate passed the “Legge di Bilancio 2026,” or “Budget Act 2026,” which introduces a measure that imposes a levy of 2 euros on all parcels valued at under 150 euros coming into Italy from extra-European Union countries. Until before the new bill, low-value goods were duty free.

The bill still needs to be approved by the Italian Parliament’s Lower House. Per Italian law, the Lower House does not have any capacity to change the bill, which must be passed by the end of the year.

The move is seen answering the ongoing requests of fashion industry associations including Confindustria Moda, Confindustria Accessori Moda and Camera Nazionale della Moda Italiana, among others, to take aim at the unregulated influx of low-cost, low-quality goods into the country.

Camera della Moda estimated that about 1 million parcels from extra-EU countries circulated in Italy last year. According to the most recent figures provided by the fashion association, imports of fashion goods from China jumped 11.8 percent in the eight months to Aug. 31, amounting to 4.5 billion euros.

The Italian bill anticipates the EU’s decision to move up its timeline to close the loophole that has fueled the rapid rise of ultra-fast fashion companies in recent years.

As reported, last November European finance ministers from the 27-country bloc approved a similar agreement to abolish the exemption on packages valued at less than 150 euros, to be implemented as early as the first quarter of 2026—two years ahead of schedule.

The new rules will also see parcels subject to additional handling and import charges, which is the formal attribution provided in the Italian bill for the new levy.

Both moves echo the U.S. decision to roll back its own de minimis allowance, aimed at curbing the flow of ultra-cheap Chinese imports, which went into effect in May.

Meanwhile, France has been particularly vocal in its fight against platforms like Shein and Temu, lobbying the EU to move toward stricter regulation.

As reported, last week Shein dodged a temporary ban in France after a Paris judicial court deemed the government's request "disproportionate" following the platform's voluntary removal of illicit products.

The government had sought to block the website due to illegal items listed on its marketplace, following intense scrutiny after opening its first physical store in Paris in November.

In November, a dozen French retail federations, joined by leading domestic brands, initiated legal action against Shein's Ireland-based European subsidiary, Infinite Styles Service Co. Ltd., citing unfair competition and breaches of European product safety standards.

At a broader European level, France has called for sanctions through the European Commission, which has requested information from Shein but has yet to open a formal investigation.

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Indonesia year-end review 2025: Staying strong in a storm

Indonesia, which exports key products including readymade garments, fabrics, and synthetic fibres, currently ranks fifth-largest supplier of textiles and clothing to the United States. The US accounts for about 40 per cent of Southeast Asian nation's total textile and garment exports, primarily in the form of completed goods.

Many Indonesian exports to the US have been in labour-intensive sectors of clothing, footwear, furniture, rubber products, and electronics, which support large numbers of jobs in the country. In 2024, US goods trade with Indonesia totalled about \$38.3 billion. The US ran a \$17.9 billion trade deficit with Indonesia, owing to \$10.2 billion US exports versus \$28.1 billion imports from the archipelago.

Part of this imbalance stemmed from tariff disparities: Indonesia's average tariff being around 8 per cent, more than double the US average of 3.3 per cent. American companies faced high tariffs and strict barriers in Indonesia, while Indonesian exporters enjoyed relatively easy access to the US consumers. President Trump's "reciprocal tariffs" in case of Indonesia was inspired by an estimated 97 per cent tariff-equivalent versus the US's 19 per cent rate. Thus, the finally settled 19 per cent tariff imposed on Indonesia was presented not as protectionism for US's own sake, but also as a tool to force open Indonesia's market and level the playing field for the US industry.

Protectionism Realised

In April, the US warned Indonesia of imposing a 32 per cent reciprocal tariff on Indonesian imports after a 90-day pause, allowing negotiations till August 1, for bilateral talks. Facing that threat, Jakarta came to negotiation table. On July 15, President Trump announced reduction of the US reciprocal tariff to 19 per cent from the original 32 per cent to take effect on August 7, 2025.

Indonesia agreed to buy \$15 billion of US energy products, \$4.5 billion of American farm products, and 50 Boeing jets as part of the deal. The eventual agreement was a 'cap' that offered Indonesia certainty through 2029, while the US gained tariff-free access to the Indonesian market—a calculated strategy to bolster the US's economic position in Southeast Asia.

The initially announced 32 per cent tariff threatened jobs of 50,000 to 70,000 workers, reflecting a severe hit to Indonesia's labour-intensive manufacturing sector. In the past, during the pandemic phase, nearly 30 textile companies in Indonesia had already laid off 120,000 workers amid a slowdown in the global economy.

Sixty textile companies closed due to dwindling demand and lack of capital between 2023 and 2024, resulting in lay-offs of about 250,000 workers. The downturn continued in 2025 also, affecting even Sritex, once Southeast Asia's largest textile manufacturer. With rising tariffs, Indonesia's textile industry risked losing its competitive edge.

In July, Indonesia's textiles faced an additional disadvantage against competitors like Vietnam, which was granted a lower US import tariff of around 20 per cent, making Vietnamese products more competitive than Indonesian products in the US market. Nevertheless, the impact on national export performance was not to be immediate but was likely to be seen only by the end of August 2025. However, with higher tariffs imposed on products from China and India, Indonesia's two main competitors, a potential new market share got opened up for Indonesian businesses to fill, if they could compete efficiently.

Negotiation at a Cost

The US continues to be a vital market as the world's largest consumer of textile goods, supported by its enormous economy. So, the Indonesian government went out of the way to accommodate US negotiators' compelling demands. During July negotiations, Indonesian state-owned energy giant Pertamina, through its refining arm Kilang Pertamina Internasional, signed MoU with ExxonMobil, Chevron, and KDT Global Resources, including potential deals worth up to \$34 billion, with \$15.5 billion earmarked for energy imports.

Additionally, Indonesia agreed to eliminate tariffs on over 99 per cent of US products exported to Indonesia. Associations representing the textile sector proposed boosting imports of US-sourced raw materials, such as cotton, as a negotiating tool to balance bilateral trade. This move was aimed at reducing the impending tariff and safeguarding the home market by limiting imports. The government equally focused on the challenges faced by the textile and garments industry at home.

Crackdown on Smuggled Imports

In October-end, Indonesia intensified a crackdown on illegally imported second-hand clothing blamed for battering its domestic textile industry. The illegal imports supply the second-hand clothing market in Indonesia. A new regulation reinforced a 2022 Trade Ministry ban on used clothing imports, allowing authorities to blacklist importers caught smuggling used apparel. Between January 2024 and August 2025, 2,584 seizures, valued Rp49.44 billion (\$2.9 million), of illegally imported clothes and bags were carried out. Still, many more smuggled goods managed to enter Indonesian borders due to 'leaks' in loosely guarded entry channels. In 2024, the volume of used clothing imports to Indonesia weighed 3.86 million kg, valued at \$1.5 million. Between January and July 2025 alone, this value reached \$1.31 million from imports of 1.09 million kg. Pasar Senen, one of the largest thrift hubs in Jakarta, hosts hundreds of second-hand kiosks that largely sell used clothes and apparel from Japan, South Korea, the United States and Europe, at very low prices.

The domestic textile industry welcomed the crackdown, blaming the decline of the labour-heavy sector on a flood of cheap clothing and apparel from China, rising tariffs in countries including the US, and the general economic uncertainty. Imported used clothing is estimated to have eroded domestic textile industry's market share by 15 per cent. More so, the booming trend of thrifting also adds to the piles of waste in landfills. In 2023, some thrift sellers bought Rp14 million worth of imported used clothes. Just by selling 20 per cent of this inventory, their investments were recovered, leaving the unsold clothes as waste for the landfills.

Unlike overseas, where the thrifting market is supported by shoppers trying to reduce clothing or fast fashion waste, shoppers in Indonesia are forced to buy second-hand due to the economic downturn. In Indonesia, thrifting products are not supplied domestically due to lack of a used goods recycling system, with such items typically donated during natural disasters.

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Source: fibre2fashion.com– Dec 28, 2025

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Tariffs, stimulus and AI to drive global market uncertainty in 2026

The global markets are heading into 2026 amid heightened uncertainty, as shifting US tariff policies, fiscal stimulus, monetary easing and an extended artificial intelligence investment boom reshape economic expectations, according to Franklin Templeton. While fears of stagflation have so far failed to materialise, volatility is expected to remain a defining feature of the year ahead.

According to Sonal Desai, chief investment officer at Franklin Templeton Fixed Income, the baseline outlook for US growth remains constructive. Household consumption has proved resilient and is set to receive a boost from substantial fiscal stimulus in early 2026, estimated by the Brookings Institution to add well over one percentage point to gross domestic product growth. Monetary policy easing by the Federal Reserve and sustained productivity gains are also expected to support economic momentum.

However, warning signs are emerging. Employment growth has softened, with the unemployment rate edging up from very low levels, while companies appear cautious on hiring and non-AI investment. Weakness in labour-market data has made it difficult to assess the true scale of the slowdown, adding to uncertainty.

The inflation risks remain skewed to the upside, particularly in the first half (H1) of 2026. Additional fiscal measures and the possibility of tariff-related rebates could boost consumer spending, potentially pushing inflation back towards the 3.5-4 per cent range. Any renewed rise in prices could weigh on consumption later in the year if wages fail to keep pace.

The Federal Reserve has cut interest rates by a cumulative 175 basis points (bps), taking the fed funds rate to 3.5-3.75 per cent. While inflation remains above target, internal divisions within the Federal Open Market Committee signal that risks persist.

The Fed's renewed expansion of its balance sheet through short-term treasury purchases has also raised concerns that large fiscal deficits could entrench inflationary pressures.

Financial markets are likely to remain volatile. Long-term US Treasury yields have risen despite rate cuts, reflecting both confidence in growth and unease over loose fiscal policy. Investors are expected to stay cautious on duration, with limited scope for further credit spread tightening amid heavy issuances.

Desai noted that macroeconomic forces are firmly back in the driving seat, shaped by geopolitical realignment, China's structural slowdown, Japan's reflation, higher European defence spending and rapid advances in AI. With the US dollar still historically strong and valuations elevated, diversification and active management are expected to play a crucial role in navigating 2026's uneven growth landscape.

Source: fibre2fashion.com– Dec 27, 2025

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ICE cotton hits three-week high on weaker US dollar, demand uptick

ICE cotton futures continued to rise on Friday, reaching their highest level in more than three weeks. US cotton found support from a weaker US dollar and clearer signs of improving demand. Prices not only touched a three-week high but also posted weekly gains.

The most active March 2026 cotton futures settled at 64.49 cents per pound, up 0.25 cent. During the session, the contract touched an intraday high of 64.81 cents, the highest since December 3.

Market support came from better demand for natural fibres and favourable currency movement.

The US dollar index edged lower, making dollar-denominated cotton cheaper for overseas buyers and reinforcing the bullish sentiment.

Analysts said market demand has improved, with US export sales reported to be very strong last week, boosting price confidence. The US Department of Agriculture's export sales report confirmed the improvement in demand.

ICE cotton settlements on Friday showed March 2026 at 64.49 cents per pound (up 0.25 cent), cash cotton at 62.24 cents (up 0.25 cent), May 2026 at 65.78 cents (up 0.29 cent), July 2026 at 66.95 cents (up 0.37 cent), October 2026 at 67.56 cents (up 0.54 cent) and December 2026 at 68.24 cents (up 0.43 cent).

Source: fibre2fashion.com– Dec 27, 2025

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The Great Decoupling: The global play and regional and country trade outlook

This feature marks the second article in our exclusive series, "Wrap Up 2025 | Outlook 2026," where we dissect the structural shifts redefining the B2B textile and apparel landscape.

As the final bobbins of 2025 spin to a halt, the global textile and apparel industry is not merely turning a page; it is burning the old playbook. While 2025 was defined by a desperate race to dodge the "Reciprocity Tariffs" of a volatile US trade regime, 2026 is emerging as the year of the Compliance Corridor—a structural reality where market access is no longer dictated by the lowest bid, but by the most robust data set. The overarching play and role of countries in this new era is dictated by a historic structural bifurcation. For the global sourcing community, the focus has shifted from simple labor arbitrage to navigating a "Digital Border" where a product's entry into the European Union or North America depends on a verifiable "Data Birth Certificate."

The Regional Trade Outlook for 2026 confirms that we are moving toward a period of profound structural permanence. By mid-2026, the EU's Digital Product Passport (DPP) registry and the Corporate Sustainability Due Diligence Directive (CSDDD) will go live, effectively creating a regulatory wall projected to lock out nearly 30% of current global exports that fail the traceability test.

The Global Macro View: A two-speed trade reality

Trade dynamics in late 2025 were characterized by "Pre-emptive Shipping." Importers in the United States front-loaded inventories to hedge against tariff spikes, while European buyers braced for the implementation of the EU Strategy for Sustainable and Circular Textiles. This has created a "Bullwhip Effect" heading into 2026: a cooling of demand as brands digest excess stock, followed by a frantic search for "Safe Havens"—territories with stable Free Trade Agreements (FTAs) and low geopolitical friction.

While the global textile market is projected to reach \$2.28 trillion in 2026, the growth is no longer uniform. Technical textiles and Man-Made Fibers (MMF) are growing at double the rate of traditional apparel, reflecting a

C-suite obsession with high-performance applications in the automotive, medical, and defense sectors.

Vietnam and Cambodia: The middlemen's dilemma

Vietnam and Cambodia enter 2026 as the primary beneficiaries of the "China-Plus-One" strategy, yet they are walking a regulatory tightrope. Despite a projected \$46 billion in exports for Vietnam in 2025, a "Transparency Gap" remains. OECD (Organisation for Economic Co-operation and Development) data reveals that 20–30% of the value-added in their exports—specifically high-performance fabrics—still originates in China. As "Rules of Origin" enforcement becomes automated through AI-driven customs tracking, these nations face a "Compliance Cliff." To maintain their 2026 trajectory, they are being forced to localize their upstream supply chains, moving away from simple assembly toward domestic spinning and weaving to satisfy both USMCA (United States–Mexico–Canada Agreement)-style "Yarn Forward" rules and EU traceability mandates.

Turkey & North Africa: The speed king's dominance

Turkey has secured its position as the definitive "Speed King" for the European market, delivering "Green Denim" within a 14-day window. Strategic proximity allows Turkish and Moroccan exporters to reach European capitals by road in under 72 hours, bypassing the volatility of 2026 ocean carrier surcharges. This is a massive commercial lever; near-shoring to Turkey now provides an estimated 12% landed-cost saving over traditional Asian routes when accounting for transit-tied capital and new regulatory premiums. By 2026, Turkey is no longer just a sewing hub but the "Technology Hub for Global Denim," leading the transition to waterless dyeing and circular material usage.

India: Scaling the technical upgraders

India is executing a massive industrial upgrade, moving "Beyond Basic Cotton." Leveraged by the government's Production Linked Incentive (PLI) scheme, Indian industrial giants are scaling up in high-value MMF and Technical Textiles. India's technical segment is expected to hit a 10% CAGR by the end of 2026, offsetting headwinds in traditional cotton knits. As one industry leader stated, "We are no longer just the world's cotton patch; we are becoming a high-complexity material partner." This

diversification into automotive and medical textiles has allowed India to remain resilient despite fluctuating global demand for fast fashion.

Bangladesh: The €18 bn question of compliance

For Bangladesh, 2026 is the year of "Compliance or Collapse." Following its scheduled graduation from Least Developed Country (LDC) status in November 2026, the nation faces the potential loss of the EU's "Everything But Arms" (EBA) preferences. While the EU has offered a transition period until 2029, the immediate pressure lies in the mandatory labor and environmental audits under the CSDDD. 2026 is becoming a period of intense consolidation; global brands are narrowing their supplier bases to only those who can provide real-time visibility into wage transparency and chemical discharge. Bangladesh must decide whether to invest billions in green infrastructure or risk losing its most lucrative trade partner.

China: The upstream giant and global supplier

China has successfully transitioned to become the "Supplier to the World's Suppliers." While its share of finished apparel assembly has slipped, its grip on global textiles; yarns, fabrics, and chemicals has grown to a commanding 43%. In 2026, China effectively owns the "guts" of the global industry. Even as a garment is sewn in Southeast Asia, the technology and material that made it likely originated in a smart-mill in Zhejiang. China's 2026 strategy is one of "Industrial Supremacy through Innovation," focusing on chemically recycled fibers and high-automation that competitors cannot yet match at scale.

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Source: fashionatingworld.com– Dec 27, 2025

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Vietnam textile sector pivots to ‘Green & Smart’ to secure \$50 billion target by 2026

As Vietnam cements its role as the world’s third-largest apparel exporter, the industry is undergoing a radical shift from labor-intensive processing to high-tech automation.

By 2026, the sector is targeting a breakthrough export turnover of \$50 billion, driven by a dual-transformation strategy: ‘greening’ and ‘digitalization.’

Leading manufacturers like Vinatex and TNG are increasingly deploying AI-powered vision systems for fabric defect detection and robotic packaging units, which can replace up to six workers per station. This technological leap is critical as the industry faces a 7.2 per cent mandatory wage hike and a tightening labor market.

Sustainability becomes the new export passport

The 2026 outlook is dominated by the EU’s Digital Product Passport (DPP) and Carbon Border Adjustment Mechanism (CBAM). Compliance is no longer optional; it is the ‘entry ticket’ to the European market. Vietnamese firms are responding by adopting Cold-Pad-Batch (CPB) dyeing technology, which slashes water and electricity use by nearly 73 per cent.

‘Our strategy is moving beyond low costs toward ‘principled production’ that satisfies the traceability demands of global giants like Nike and Adidas,’ states a representative from VITAS

Market diversification amid global headwinds

To mitigate risks from US tariff fluctuations, Vietnam has successfully diversified its footprint across 138 markets, with emerging hubs in the Middle East and Africa showing double-digit growth.

Vinatex, specifically is targeting a \$760 million revenue in 2026 by focusing on high-value technical apparel for the healthcare and aviation sectors. While the global demand growth rate may cool to 3 per cent, Vietnam’s move toward Original Design Manufacturing (ODM) and a 60 per cent localization rate is expected to keep margins resilient.

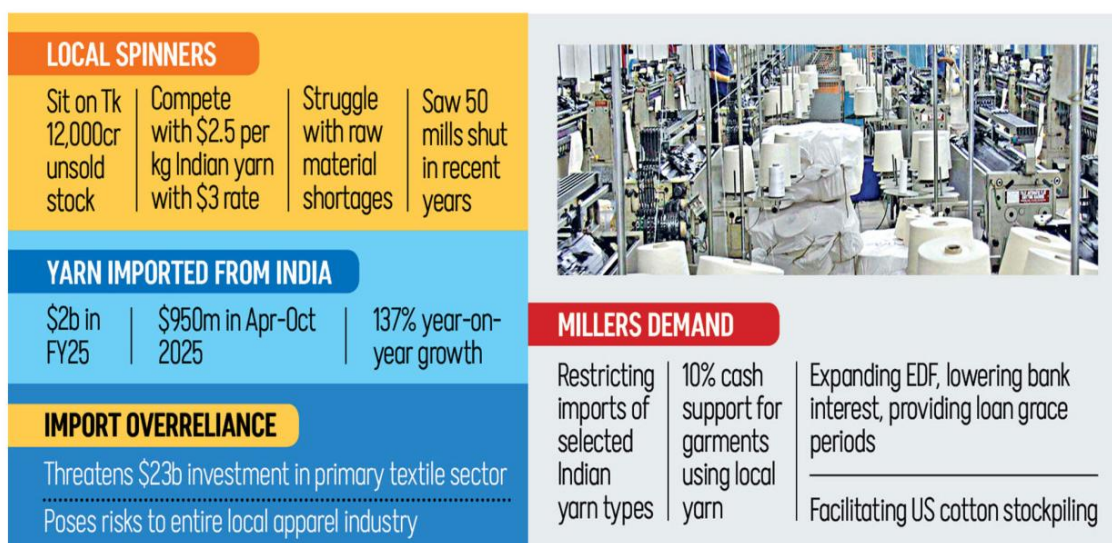
Vinatex: Vietnam's national textile powerhouse

As a state-controlled giant, Vinatex leads the nation's 'green and digital' roadmap across yarn, dyeing, and garment sectors. Dominating the US and EU markets, the group is aggressively localizing raw materials to reduce import reliance. Historically the industry backbone, Vinatex targets a record \$57 million profit by 2026.

Source: fashionatingworld.com– Dec 27, 2025

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Bangladesh: Spinners blame India for dumping yarn as imports surge 137%



Local spinning mills are left with Tk 12,000 crore of unsold stock as cheap yarn from India floods the market, according to the Bangladesh Textile Mills Association (BTMA).

BTMA leaders say yarn imports from the neighbouring country rose 137 percent during the April-October period this year, as Indian traders are dumping it in Bangladesh at more than \$0.30 per kilogramme below domestic prices.

As a result, nearly 50 local spinning mills have closed in recent years after failing to survive the competition, said BTMA President Showkat Aziz Russell.

Speaking at a press conference at Gulshan Club in Dhaka yesterday, he added that one of his own mills has shut down, while another is struggling to stay afloat.

"These mills had an investment of Tk 500-Tk 700 crore each, and it is difficult to start them anew," he said.

The BTMA president said Bangladesh should reduce its dependence on Indian yarn. In the past, India stopped cotton exports to Bangladesh without any prior notice, causing severe losses for local spinners.

"If Bangladesh depends heavily on Indian yarn, they may stop supplying it suddenly, putting our garment sector in trouble," he said.

In April this year, Bangladesh imposed a ban on importing yarn from India through land ports to protect local textile producers from cheaper Indian yarn and promote domestic production. But the restriction does not cover imports through sea routes.

At the press conference, millers said they do not want a complete ban on Indian yarn. Rather, they advocated for reducing the bilateral trade gap, which now heavily favours New Delhi.

Besides, they called for import bans on certain yarn types abundantly produced domestically.

In his speech, Russell said the Indian economy is protective in nature. He said that once his company exported Royal Crown Cola to Kolkata, but the Indian government raised tariffs on the product within 15 days, affecting the business.

According to him, the total investment in the garment and primary textile sectors is more than \$75 billion, including \$23 billion in the primary textile sector. Combined, the two sectors contribute \$40 billion in exports.

His recommendations included facilitating warehousing for cotton merchants to allow stockpiling of US cotton for use in local mills, as promised by Dhaka during reciprocal tariff negotiations.

At the programme, other millers said they cannot compete with cheap Indian yarn, currently priced at \$2.50 per kilogramme, while local mills must sell at \$3 per kilogramme due to shortages of raw materials such as cotton.

They called for at least 10 percent cash incentives for garment exports that use locally spun yarn, an increase in the Export Development Fund (EDF) at lower interest rates, and reduced bank lending rates.

Former BTMA director Razeed Haider described the influx as an act of "economic aggression", designed to "pressure" Bangladesh's primary textile sector. "Because of low prices, international clothing brands are also choosing Indian yarn over local yarn, severely affecting the spinning sector," he said.

Haider, managing director of Outpace Spinning Ltd, said that in fiscal year 2025-26, \$2.0 billion worth of yarn was imported from India, with local mills using 1,600 tonnes daily. From April to October 2025, imports reached \$950 million, a 137 percent increase year-on-year.

Bangladesh has become the largest destination for Indian yarn exports, receiving 44 percent of the total, while Cambodia ranks second at 21 percent, he added.

Former BTMA president A Matin Chowdhury said India provides incentives at multiple stages, from cotton growers to factories and exporters, making Indian yarn highly competitive.

Another former BTMA president, Mohammad Ali Khokon, said that Indian control of Bangladesh's backward linkage industries could eventually extend to the garment sector.

"Nearly 40 to 50 mills have closed, and more face the threat of shutdown. Amendments to the labour law may also provoke unrest," he said.

At the programme, BTMA President Russell urged the government to introduce policy support within 72 hours to save the textile sector.

With 25 percent cash incentives, back-to-back LC facilities, and the EDF, he said the sector could still grow.

Source: thedailystar.net – Dec 29, 2025

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NATIONAL NEWS

YEAR END REVIEW 2025 OF MINISTRY OF TEXTILES

COTTON SECTOR: The cotton sector, a cornerstone of India's agricultural economy supporting nearly 6 million farmers and 40–50 million people across the value chain, continues to play a pivotal role in textile production and foreign exchange earnings. In the cotton season 2024–25, the Government through its nodal agency, the Cotton Corporation of India Ltd. (CCI) under Ministry of Textiles has successfully procured 525 lakh quintals of seed cotton (100 lakh bales) under MSP operations, disbursing ₹37,450 crore to farmers—covering 38% of arrivals and 34% of national production.

- To enhance transparency, the Kapas Kisan mobile app was launched, enabling farmer self-registration and slot booking.
- The exemption of customs duty on raw cotton imports (Aug–Dec 2025) provided critical relief to the textile value chain by reducing input costs, stabilizing prices, and boosting competitiveness.
- Reforms by digitization of procurement of cotton under MSP operations- The 'KapasKisan' App for slot booking and registration. Blockchain-based QR-coded bales (BITS) for traceability. The 'CotBiz' Platform for e-invoicing, contract generation, and sale management.
- A 5-year Mission for Cotton Productivity has been announced in the budget to boost yields, promote ELS varieties, ensure sustainability, and align cotton farming with the 5F vision from Farm to Foreign.
- The Quality Control Order (QCO) 2023 for cotton bales has been deferred till August 2026.
- The 'Kasturi Cotton Bharat' Programme has been launched, founded on the three pillars of Certification, Traceability, and Branding, to enhance the global market acceptance of Indian cotton. Collectively, these measures strengthen farmer welfare, stabilize markets, and reinforce India's textile and apparel sector as a driver of employment and export growth.

[Click here for more details](#)

Source: pib.gov.in– Dec 24, 2025

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Tariff-hit 2025, but India's exports chart a steady course, momentum likely to extend into 2026

The year of tariffs was marked by a steep 50 per cent US duty on India's exports in 2025, but Indian exporters adapted by diversifying markets, keeping export growth resilient with momentum likely to extend into 2026.

As one of the senior-most officers of the commerce ministry put it, "trade is like water, it finds its own course", the country's merchandise exports responded with agility to a series of disruptions caused by the Covid-19 pandemic (2020-22), the Russia-Ukraine war (since 2022), the Israel-Hamas war (since 2023), the Red Sea shipping crisis (2023-24), the semiconductor supply crunch, and now the high tariffs of the US.

From \$276.5 billion in 2020, outbound shipments increased to \$395.5 billion in 2021 and \$453.3 billion in 2022. They dipped to \$389.5 billion in 2023, but momentum picked up again, with exports rising to \$443 billion in 2024. In 2025 (January-November) so far, they have reached \$407 billion.

Commerce Secretary Rajesh Agrawal said India's exports of goods and services reached a historic high of \$825.25 billion in 2024-25, over 6 per cent year-on-year growth and this strong upward trajectory continues into the current fiscal year also (\$562 billion during April-November 2025), which is a clear demonstration of resilience amid global headwinds.

"Based on current trends, India's exports are poised to deliver solid growth in 2026 as well. Notably, three free trade agreements -- UK, Oman, and New Zealand -- will enter into force next year, unlocking enhanced market access for both goods and services exports," Agrawal told PTI.

Though the high tariffs imposed by the US, India's largest trading partner and export destination, on Indian goods since August impacted the shipments in September and October 2025 to America, it surged 22.61 per cent to \$6.98 billion in November this year.

Exporters, however, are keeping their fingers crossed given the current global uncertainties. They are pinning hopes on early conclusion of the proposed bilateral trade agreement with the US and a trade deal with the European Union.

Taking note of the worsening geopolitical situation, the World Trade Organization (WTO) has projected that global trade would grow by 2.4 per cent in 2025. However, the outlook for 2026 has deteriorated to 0.5 per cent.

"With higher tariffs now in place and trade policy still highly uncertain, frontloading of purchases is expected to unwind as accumulated inventories are drawn down and as GDP growth slows. Possible signs of weakness in trade and manufacturing output have been observed in developed economies, including reduced business and consumer confidence and slower growth in employment and incomes," the WTO has said.

The government is optimistic that a series of measures taken by it will help exporters deal with these uncertainties and register a healthy growth rate in 2026.

"The government continues to monitor India's exports and take steps to promote them. It continues to work to mitigate the impact of the US tariff measures on Indian exports through a comprehensive multi-pronged strategy," an official said.

The measures included announcement of ₹25,060 crore export promotion mission; extending additional collateral free credit facilities up to ₹20,000 crore to eligible exporters; provision for debt repayment moratorium and extension of tenor for export credit; and leveraging free trade agreements (FTAs).

The NDA government has announced the highest number of FTAs in the last five years -- Mauritius (April 2021 implemented), Australia (December 2022 implemented), UAE (May 2022 implemented), Oman (signed in December), UK (signed in July) , EFTA (implemented in October), and New Zealand (talks concluded in December).

According to exporters and experts, India's exports will grow in 2026 despite global challenges, driven by the rising competitiveness of domestic goods and services, along with diversification of export products and markets.

Rudra Kumar Pandey, Partner, Shardul Amarchand Mangaldas & Co, said India's export outlook for 2026 is best seen as the result of structural shifts rather than a cyclical recovery in global trade.

"Electronics have emerged as a key driver, with exports rising nearly 39 per cent in November, reflecting sustained FDI-led capacity creation and deeper integration into global value chains," Pandey said, adding that engineering goods, pharmaceuticals, and automotive exports continue to reinforce this momentum.

A notable feature of this phase is geographic diversification. While the US and the UAE remain important markets, exports are increasingly spreading across Europe, East Asia, and South Asia, he added.

Shipments to the US grew about 22 per cent in November 2025, even amid tariff pressures, while exports to Spain surged nearly 150 per cent, alongside strong growth to China and Bangladesh.

Sharing similar views, Federation of Indian Export Organisations Director General Ajay Sahai said global supply-chain realignments, expanding trade partnerships and India's improving ease of doing business, position exporters well to sustain momentum.

"With continued policy support and market diversification, we remain confident of a strong and stable export outlook in the coming year," he said. The breadth of growth across engineering, electronics, pharmaceuticals, apparel, textiles, marine and services highlights the success of diversification and value addition efforts, he added.

However, Sahai said, the export outlook remains positive, but Indian exporters in 2026 are likely to face several challenges.

These include persisting geopolitical tensions and trade fragmentation.

"Slower growth in key developed markets may temper demand, while rising protectionism, including carbon-related measures and non-tariff barriers, will raise compliance costs. Exchange-rate volatility, high freight and insurance costs, and tighter global financing conditions could impact margins, especially for MSMEs," Sahai said.

The Indian rupee has remained volatile in 2025, dipping about 5 per cent this year and was around 90/dollar towards the end of December.

Source: thehindubusinessline.com– Dec 28, 2025

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From UK FTA to US tariff duels: What 2025 revealed about India's tradecraft

As 2025 comes to an end, India's foreign policy calendar this year was defined less by summit theatrics and more by grainy arguments over tariffs, carbon taxes and supply chain rules. Across Washington, Brussels, Riyadh and beyond, New Delhi spent the year trying to lock in market access, hedge against "weaponised" trade and present itself as a reliable node in re-wired global supply chains, especially after the shock Trump tariffs.

On November 28, Union Commerce and Industry Minister Piyush Goyal said at the FICCI Annual General Meeting that India is now talking to "about 50" partners on free trade agreements or similar pacts, including the United States, European Union, Gulf Cooperation Council, Eurasian bloc, Asean, South Korea, Israel, Canada, South Africa and Mercosur (South America).

His warning that trade is being used as a weapon captures the year's backdrop, a world of new tariffs, carbon border taxes and splintered blocs where India no longer relies on old assumptions.

India-UK CETA: What the deal delivers

On July 24, the India-United Kingdom Comprehensive Economic and Trade Agreement (CETA) was signed. The pact delivers tariff cuts, wider market access and coverage across goods, investment, procurement, services and mobility.

On goods, 99 per cent of Indian exports to the UK will face zero duties, including textiles, leather, engineering goods, marine products, gems and jewellery. India agreed to reduce tariffs on nearly 90 per cent of UK goods. Duties on British whisky and gin will fall from 150 per cent to 75 per cent immediately, reaching 40 per cent over ten years. Import duties on UK-made cars will fall from over 100 per cent to 10 per cent under a quota regime, with provisions for electric and hybrid vehicles.

Beyond goods, the treaty includes chapters on services, digital trade, intellectual property, public procurement and investment. New mobility rules include a "social security contributions" agreement avoiding dual payments for professionals on temporary assignments.

India-EFTA: A tangible win actually takes effect

Another success story for India in 2025 was the Trade and Economic Partnership Agreement (TEPA) with EFTA (European Free Trade Association) bloc - which includes Switzerland, Norway, Iceland and Liechtenstein. Signed in March 2024, TEPA came into force on October 1 this year, making it India's first FTA with four developed European economies.

As per the treaty, EFTA members made a binding pledge to mobilise \$100 billion investment in India over 15 years and generate one million direct jobs. This was the first such written commitment in any Indian trade deal.

On tariffs, EFTA offered concessions on 92.2 per cent of tariff lines, covering 99.6 per cent of India's exports. India opened up 82.7 per cent of tariff lines, covering 95.3 per cent of EFTA exports, but phased concessions and exempted sectors such as dairy, soya, coal, pharmaceuticals and selected food products.

The government has showcased TEPA as its "model" template with access to high-income markets alongside time for domestic industry to adjust. Whether promised investment and jobs follow will be tested in later years.

India–New Zealand FTA: New avenues for exporters

On December 22, India and New Zealand concluded negotiations on an FTA after roughly nine months of talks. The agreement will slash or eliminate tariffs on around 95 per cent of New Zealand's exports to India and offer duty-free access for all Indian goods to the Kiwi market, while also opening up services, investment and mobility provisions that aim to spur jobs and deepen economic ties.

New Zealand has pledged about \$20 billion in investment over the next 15 years, and both sides expressed confidence the deal could double bilateral trade over the next five years.

While India expressed in the FTA being mutually beneficial for the two sides, some political quarters in New Zealand vehemently opposed the pact. Among the critics was New Zealand's Foreign Affairs Minister Winston Peters, who called it a "low-quality" deal, mainly over the exclusion of dairy and new employment visas for Indians.

India–Oman CEPA: New Delhi's Gulf playbook

India and Oman signed a Comprehensive Economic Partnership Agreement (CEPA) on December 18. The deal covers bilateral trade of over \$10 billion, with Oman granting zero-duty access on 98.08 per cent of its tariff lines, covering 99.38 per cent of India's exports, including gems and jewellery, textiles, leather, engineering goods, pharmaceuticals and automobiles. India will liberalise 77.79 per cent of its tariff lines, covering nearly 95 per cent of imports from Oman, while protecting sensitive sectors.

The CEPA also expands services access across IT, business, health and education, raises intra-corporate transferee quotas from 20 per cent to 50 per cent, and extends service suppliers' stay to up to four years, underscoring a strong push on skilled mobility.

Besides Oman, India confirmed it is negotiating an FTA with the Gulf Cooperation Council (GCC) and exploring a similar pact with Qatar. A political dialogue in Riyadh in September reviewed implementation of the India-GCC Joint Action Plan for 2024-28 and agreed on early commencement of FTA talks.

The GCC is India's largest trade partner grouping, with bilateral trade of around \$178 billion in 2024-25. With Qatar, India is aiming to double bilateral trade from \$14.15 billion in FY25 to \$28-30 billion by 2030. Commerce Minister Piyush Goyal confirmed framework finalisation during his October 2025 Doha visit, targeting a deal by mid-2026.

Trade reset with US: Trump tariffs trouble New Delhi

While the FTAs and CEPA were a success for New Delhi, the trade talks with the United States illustrated the messiness of modern diplomacy. After Washington sharply raised duties on Indian imports under President Donald Trump's 'reciprocal tariffs' policy, some products have faced effective import duties of up to 50 per cent since late August.

India and the US launched bilateral trade agreement talks in March this year. By November, six rounds had been held, with both capitals describing reciprocal tariffs as the key issue for the first tranche, alongside oil trade. A separate round was held in New Delhi from December 10-12 to finalise an initial package and resolve tariff disputes. However, that too didn't yield any result.

Officials hope the effort lays ground for lifting bilateral trade towards \$500 billion by 2030, from about 191 billion dollars at present, under 'Mission 500', launched in February this year. However, despite the stakes, negotiators have avoided promising timelines.

EU negotiations: Racing against the clock of CBAM

This year, talks with the European Union ran on a denser agenda. India and the EU spent 2025 pushing to conclude a comprehensive FTA, an investment protection pact and a geographical indications agreement.

An EU delegation led by Sabine Weyand, director-general for trade, came to New Delhi in November and again in December, with the aim to close the deal by end-2025. Although, sticking points include market access for automobiles and steel, the EU's Carbon Border Adjustment Mechanism (CBAM), rules of origin and services restrictions.

The numbers underline the stakes. The EU is already India's largest trading partner in goods, with trade worth roughly \$136.5 billion in 2024-25. Indian exports to the bloc stood at \$75.85 billion, imports at \$60.68 billion, with the EU accounting for about 17 per cent of India's exports.

Russia and Eurasia: Balancing multiple tracks

Trade diplomacy was not confined only to Western economies and West Asia. During the latest India-Russia summit, Prime Minister Narendra Modi and Russian President Vladimir Putin discussed plans to raise bilateral trade to \$100 billion by 2030 from an estimated \$69 billion in the year ended FY25. They also signalled intent to move ahead on a free trade agreement between India and the Eurasian Economic Union.

But India's oil purchases from Russia and associated Western sanctions also fed into higher US tariffs, showing how interlinked these negotiations have become.

What 2025 revealed about India's trade diplomacy

Across the EFTA pact's entry into force, the bargaining with Washington, the race with Brussels, the Gulf track and Eurasian discussions, one pattern emerged this year: New Delhi now treats trade agreements as instruments of foreign policy rather than narrow technical exercises.

However, officials remain wary of premature celebration. Several marquee deals remain unfinished. Each carries domestic political costs where farmers or small manufacturers fear import surges or tighter climate rules. Yet 2025 has made one thing clearer, that in a world of shifting tariffs, carbon borders and contested supply chains, India wants to be inside the room where trade rules are written.

Source: business-standard.com– Dec 28, 2025

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India, Canada likely to formally restart FTA negotiations in February

India and Canada may kick off formal negotiations for a free trade agreement (FTA) early next year with Commerce Minister Piyush Goyal likely to visit the country in February, sources said.

“Going by the initial informal preparatory talks between the two sides, Canada has indicated that it would look at the concessions awarded by India to other countries with which it has concluded trade pacts, such as the UK, New Zealand, the EFTA bloc and Australia, so that a rough template is already there and talks could be speeded up,” a source tracking the matter told businessline.

Early pact

India and Canada are interested in an early mutually beneficial agreement, with the goal of doubling bilateral trade to \$50 billion by 2030, amid tariffs imposed by US President Donald Trump’s government on both countries, which are as high as 50 per cent on most Indian goods.

The Canadian government started its public consultations on the potential FTA, formally called the India-Canada Comprehensive Economic Partnership Agreement (CEPA), on December 13, 2025, and it will keep the channel open till January 27, 2026.

“As both India and Canada are now looking at a trade pact that is wide in scope, including goods, services, investments and many other areas, unlike the limited agreement that was visualised earlier in 2022-23, stakeholder consultations are very important. The two sides are also working on the terms of reference (ToR) for the agreement that will outline the scope and modalities,” the source said.

In September 2023, political tensions led India and Canada to halt negotiations on a limited free trade agreement following more than a year of discussion. Canada’s then-Prime Minister Justin Trudeau paused talks amid allegations regarding the involvement of Indian officials in the death of Sikh separatist leader Hardeep Singh Nijjar.

Relations began to improve following the election of Mark Carney as Canadian Prime Minister in March 2025. Recently, during a meeting on the sidelines of the G20 summit in Johannesburg, Prime Minister Narendra Modi and Prime Minister Carney agreed to launch Comprehensive Economic Partnership Agreement (CEPA) negotiations with the goal of doubling bilateral trade to \$50 billion by 2030.

Negotiators named

Chief negotiators for the trade pact have been appointed. The Indian side is being led by Joint Secretary in the Department of Commerce, Brij Mohan Mishra, while trade diplomat Bruce Christie is Canada's chief negotiator.

"It is being anticipated that all the preliminary formalities will be completed by February and talks can formally begin when the Indian Commerce Minister visits Canada," the source said.

Source: thehindubusinessline.com– Dec 26, 2025

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Union Budget 2026: India mulls barriers to cut import dependence, narrow trade gap

New Delhi: India is weighing higher customs duties and targeted incentives for a range of goods where imports remain high despite local production, in a bid to narrow the merchandise trade gap and reduce dependence on single-source supply chains. The proposed initiative could be rolled out in the upcoming budget, people aware of the development said. “There are certain goods in which we have high dependence on some geographies. We want to de-risk imports,” an official said.

“Some can be given fiscal support, while a duty increase can be done for others,” the official said.

The government has drawn up a list of about 100 goods — including engineering goods, steel products and machinery, besides consumer items such as suitcases and flooring materials — that could be considered for the incentives.

Import duties on many of these products currently range between 7.5% and 10%. The push comes as the country’s merchandise trade gap continues to widen. India exported goods worth \$292 billion in April-November of FY26, while imported goods worth \$515.2 billion over the same period, underscoring policymakers’ concerns over external vulnerabilities.

Industry also has been nudged to cut its dependence on a single source in its supply chain and to develop local ones, said a person familiar with the deliberations. “The issue is low quality of certain locally produced goods and higher prices that are not competitive with imports,” a steel industry representative said.

China remains a dominant supplier

China remains a dominant supplier across several categories. For example, India imported \$20.85 million worth of umbrellas in FY25, with \$17.7 million sourced from China.

Spectacles and goggles imports were valued at about \$114 million in 2024-25, with roughly half coming from China and a significant share routed through Hong Kong, while Italy ranked as the third-largest supplier. China

also accounts for as much as 90% of India's imports of some agricultural machinery.

The imbalance is reflected in bilateral trade. India's goods exports to China stood at \$12.2 billion in April-November FY26, compared with imports of \$84.2 billion, resulting in a trade deficit of about \$72 billion.

Source: economictimes.com– Dec 29, 2025

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The year of tariffs: India's exports impacted, yet stay on a steady course in 2025; momentum likely to extend into 2026

New Delhi: The year of tariffs was marked by a steep 50 per cent US duty on India's exports in 2025, but Indian exporters adapted by diversifying markets, keeping export growth resilient with momentum likely to extend into 2026.

As one of the senior-most officers of the commerce ministry put it, "trade is like water, it finds its own course", the country's merchandise exports responded with agility to a series of disruptions caused by the Covid-19 pandemic (2020-22), the Russia-Ukraine war (since 2022), the Israel-Hamas war (since 2023), the Red Sea shipping crisis (2023-24), the semiconductor supply crunch, and now the high tariffs of the US.

From USD 276.5 billion in 2020, outbound shipments increased to USD 395.5 billion in 2021 and USD 453.3 billion in 2022. They dipped to USD 389.5 billion in 2023, but momentum picked up again, with exports rising to USD 443 billion in 2024. In 2025 (January-November) so far, they have reached USD 407 billion.

Commerce Secretary Rajesh Agrawal said India's exports of goods and services reached a historic high of USD 825.25 billion in 2024-25, over 6 per cent year-on-year growth and this strong upward trajectory continues into the current fiscal year also (USD 562 billion during April-November 2025), which is a clear demonstration of resilience amid global headwinds.

"Based on current trends, India's exports are poised to deliver solid growth in 2026 as well. Notably, three free trade agreements -- UK, Oman, and New Zealand -- will enter into force next year, unlocking enhanced market access for both goods and services exports," Agrawal told PTI.

Though the high tariffs imposed by the US, India's largest trading partner and export destination, on Indian goods since August impacted the shipments in September and October 2025 to America, it surged 22.61 per cent to USD 6.98 billion in November this year.

Exporters, however, are keeping their fingers crossed given the current global uncertainties. They are pinning hopes on early conclusion of the proposed bilateral trade agreement with the US and a trade deal with the European Union.

Taking note of the worsening geopolitical situation, the World Trade Organization (WTO) has projected that global trade would grow by 2.4 per cent in 2025. However, the outlook for 2026 has deteriorated to 0.5 per cent.

"With higher tariffs now in place and trade policy still highly uncertain, frontloading of purchases is expected to unwind as accumulated inventories are drawn down and as GDP growth slows. Possible signs of weakness in trade and manufacturing output have been observed in developed economies, including reduced business and consumer confidence and slower growth in employment and incomes," the WTO has said.

The government is optimistic that a series of measures taken by it will help exporters deal with these uncertainties and register a healthy growth rate in 2026.

"The government continues to monitor India's exports and take steps to promote them. It continues to work to mitigate the impact of the US tariff measures on Indian exports through a comprehensive multi-pronged strategy," an official said.

The measures included announcement of Rs 25,060 crore export promotion mission; extending additional collateral free credit facilities up to Rs 20,000 crore to eligible exporters; provision for debt repayment moratorium and extension of tenor for export credit; and leveraging free trade agreements (FTAs).

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A notable feature of this phase is geographic diversification. While the US and the UAE remain important markets, exports are increasingly spreading across Europe, East Asia, and South Asia, he added.

Shipments to the US grew about 22 per cent in November 2025, even amid tariff pressures, while exports to Spain surged nearly 150 per cent, alongside strong growth to China and Bangladesh.

Sharing similar views, Federation of Indian Export Organisations Director General Ajay Sahai said global supply-chain realignments, expanding trade partnerships and India's improving ease of doing business, position exporters well to sustain momentum.

"With continued policy support and market diversification, we remain confident of a strong and stable export outlook in the coming year," he said.

The breadth of growth across engineering, electronics, pharmaceuticals, apparel, textiles, marine and services highlights the success of diversification and value addition efforts, he added.

However, Sahai said, the export outlook remains positive, but Indian exporters in 2026 are likely to face several challenges.

These include persisting geopolitical tensions and trade fragmentation.

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The Indian rupee has remained volatile in 2025, dipping about 5 per cent this year and was around 90/dollar towards the end of December.

Source: economictimes.com– Dec 29, 2025

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Tariff impact to moderate H2 FY26 Indian cotton yarn realisation: ICRA

Following a flattish first half (H1) of fiscal 2025-26 (FY26), the trickle-down effect of US tariff on Indian cotton spinners is expected to moderate cotton yarn realisation in the second half, according to ICRA.

Revenues of cotton spinners are projected to decline by 4-6 per cent in FY26 and margin contraction is likely to be 50-100 basis points (bps). Moderation in cotton prices is expected to offset the impact to an extent.

Any positive developments around the ongoing tariff-related negotiations with the United States could help soften the impact to an extent, the Moody's Ratings affiliate said in a report titled 'Indian Cotton Spinning Industry: Trends & Outlook'

After witnessing a modest recovery in FY25 with increase in domestic yarn consumption by 2 per cent year on year (YoY), the Indian cotton spinning industry, is navigating a challenging phase in FY26 amidst a mix of stable domestic demand and effects of reciprocal and punitive tariffs levied by the United States on Indian apparel exports.

To mitigate the impact, Indian apparel exporters are providing sizeable discounts, which are being absorbed throughout the value chain (including spinners).

The import duty exemption on cotton imports in India till December 2025 and recent relaxation on quality control orders for both viscose staple fibre (VSF) and several yarns and polyester fibres is likely to moderate raw material prices for manmade fibre (MMF) yarn manufacturers, it said.

"While this supports readymade garments manufacturers with access to raw material at competitive prices, it exposes domestic MMF yarn manufacturers to competition from import suppliers," noted ICRA.

Domestic cotton fibre prices fell by around 3 per cent month on month (MoM) in November 2025. Average cotton yarn prices fell by 4 per cent.

This resulted in contribution levels moderating to ₹96/kg in November 2025 from ₹103 per kg in H1 FY26. ICRA anticipates contribution levels are likely to stabilise at ₹98-100 per kg for FY26 due to moderation in realisation expected in H2 FY26.

ICRA's sample set of 13 companies, which accounts for 25-30 per cent of the industry's revenue, is expected to report a 4-6 per cent decline in revenues on a YoY basis in FY26.

Additionally, margins are expected to contract by 50-100 basis points in FY26, primarily due to weaker performance expected in H2.

Given the available capacities, material expansion in capacity creations is not expected in FY26 in the sector, ICRA added.

Source: fibre2fashion.com– Dec 29, 2025

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Textile ministry may get ₹1,100 crore from Cotton Productivity Mission

The Ministry of Textiles is said to have prevailed over other ministries to secure more than one-fifth of the total expenditure of about ₹6,000 crore proposed for the Cotton Productivity Mission, which is yet to receive Cabinet approval after being announced nearly 11 months ago.

“Though name is productivity mission, Indian Council of Agricultural Research (ICAR) will not get even 10 per cent of the total funding and will have all the responsibility to achieve target, starting from preparing the cabinet note of the Mission,” said a former leading scientist of ICAR’s cotton research centre in Nagpur.

He suggested a Basmati-type intervention to popularise varieties, for which the textile ministry should serve as a bridge between ICAR and user industries, rather than seeking funds. Above all, the farmers need to be assured through action, not words, that the imported cotton brought into the country is above the rates they receive in the domestic market, he said, pointing out the current duty-free import allowed until December 31.

Proposed allocation split

Earlier, the textile ministry’s suggestion to spend the Mission funds on modernising factories was opposed by the Department of Expenditure and Niti Aayog, sources said. But the expenditure finance commission has agreed to allow the textile ministry to spend up to ₹1,100 crore (or 22 per cent), the sources said.

The Department of Agriculture and Farmers’ Welfare is likely to get the maximum share of over ₹4,000 crore (or 69 per cent), while ICAR is likely to get less than ₹600 crore (or 9 per cent) from the Mission for implementation over a five-year period.

In her Budget speech for 2025-26, Finance Minister Nirmala Sitharaman had said: “For the benefit of lakhs of cotton-growing farmers, I am pleased to announce a ‘Mission for Cotton Productivity’. This 5-year mission will facilitate significant improvements in productivity and sustainability of cotton farming, and promote extra-long staple cotton varieties. The best support in science and technology will be provided to farmers.”

“Aligned with our integrated 5F (farm, fibre, factory, fashion and foreign) vision for the textile sector, this will help in increasing incomes of the farmers, and ensure a steady supply of quality cotton for rejuvenating India’s traditional textile sector.”

Productivity challenge persists

India’s cotton production in 2025-26, for the third year in a row, dropped to 29.22 million bales (of 170 kg each) from 29.72 million bales in 2024-25. The cotton acreage too shrank by 2 million hectares in the last four years, while the all-India average yield is still less than 5 quintal per hectare, as against the world average of 9 quintal per hectare and 10 quintal in the US.

Source: thehindubusinessline.com– Dec 26, 2025

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2025: When multilateralism weakened, but global trade remained resilient

This year, the multilateral trading system suffered a severe setback, yet global supply chains displayed remarkable resilience. China demonstrated its dominance over critical minerals and advanced technologies, while India responded to external shocks by deregulating selectively and boosting domestic consumption.

The US unilaterally raised import duties on a wide range of products and moved away, in practice, from the long-standing principle of treating all trading partners equally. It imposed varying tariff rates on imports from different countries.

The US started from a maximalist position and then negotiated trade frameworks with regions and countries such as the European Union (EU), Japan, South Korea, and Vietnam, while holding trade talks with others, including the UK, Pakistan, and Indonesia.

In return, several partners lowered tariffs on imports from the US and accepted higher tariffs than earlier on their exports to the US, with some also committing investments over time. Strong consumer sentiment and high levels of investment, particularly in artificial intelligence (AI), helped the US sustain economic momentum during the year.

The dispute settlement mechanism at the World Trade Organization (WTO) remained dysfunctional, as the US continued to block the appointment of enough referees to hear appeals. Yet trade flows adapted.

The United Nations Trade and Development (UNCTAD) estimates that global trade in goods and services will exceed \$35 trillion, or nearly 7 per cent, in 2024. Trade in goods will account for roughly \$1.5 trillion of this rise, or about 6.3 per cent, while services are expected to grow by around \$750 billion, or nearly 8.8 per cent.

China mounted the most consequential retaliation against the US by hiking tariffs on American goods and selectively restricting exports of rare-earth metals and other critical minerals, underscoring its leverage in global supply chains. The US pulled back from escalation and opened trade negotiations with China.

China also showcased its technological capabilities as Deepseek, an artificial intelligence platform, gained global attention as a potential rival to major US tools. At the same time, it managed to post gross domestic product (GDP) growth of about 4.5 per cent despite weak domestic demand, aided by aggressive exports of manufactured goods. India and Brazil, lacking China's leverage, chose not to engage in tit-for-tat tariff hikes and instead raised their concerns at the WTO.

India's Prime Minister Narendra Modi met US President Donald Trump within weeks of his assuming office, setting trade negotiations in motion with the intent of finalising a deal by November.

However, in August, the US imposed an additional 25 per cent punitive tariff on Indian goods, alleging that India's payments for Russian crude oil were helping finance Russia's war against Ukraine. Coming on top of earlier tariff layers, duties on some Indian exports rose sharply.

The move hurt labour-intensive sectors like textiles, leather, marine products, gems & jewellery, and engineering goods. In response, the government cut goods and services tax rates on several items to boost domestic consumption, withdrew or deferred some quality control orders, eased some labour laws, pursued trade negotiations with the EU and the US with renewed vigour, concluded trade negotiations with the UK, Oman and New Zealand, and opened talks with other partners.

November export figures showed a healthy 15.52 per cent growth over November 2024, which helped India approach the end of the year with quiet resolve and cautious optimism.

Source: business-standard.com– Dec 28, 2025

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Open-end spinning mills in Tamil Nadu slash production by 50%

Open-end spinning mills, numbering over 600 in Tamil Nadu, have cut their production by 50 per cent in an effort to improve profitability and market conditions.

Open-end mills are facing losses as prices of cotton waste, the main raw material for themills, have increased amid a fall in cotton and yarn prices, said G Arulmozhi, president, Open-End Spinning Mills Association (OSMA).

Tamil Nadu's open-end spinning mills produce about 25 lakh kg of cotton grey yarn and 15 lakh kg of colored yarn daily. "This crisis (closure to improve market) echoes recent reports of mills halting operations due to similar cost pressures," he said.

Cotton prices have dropped from ₹60,000 per candy (356 kg) in October to ₹53,500 in December. "Yet, cotton waste like comber noil (short-fibre byproduct from the cotton combing process in yarn manufacturing) rose from ₹100/kg to ₹113. Open-end yarn prices also fell, with 20s weft from ₹150/kg to ₹140/kg and 20s warp from ₹165/kg to ₹158," said Arulmozhi.

Open-end mills rely on waste cotton for grey yarn, but hikes of ₹15/kg despite lower raw cotton costs have eroded margins. This has forced them to run their units at 50 per cent capacity or bring production to a total halt. "Daily output losses could exceed ₹10 crore during full halts, affecting powerloom and handloom suppliers," he said.

Curb cotton waste exports

OSMA demands that the cotton waste price be controlled, the State government reduce electricity tariffs. The Centre should curb the export of cotton waste to stabilise the sector. "The scaling back of production to 50 per cent of the capacity is to avoid further losses until cotton waste prices align with falling cotton values," the OSMA president said.

Cotton waste comber noil is exported in huge volumes, and if this is made available in the domestic market, it can be used to make "made-up" products that would benefit cities such as Karun in Tamil Nadu and Panipat in Haryana. These cities can ship value-added products.

“Instead of exporting a production at ₹100 a kg, we can value-added and export at ₹1,000/kg and get more foreign exchange,” said Arulmozhi. Also, the exports of these have resulted in a shortage of raw material for open-end mills, he said.

Source: thehindubusinessline.com– Dec 27, 2025

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MIAL's freight curbs may hit India's exports; cargo body warns disruptions

India's air cargo agents have warned that the proposed 10-month suspension of freighter operations at the Mumbai airport — India's second-largest air cargo hub — could disrupt export flows, push up freight rates, and damage the country's reputation as a global cargo hub, Business Standard has learnt.

The Adani Group-led Mumbai International Airport Limited (MIAL) informed aviation stakeholders, including air cargo operators, on December 11 that Mumbai airport will completely suspend freighter flights from August 2026 to May 2027 to re-carpet its main runway, construct a new taxiway, and rebuild the apron used by freighter aircraft for loading and unloading.

The Air Cargo Agents Association of India (ACAAI) responded on December 19, urging MIAL to “immediately reconsider” the complete closure of freighter operations for such a “long period” and to work out a model that would allow operations to continue.

While welcoming the planned “renovation and repair works”, the association said the suspension was announced without any “mitigation plan and resumption strategy”.

In 2024-25 (FY25), Mumbai airport handled about 889,900 tonnes of cargo, accounting for nearly a quarter of India's total air cargo handled that year. MIAL did not respond to Business Standard's queries on the matter.

ACAAI warned that suspending freighter operations for 10 months would disrupt upliftment capacity and increase freight rates substantially. “This will have an adverse effect on the continual growth of Indian exports,” it said.

The association also cautioned that the proposed 10-month timeline could stretch further, worsening the impact. “It is quite possible that the said works planned for ten months may get extended for a few more months, after which airlines may not be in the immediate situation to bring back their freighters, having deployed them elsewhere,” it said.

ACAAI argued that passenger aircraft operating “combi” flights -- passenger flights that carry cargo in their belly -- would be unable to replace freighter flights. “Combi flights cannot accommodate cargo to be carried on the freighters, which will be a colossal loss not only to the trade but also to the freighter carriers,” its letter stated.

“Such suspension of freighter operations at a highly reputed/busy airport and a cargo business hub of India would adversely affect the reputation worldwide. Why should the air cargo suffer for that?” ACAAI asked.

Meanwhile, Navi Mumbai airport, the city’s second airport developed by MIAL’s subsidiary, commenced flight operations last week. The Mumbai airport currently handles about 7-8 cargo flight departures every day.

In its letter, ACAAI further said the decision appeared unilateral and raised concerns over compliance with international norms. Such a suspension “violates the guidelines issued by the Worldwide Airport Slot Board (WASB)” and agreed by Airports Council International, International Air Transport Association (IATA), and the Worldwide Airport Coordinators Group, it added.

This is not the first time MIAL has moved to suspend cargo operations at the Mumbai airport. In April, MIAL had told cargo operators that dedicated freighter flights would be stopped from August 16 until further notice, citing airside infrastructure works and acute capacity constraints. The announcement had sparked strong resistance from cargo carriers and industry bodies, who had warned that shutting out freighters would weaken Mumbai’s position as a critical aviation and logistics hub. Facing the backlash, MIAL had reversed course in May, rolling back the April decision.

Source: business-standard.com– Dec 28, 2025

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India plans ₹2,000-cr MSME tech upgrade to enhance exports, efficiency

NEW DELHI: India is likely to announce a ₹2,000-crore technology upgradation scheme for small businesses in the 2026-27 budget, aimed at boosting the adoption of energy-efficient machinery, two people aware of the development said.

The technology upgradation scheme, proposed by the Union ministry of micro, small, and medium enterprises (MSME), and currently under discussion, will cover MSMEs with annual turnover of less than ₹50 crore, offering them a 20% capital subsidy for purchase of energy-efficient machinery, smart manufacturing, and automation upgrades, said the first of the two persons cited earlier, both of whom spoke on the condition of anonymity.

A micro enterprise has an annual turnover of up to ₹5 crore, a small enterprise up to ₹50 crore, and a medium enterprise up to ₹500 crore.

The plan comes amid several countries introducing their own carbon taxes on imports from nations with weaker climate regulations. The European Union's Carbon Border Adjustment Mechanism (CBAM) comes into effect from 1 January. The UK and Norway plan to introduce their own CBAM-like mechanisms in 2027. Canada and Australia are also in early stages of CBAM development, while Taiwan intends to impose CBAM regulations and taxes in 2026.

These carbon taxes will put Indian MSME manufacturers and their exports at a disadvantage amid rising global tariff barriers. While the US has already imposed a steep 50% tariff on Indian exports, which is hurting these small businesses, Mexico also has announced a 50% tariff on select Indian goods starting 1 January 2026.

The second person said that the ongoing MSE-GIFT (Micro and Small Enterprises Green Investment and Financing for Transformation) scheme may be integrated with the new scheme. Launched in December 2023 as part of a World Bank-backed Raising and Accelerating MSME Performance (RAMP) project, the scheme provides interest subvention on loans and risk-sharing facilities to micro and small enterprises on loans for cleaner and greener operations. The total corpus of the MSE-GIFT scheme is ₹478 crore.

Queries emailed to the Union ministries of MSME and finance remained unanswered till press time.

The focus is also on modernizing MSME equipment and machinery, essential for keeping Indian manufacturers globally competitive and boosting export potential, the second person added.

India's vast MSME sector—made of over 73 million businesses—accounts for about 45%, or over ₹14 trillion, of the country's exports and contributes about 30% of the \$4 trillion economy.

Experts said the scheme is likely to reduce operating expenses for businesses.

Veeramani C., professor and director of Thiruvananthapuram-based Centre for Development Studies, said: "While the scheme proposes a 20% subsidy, businesses themselves have to furnish the remaining 80% of the investment, which leads to the question of whether this investment will contribute to profitability."

"This profitability is also linked to scale. If you have economies of scale in production, the profitability achieved from using energy-efficient technology and automation is much higher than for smaller businesses, which may not always have that much scale to operate," he added.

Further, industries play a significant role in the economy's overall emissions. Direct and indirect emissions from industry in India make up 30.6% and 18.7% of energy-related CO₂ emissions, respectively. The move is important as the government aims to reduce emissions intensity of its GDP (gross domestic product) by 45% till 2030. Between 2020 and 2025, the intensity reduced by 36%, according to government estimates.

"For small scale industries, it is a tough challenge to install emission control equipment, as most of them are expensive and unaffordable for their scale of operation. Even if they manage to install it, it becomes difficult for them to maintain it, leading to it being non-operative most of the time. Technology-based upgradation or standard is a far better approach towards controlling emissions from small scale industries," said Parth Kumar, program manager, sustainable industrialization unit with the Centre for Science and Environment (CSE).

He said that a large segment of these industries are not registered and not located in designated industrial areas, resulting in lack of access to government schemes and financial support.

“There is a very large section of this sector, which is not on paper. So, bringing them in the legal fold and providing them access to schemes and finance remains a huge challenge,” Parth said.

Vinod Kumar, president, INDIA SME Forum, an industry lobby representing nearly 100,000 small and medium enterprises, noted that several businesses continue operating outdated machinery, which lowers their efficiency and productivity.

"If these small businesses need to compete globally, their equipment and machinery need to be modern, backed with new-age technologies. Given that these businesses are not deep-pocketed, incentives from the government on this would be helpful," he said.

According to a Niti Aayog report on competitiveness of MSMEs, participation of India in the global value chain (GVC) lags behind several economies like Malaysia and South Korea, apart from the developed countries of the US and Japan.

"Efficient supply chains enable MSMEs to integrate into GVCs, facilitating their involvement in international trade. Despite progress, India's GVC participation (40.3% of gross trade in 2022) lags behind not only major economies like the USA (43.7%) and Japan (46.6%) but also regional competitors like South Korea (56.2%) and Malaysia (60%)," it said citing the Economic Survey of 2024.

The Niti Aayog noted that strengthening supply chain linkages can boost economic growth and global competitiveness. Investments in supply chain technology, such as electronic linkages in the textile sector, can improve quality control, product management, and process innovation, enhancing GVA (gross value added) and operational efficiency.

Source: [livemint.com](https://www.livemint.com)– Dec 29, 2025

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