



IBTEX No. 7 of 2026

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Currency Watch

USD	EUR	GBP	JPY
90.25	105.23	121.55	0.57

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INTERNATIONAL NEWS

UN predicts world economic growth to slip to 2.7% in 2026

UNITED NATIONS, Jan 8 (Reuters) - Global economic growth is forecast to decline to 2.7% in 2026 from 2.8% last year before increasing to 2.9% in 2027 - still down from the pre-pandemic average of 3.2% between 2010 and 2019, according to a United Nations report released on Thursday.

The World Economic Situation and Prospects report said that while a sharp increase in U.S. tariffs in 2025 created new trade tensions, the absence of broader escalation has helped limit disruptions to international commerce.

"Despite the tariff shock, global economic activity proved resilient, supported by front-loaded shipments, inventory accumulation, and solid consumer spending amid monetary easing and broadly stable labor markets," according to the report by the U.N. Department of Economic and Social Affairs.

"Continued macroeconomic policy support is expected to cushion the impact of higher tariffs, but growth in trade and overall activity are likely to moderate in the near term," it said.

U.S. ECONOMIC GROWTH SEEN UP SLIGHTLY

The report said economic growth in the United States slowed to 1.9% in 2025 - from 2.8% in 2024 - and was forecast to edge up to 2.0% in 2026 and 2.2% in 2027, aided by expansionary fiscal and monetary policies. It said inflation would likely remain above the 2% target in 2026, "though it should gradually moderate as tariff effects wane and housing costs stabilize."

In China, the economy was projected to grow by 4.6% in 2026 and 4.5% in 2027, down from an estimated 4.9% expansion in 2025.

"A temporary easing of trade tensions with the United States - including targeted tariff reductions and a one-year trade truce - has helped stabilize confidence, while policy support is expected to sustain domestic demand," the report said.

Growth in the European Union was forecast at 1.3% in 2026 and 1.6% in 2027 - compared with 1.5% in 2025 - driven by resilient consumer spending. But higher U.S. tariffs and geopolitical uncertainty are likely to weigh on exports, the report said.

It said growth in South Asia was due to moderate to 5.6% in 2026, from 5.9% in 2025. It was forecast to return to 5.9% in 2027.

"India, growth is estimated at 7.4% for 2025 and forecast at 6.6% for 2026 and 6.7% for 2027, supported by resilient consumption and strong public investment, which should largely offset the adverse impact of higher United States tariffs," the report said.

Source: reuters.com – Jan 09, 2026

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Tariff turbulence strains global apparel supply chains

The global apparel export landscape is entering a period of high-intensity volatility as manufacturers grapple with escalating trade barriers. Recent policy shifts in the United States, including a baseline 50 per cent tariff hike on key textile categories, have forced a structural reassessment of pricing models.

For many exporters, the financial burden is no longer absorbable within existing 8 per cent–15 per cent margins. This has led to a defensive market posture where suppliers are front-loading shipments to hedge against further escalations, while simultaneously absorbing significant tariff costs to prevent long-term buyer attrition.

Competitive realignment and regional shifts

The imposition of reciprocal duties has catalyzed a rapid realignment of sourcing preferences. American retailers are increasingly diverting orders to nations like Vietnam and Bangladesh, where duty structures remain comparatively lower at 15 per cent–20 per cent.

Consequently, industrial clusters that previously dominated specific niches, such as knitwear hubs, are reporting a 30 per cent growth in working capital requirements. To maintain factory utilization, manufacturers are diversifying into alternative markets - including the UK, UAE, and Germany - where recent free trade agreements offer a necessary, albeit partial, cushion against North American protectionism.

Strategic transition towards value-added segments

In response to these external pressures, the industry is transitioning from high-volume basic commodities to specialized, technical textiles and synthetic fibers. Rating agencies have revised the sector's outlook to negative, predicting a 200–300 basis point contraction in operating margins for the FY26.

To mitigate this, firms are leveraging data-driven logistics and investing in integrated manufacturing parks to lower operational overheads. The current climate underscores a decisive shift: survival in the 2026 trade environment depends on localized supply chain resilience and the ability to navigate a fragmented global regulatory framework.

This labor-intensive sector serves as a cornerstone of global industrial output, employing millions across emerging economies. Specializing in ready-made garments, home textiles, and technical fabrics, the industry is currently undergoing a digital and sustainable transformation.

With global exports valued at over \$37 billion annually for lead players, companies are now prioritizing market diversification and high-margin product innovation to sustain long-term financial viability amidst rising geopolitical trade tensions.

Source: fashionatingworld.com– Jan 12, 2026

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Texworld NYC, Apparel Sourcing NYC & Printsource to return this month

Texworld NYC, Apparel Sourcing NYC, and Printsource return to the Javits Center January 20–22, 2026, uniting the global textile and apparel communities for three full days of discovery, insight, and connection.

The Winter 2026 show floor will bring together a robust international exhibitor lineup, featuring global pavilions and specialized sourcing areas designed to reflect the realities of today's fashion supply chain. Buyers will get direct access to a wide spectrum of sourcing options — supporting everything from large-scale production to niche, sustainability-driven initiatives.

Specialty Sourcing Categories

Recognizing the demand for greater flexibility and responsible sourcing, Texworld NYC offers dedicated specialty sourcing categories to help buyers quickly identify the right partners.

Texpertise Economy: A signature sustainability initiative that combines economy and ecology to spotlight exhibitors with certified eco-friendly and responsibly produced materials, helping attendees quickly find sustainable sourcing partners.

Deadstock: This curated area highlights surplus, reclaimed, and upcycled fabrics, giving buyers access to circular materials that support waste reduction and conscious design.

Small Quantity: Designed for emerging and independent brands, this sourcing category features suppliers offering low minimum order quantities, enabling greater flexibility for capsule collections and early-stage production.

Exhibitors participating in each specialty sourcing category can be easily identified by dedicated booth id logos on the show floor, as well as through filters within the Texworld NYC mobile app.

Extending the sourcing journey into the creative phase, Printsource, co-located with Texworld and Apparel Sourcing NYC, provides a dedicated platform for surface and textile design. Featuring international design

studios and original artwork across apparel, home, and accessory markets, Printsource connects material sourcing with design inspiration — bridging concept, creativity, and production under one roof.

“As brands rethink where and how they produce, they are no longer looking for just factories. They are looking for sourcing systems that give them flexibility, transparency, and long-term stability. Our goal with Texworld is to make that entire decision-making process visible and actionable in one place,” states Caner Ozkan, Show Manager, Fashion + Apparel, Messe Frankfurt Inc.

A Global Affair

As sourcing strategies continue to shift globally, the co-located event will reflect the growing interest in regions that offer both stability and manufacturing strength. Apparel Sourcing New York City will feature a strong showing from Bangladesh, a leading hub for apparel manufacturing, with more than 10 companies participating in the country pavilion and showcasing capabilities across a wide range of garment categories.

Within Texworld New York City, sourcing interest in Korea continues to grow, supported by its expertise in textile innovation and advanced fabric development. The Korea Pavilion will feature more than 20 participating companies, offering buyers access to high-quality materials, technical textiles, and forward-thinking fabric solutions. Additional country pavilions representing Taiwan, Uzbekistan, and Mexico will further expand the show’s global footprint.

Additional Special Features

Texworld’s premier educational series, Textile Talks, will feature voices from globally recognized fashion brands, including Tory Burch, Victoria’s Secret, Steve Madden, COACH, and Thom Browne. These industry leaders will offer real-world insight into how today’s brands are navigating sourcing, innovation, and responsibility in an increasingly complex global landscape.

The event will offer further opportunities for insight and discovery through the Exhibitor Pitch, powered by Texpertise. This fast-paced program invites exhibitors to present their latest materials, technologies,

and sourcing solutions directly to buyers and designers through concise, high-impact presentations held live on the show floor.

Collectively, these offerings provide industry professionals with the tools, insight, and connections needed to move forward with confidence.

Registration remains open and is complimentary for all industry professionals!

Source: fibre2fashion.com – Jan 12, 2026

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Port of Portland's Lone Container Terminal Gets New Life

The only container terminal at Oregon's Port of Portland is getting a second wind after the gateway was in danger of shutting down.

At a launch event Wednesday, the port's Terminal 6 was rechristened the Oregon Container Terminal (OCT), with its new operator establishing plans to double the cargo shipments handled there in 2026.

"This terminal has existed for over 40 years. The infrastructure is here. The people are here. The commodities are here," Tim McCarthy, president of the OCT, said during the event. "But what didn't exist is stability—stability and the guarantee that this terminal is staying open."

McCarthy estimated the terminal handles 30 percent of the state's cargo. "We want to bring that back, all the rest of it, 70 percent, back to the state," McCarthy said at the event.

The Port of Portland had long sought a partner that would be able to keep the terminal afloat, with the gateway experiencing financial woes that led port management to consider closing the terminal entirely as early as April 2024. The port reversed course one month later after Governor Tina Kotek committed to providing \$40 million in state funds.

OCT is seeking to win back traffic that it has lost over the past decade. The terminal lost more than 95 percent of its container service in March 2015 when Hapag-Lloyd and now-defunct Hanjin Shipping pulled out of service there.

In May 2016, the container service was shuttered after another local carrier, Westwood Shipping, said it would stop calling at the port. The service returned in January 2000 when South Korean carrier SM Line began its weekly service at the terminal.

But the terminal has had a tough time bringing back container shipping companies due to its location, which sits inland on the Columbia River. Its positioning is a drawback for larger cargo vessels, and limits the size and number of vessels the port can host.

Through November last year, the then-Terminal 6 handled 60,734 TEUs, according to S&P Global's PIERS bill of lading database. The figures are a stark drop from those posted from 2000 to 2005, when the port handled more than 300,000 TEUs annually.

To start its revitalization, the port leased the 419-acre facility to California's Harbor Industrial Services in September, which officially assumed control of the operation on Jan. 1. The company has a seven-year lease with four renewal options, each for five years. It also purchased the facilities' seven cranes.

"Securing a long-term operator for container service at Terminal 6 means exporters and importers across the state and region can keep moving their goods efficiently, competitively and closer to home while supporting thousands of family-wage jobs and our state's economy," said Port of Portland executive director Curtis Robinhold in a statement.

Under the new management, OCT offers direct vessel services, dual-rail connectivity via BNSF and Union Pacific and future barge services connecting with inland locations.

Weekly container service has already begun, with two vessels arriving and departing from the terminal.

The SM Shanghai stopped at the port on Dec. 29, before setting sail on Dec. 31. On Monday, the SM Yantian docked at the terminal, before leaving Wednesday. Both ships are currently sailing westward to South Korea's Port of Busan.

A third vessel, the SM Long Beach, is set to arrive at Sunday morning.

SM Line had operated the only regular service at the port. Mediterranean Shipping Company (MSC) also had a weekly service from Asia to Portland earlier in 2025, but that service was paused after U.S. tariffs kicked in, as the carrier shifted space on the vessels to make room for cargo from other ports.

McCarthy said at the event he expects MSC will start shipping through the terminal again in the second quarter of 2026.

"We already have lots of interest from the other shipping lines to come in because the cargo is here in Oregon," McCarthy said.

As of Jan. 16, the container terminal will be handling imports and exports five days a week, up from the current four days of operations. The terminal currently services China and South Korea, and features five ship berths and an on-dock rail yard.

“We want to invest in bringing in more trade destinations,” including Japan, other parts of Asia and the Mediterranean, McCarthy said.

Truck gates are open Monday through Friday from 8 a.m. to 5 p.m., although additional time can be extended, if pre-arranged. Trucks picking up or dropping off dry containers that are in line at 4 p.m. will be serviced.

Source: sourcingjournal.com – Jan 12, 2026

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Nepal, Bangladesh resume talks on preferential trade deal after years of deadlock

Nepal and Bangladesh are set to resume commerce secretary-level talks in Dhaka, reopening long-pending issues, most notably the proposed bilateral preferential trade agreement (PTA) and the list of goods to be covered under it.

The two-day meeting, scheduled to begin on Tuesday, will be co-chaired by Nepal's Commerce Secretary Ram Prasad Ghimire and Bangladesh's Commerce Secretary Mahbubur Rahman. Officials say the talks aim to strengthen economic relations and boost sub-regional connectivity.

The last such meeting, the sixth Nepal–Bangladesh commerce secretary-level dialogue, was held virtually in October 2020. At the time, the two sides agreed in principle to sign a bilateral PTA for the first time since the establishment of diplomatic relations in 1972. However, disagreements over tariff and para-tariff issues prevented the negotiations from reaching a conclusion.

An official at Nepal's Ministry of Industry, Commerce and Supplies told the Post that Kathmandu will again push for the removal of high tariff and para-tariff charges imposed by Bangladesh on Nepali goods as a precondition to signing the PTA.

In 2020, Bangladesh had sought the PTA amid growing trade and services between the two countries. Nepal, however, insisted on the elimination of so-called “other duties” levied by Bangladesh on all imports, arguing that these hidden charges significantly raise the cost of Nepali exports.

A preferential trade agreement allows member countries to grant preferential market access to selected products. As an original member of the World Trade Organisation, Bangladesh is permitted to impose such other duties. Nepali officials say that when these are added to regular tariffs, total charges on Nepali exports can reach as high as 130–132 percent. Bangladesh has been reluctant to remove these duties, citing potential revenue losses.

Before a PTA can be finalised, Nepal must also prepare a list of potential exportable goods. Officials say frequent changes in government over the past year delayed this process.

“In every bilateral meeting, Bangladesh says it will remove tariff, para-tariff and other duty charges, but this has not materialised in practice,” said an industry ministry official. “We have updated the list of potential goods compared to earlier rounds, and this will be finalised during the meeting.”

According to officials, a PTA can only be concluded after field studies and a detailed analysis of potential export and import items. The continued imposition of countervailing and other duties has made Nepali products less competitive in the Bangladeshi market.

Beyond the PTA, the two sides will also discuss broader trade and investment cooperation. Nepal has already forwarded a draft Bilateral Investment Agreement to Bangladesh, which will be taken up during the talks. Transit and connectivity issues, including the use of inland waterways, are also on the agenda.

“Bangladesh has already provided the Rohanpur–Singhabad port of call, and Nepal may discuss utilising the port,” the official said.

The Rohanpur–Singhabad railway route is seen as an additional trade corridor between Nepal and Bangladesh, enabling the transit of bulk and container cargo through India. It is expected to complement existing road links and seaport access via Chittagong and Mongla, with the potential to reduce transit time and costs, although procedural bottlenecks remain.

Officials said discussions may also cover other possible railway connectivity options. Sanitary and phytosanitary (SPS) measures will be another key focus, aimed at easing non-tariff barriers by harmonising standards for food, plant and animal products, strengthening quarantine systems and relaxing rules for organic goods.

The issue of visas for Nepali students and businesspeople will also be raised. Bangladesh does not currently provide visas on arrival to Nepali nationals in these categories.

Nepal’s total trade with Bangladesh stands at Rs5.84 billion. According to the Department of Customs, Nepal’s exports to Bangladesh rose by 20 percent in the last fiscal year ended mid-July, compared to the previous fiscal year 2023-24, reaching Rs666.15 million.

Nepal's major exports to Bangladesh include cane molasses extracted or refined from sugar, red lentils, hand-operated floor sweepers, medicinal and aromatic plants, raw khayer, bran, sharps and other cereal residues, and seeds of fruits and vegetables. Imports from Bangladesh surged 55.7 percent to Rs5.18 billion during the same period. Nepal mainly imported raw jute, medicaments, potatoes, toilet paper, lead-acid batteries, rusks, juice, hair oil, yarn, textiles and fibre, and chocolate.

According to a 2023 study by the South Asia Watch on Trade, Economics and Environment (SAWTEE), Nepal's exports to Bangladesh remain extremely limited. In 2022, Nepal's exports to the country stood at just \$4.4 million. The study notes that although Nepal's exports to Bangladesh rose sharply between 2006 and 2010—peaking at \$66.5 million in 2008—they have been on a gradual decline since. While Bangladesh's share in Nepal's export destinations increased during the 2007–2010 period, Nepal's exports to Bangladesh have remained negligible in terms of its overall global exports for most of the past two decades.

Nepal's imports from Bangladesh, by contrast, have recorded a steady rise since 2006. Imports increased from a low of \$1.5 million in 2006 to \$65.9 million in 2022, reaching a peak of \$128.9 million in 2021. Despite this growth, imports from Bangladesh still account for well below one percent of Nepal's total global imports, indicating limited overall trade integration.

The SAWTEE study further highlights that Nepal's exports to Bangladesh suffer from a lack of product diversification. Exports are heavily concentrated in a single commodity—lentils—which on average account for 89.5 percent of Nepal's total exports to Bangladesh. Nepal's top ten export items together make up 98.5 percent of total exports to the Bangladeshi market.

Reflecting this narrow export base, agricultural goods dominate Nepal's export basket to Bangladesh. Agricultural products account for about 99 percent of Nepal's average exports to Bangladesh, with the category of fruits, vegetables and plants alone constituting roughly 91 percent of the country's average exports during the 2017–2021 period.

Source: kathmandupost.com – Jan 11, 2026

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NATIONAL NEWS

India's textiles sector attracts over ₹60,000 crore investment in 2025

Textiles sector has seen commitments and investments of over ₹60,000 crore in 2025, government officials said. Now they hope that the trend continues in the current year.

“2026 is likely to see a continued focus on investments through PM MITRA and PLI (Production Linked Incentives). In addition, a strong emphasis on sustainability and technology-led investments such as those in textile-to-textile recycling, biomass energy and decarbonisation New-Age Fibres and eco-friendly fibres will continue,” an official said.

PM MITRA

According to him, one of the key initiatives, PM MITRA Park projects alone, attracted committed investments of over ₹14,000 crore with a potential of generating 38,426 jobs, while investment interest for an additional ₹10,000 crore was received by the authorities. “These included investments by major players such as Vardhman, Trident, Best Corp and Bhilossa,” he said.

Announcing PM Mitra Park scheme in the FY21 Budget, Finance Minister Nirmala Sitharaman had said: “To enable the textile industry to become globally competitive, attract large investments and boost employment generation, a scheme of Mega Investment Textiles Parks (MITRA) will be launched in addition to the PLI scheme. This will create world class infrastructure with plug and play facilities to enable create global champions in exports.”

Foreign Investments

Talking about Production-Linked Incentive (PLI) scheme, the official said that 85 companies have applied under the revamped scheme, with potential investments of over ₹20,000 crore. On the FDI front there have been number of proposals.

Finland-based Infiniti Fiber Company signed an MoU with Andhra Pradesh for an investment of ₹4,000 crore. Singapore headquartered RGE (Royal Golden Eagle), a big player in manmade fibres announced a ₹4,953 crore investment for setting up its first project in India at Thoothukudi in Tamil Nadu. South Korean giant Hyosung is setting up \$220 million (₹1,850 crore) Tire Cord facility in Maharashtra.

A joint venture (JV) project has been signed between Toray Industries (Japan) and MAS Holdings (Sri Lanka) in Odisha (\$135 million or ₹1,215 crore) EPIC signed a ₹500 cr. JV with the Creative group to scale up RMG manufacturing. Global Brands Inditex (Zara & Massimo Dutti) too increased stakes in their Indian JVs.

At the same time, domestic leaders such as Reliance Industries, Grasim, Vardhman, Trident, Welspun, Ganga Acrowool and SRF continue their expansion and investments and announced major expansions in fibres, fabrics and technical textiles, another official said.

Recycling Technology

He also informed that global textile machinery leaders such as Yamato, Juki, Marzoli, Adler Dunkrop, ITEM and Andritz continued to explore and evaluate India for manufacturing and JV opportunities. In terms of sustainability, manmade fibre player Filatex India announced ₹300 crore investment in a chemical recycling-based patented technology-led polyester recycling plant that is set to go onstream by 2026. "Touted as India's first chemical recycling initiative, the plant uses a patented technology to recycle textile waste into chips, which can then be spun into yarn," he said.

Source: thehindubusinessline.com – Jan 13, 2026

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UK & EU apparel brands begin sourcing talks with Indian companies

Pune: UK and European apparel brands, including Marks & Spencer, Primark and Next, have started negotiations with Indian suppliers as the India-UK and India-EU free trade agreement talks move closer to ratification.

Buyers are intensifying factory audits and evaluations in hubs such as Tiruppur in Tamil Nadu, with plans to start or expand sourcing from India amid supply-chain uncertainties in Bangladesh and in anticipation of lower tariffs under the FTAs, said exporters.

"Brands such as M&S, C&A, Primark, Mothercare, Next and Duns have started visiting Tiruppur for technical audits, evaluation of new factories and to explore the possibility of increasing sourcing from their existing suppliers," Tiruppur Exporters Association president KM Subramanian said. "Brands that are already sourcing from India are actively looking to scale up their buying."

The India-UK FTA proposes the removal of tariffs on 99% of India's exports to the UK. The agreement will come into force only after it is ratified by the UK's Parliament, expected to be completed in the next few months.

Of India's \$37 billion textile and apparel exports in 2024-25, the US accounted for the largest share at 28.5%, followed by the EU at 19.6%. The UK was the fifth-largest export destination, with 5.4% of the total exports. Bangladesh's current political situation has also prompted European buyers to reconsider sourcing strategies and consider imports from India.

"Buyers such as C&A, which source large volumes of jeans and bottoms from Bangladesh, are exploring the possibility of shifting part of their sourcing to India. Some UK buyers have also indicated their willingness to move production from Bangladesh to India," said Vijay Agarwal, chairman of the Cotton Textiles Export Promotion Council.

At present, import duties make sourcing from India more expensive compared with Bangladesh.

Bangladesh has enjoyed duty-free access to the European market for nearly 25 years. In contrast, Indian apparel and textiles currently attract duties of 12.5% and 9.6%, respectively, in both the EU and the UK.

Implementation of the FTAs with the EU and UK would scrap duties on Indian textiles and apparel, placing India at par with Bangladesh.

Despite having well-established supply chains spanning over a decade, European buyers are increasingly keen on reducing concentration risk, exporters said. "Even if Bangladesh stabilises, buyers will not want to put all their eggs in one basket," Agarwal said.

Industry players also see a need to expand capacity in anticipation of higher demand from these markets.

"If the geopolitical situation in Bangladesh remains uncertain and FTAs with both the UK and the EU are signed, India could face a capacity shortfall," Agarwal said.

Source: economictimes.com – Jan 13, 2026

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US plans extra 25% tariff over Iran trade: What it means for India

India, which is already facing steep tariffs of up to 50 per cent from the US, including a 25 per cent penalty for trading with Russia, may once again be in Washington's firing line.

On Monday (local time), US President Donald Trump announced that Washington would impose a 25 per cent tariff on countries trading with Iran, citing Tehran's violent crackdown on widespread protests that have left nearly 600 people dead, with thousands arrested across the country.

India, along with China, is expected to be among the most affected, as it is one of Iran's largest trading partners.

Here is a closer look at India's trade relationship with Iran and the likely impact of the proposed tariffs.

India-Iran trade relations

According to the Indian Embassy in Tehran, New Delhi is among Tehran's top five trade partners. Major Indian exports to Iran include rice, tea, sugar, pharmaceuticals, man-made staple fibres, electrical machinery, and artificial jewellery. Major imports from Iran include dry fruits, organic and inorganic chemicals, and glassware.

Data from the Department of Commerce shows that during the financial year 2024-25, India exported goods worth \$1.24 billion to Iran and imported goods worth \$0.44 billion, taking the total bilateral trade to \$1.68 billion. However, the trade balance has drastically come down from 2018 levels.

India's major exports to Iran

According to Trading Economics data, some of India's major exports to Iran in 2024 included cereals, coffee, and fruits. India exported cereals worth \$698.51 million, followed by residues from the food industry and animal fodder worth \$149.49 million. Coffee, tea, mate, and spices accounted for exports worth \$73.93 million, while edible fruits, nuts, citrus peels, and melons were valued at \$66.12 million.

Iran is also one of the largest overseas markets for Indian basmati rice. India exported basmati rice worth \$468.10 million to Iran during April–November period of the current financial year, amounting to nearly 5.99 lakh metric tonnes.

The Indian Rice Exporters Federation (IREF) on Tuesday said that additional tariffs may weigh heavily on basmati rice exports, triggering a sharp decline in domestic prices and forcing exporters to reassess their exposure to Iran.

The protests have already disrupted payment cycles, delayed shipments, and dented buyer confidence. According to IREF, prices of key basmati varieties have dropped by ₹5-10 per kilogram.

India's imports from Iran

Meanwhile, India's major imports from Iran in 2024 included organic chemicals worth \$512.92 million. This was followed by edible fruits, nuts, citrus peels, and melons worth \$311.60 million, mineral fuels and oils worth \$86.48 million, and salt, sulphur, earth, stone, plaster, lime, and cement worth \$55.65 million.

Other key imports included inorganic chemicals, precious metal compounds, and isotopes worth \$28.76 million, as well as plastics worth \$24.28 million, according to Trading Economics data.

An additional tariff is likely to make all of these trade flows more expensive.

US tariff impact on India

Higher tariffs are expected to further strain India, which is already reeling under the impact of the steep 50 per cent tariffs imposed by the US. The textile and seafood sectors have been hit the hardest, while gems and jewellery and automobile components have also faced significant pressure.

The US imposed a 50 per cent tariff on Indian goods starting August last year, which included a 25 per cent penalty for importing Russian crude oil and arms. While both India and the US maintain that they share friendly ties and have been engaging in negotiations, a comprehensive trade deal has not yet been reached.

After taking office on Monday, US Ambassador to India Sergio Gor said that a call has been scheduled for today to discuss trade terms with the US. Referring to the relationship between Trump and Prime Minister Narendra Modi, Gor also said that real friends can disagree, but they always resolve their differences in the end.

Source: business-standard.com – Jan 13, 2026

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Industry body CITI seeks removal of import duty on cotton

NEW DELHI: The Confederation of Indian Textile Industry (CITI) has demanded that the government permanently remove the 11 per cent cotton import duty as it would help mitigate the cost pressure for domestic companies.

A delegation from CITI met Union Agriculture Minister Shivraj Singh Chouhan last week to seek his intervention regarding the permanent removal of import duty on cotton of all varieties, the textile industry body said on Monday.

India's textile industry, the country's second-largest employment provider, requires stable access to high-quality cotton. In view of the persistent demand-supply gap, the government extended the import duty exemption on cotton until December 31, 2025.

Various textile associations welcomed the government's move to exempt all varieties of cotton from the 11 per cent import duty.

With no further notification for extension from the government, the duty is reinstated from January 1, 2026. According to CITI, this will adversely impact the competitiveness of the country's textile and apparel sector.

The minister assured the group that these concerns would be carefully considered during the review process, CITI stated.

CITI also highlighted that cotton production in India has been steadily decreasing and is projected to fall this year to its lowest level in the last two decades, heightening concerns about supply shortages.

It argued that the reimposition of cotton import duty would further aggravate the cost pressure for companies. The industry members pointed out that during the last decade, average cotton imports have been around 20 lakh bales, constituting around 6.8 per cent of India's average domestic production.

Further, imports are largely quality and specification-driven, catering to specialised cotton requirements and back-to-back export orders, and do not displace domestic cotton, CITI said.

Besides, major competing textile exporting countries such as Bangladesh and Vietnam have allowed duty-free access to cotton, giving them a structural cost advantage.

One of the biggest generators of jobs and livelihoods, the textile and apparel sector is facing a significant challenge in the form of the 50 per cent US tariff, effective August 27, 2025. India's textile exports, including those to the US, are dominated by cotton.

The US is the single-largest market for India's textile and apparel exports, contributing almost 28 per cent to the overall revenue of the country's textile and apparel exporters.

India's textile and apparel exports to the US were valued at nearly \$11 billion in financial year 2024-25.

Source: economictimes.com – Jan 13, 2026

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EU-India trade deal possible by end of January, says Germany's Chancellor Merz

German Chancellor Friedrich Merz floated the possibility that the European Union and India could sign a free trade agreement as early as the end of this month, after he met Indian Prime Minister Narendra Modi on Monday.

The presidents of the European Commission and European Council would travel to India at the end of January to sign the agreement if it is finalised by then, Merz said during a visit to the western Indian city of Ahmedabad.

“In any case, they will take another major step forward to ensure that this free trade agreement comes into being,” Merz said during his first trip to India since becoming chancellor.

Negotiations had previously been expected to conclude by the end of this year. However, according to German government sources, there are high expectations that a deal could be signed at the end of January after “very intensive” talks between Merz and Modi.

Indian Trade Minister Piyush Goyal, speaking at a separate event in the western state of Gujarat, said an agreement was almost at its final stages. ‘Renaissance of unfortunate protectionism’

Merz said the world is experiencing “a renaissance of unfortunate protectionism” that harms Germany and India.

He did not name any countries. The United States has been pressuring India with tariffs to end its purchases of Russian oil and gas, which Washington and the European Union argue is used to fund the war in Ukraine.

Chinese export controls on minerals used in areas such as autos caused months of supply chain disruption last year due to the U.S.-China trade war, affecting German carmakers.

Beijing also slapped restrictions on some semiconductors widely used in the car industry after the Dutch government’s decision to seize control of Chinese-owned chipmaker Nexpria.

For the EU, signing a deal with India would follow the bloc's go ahead on Friday for concluding a deal with South America's Mercosur group and would mark another step in creating its own trade networks as the United States shakes up global trade and would help reduce reliance on China.

In particular, Germany wants to work more closely on security issues with India to reduce the latter's reliance on Russia, Merz said.

The countries signed a memorandum of understanding to that effect, in addition to agreements on critical minerals, the health sector and an artificial intelligence innovation centre.

“The MoUs being signed today on all these issues will give new momentum and strength to our cooperation,” Modi said at a joint news conference with Merz.

India still works closely with Russia on security policy, and much of its military equipment is made in Russia. It is also one of the largest buyers of Russian gas and oil alongside China.

Germany is pushing the Indian government to ensure it prevents Indian companies from circumventing sanctions on Russia and reduces its energy imports from Russia - demands India has so far rejected.

Source: thehindubusinessline.com – Jan 12, 2026

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India, US continue to actively engage in trade talks: Sergio Gor

India and the US continue to actively engage in bilateral trade talks and are determined to get it across the finish line, US Ambassador to India Sergio Gor has said.

“Both sides continue to actively engage (in the trade talks). In fact, the next call on trade will occur tomorrow. Remember India is the world’s largest nation. So it is not an easy task to get it (the trade negotiations) across the finished line. But we are determined to get there,” Gor said in his address to the media on Monday after formally taking over charge in New Delhi.

Gor, who was sworn in as the Ambassador to India in November 2025, has taken charge at a crucial time when there is lack of clarity over the fate of the India-US trade deal being negotiated.

Indian exporters are struggling to deal with 50 per cent tariffs, which includes a 25 per cent levy for purchase of Russian oil, imposed last August. There are added concerns over a proposed US bill that could potentially raise tariffs to 500 per cent on countries buying energy products from Russia.

Stressing that along with trade, the two countries will also work together in many other important areas, the US Ambassador announced that India had been invited to join ‘Pax Silica’--a US-led silicon supply chain initiative.

“Pax Silica is a US-led strategic initiative to build a secure, prosperous and innovation driven silicon supply chain—from critical minerals and energy inputs to advanced manufacturing, semi conductors, AI development and logistics. Nations that joined last month include Japan, South Korea, the UK and Israel. Today, I am pleased to announce that India will be invited to join this group of nations as a full member next month,” he said.

Highlighting the importance of India for the US, Gor said that no partner was more essential than India and it was his goal to pursue a very ambitious agenda in the months and years ahead. “I also hope that the President will be visiting us soon. Hopefully in the next year or two,” he said.

Alluding to the present trade tensions, Gor expressed optimism about the future. “I have travelled all over the world with President Trump and I can attest that his friendship with Prime Minister Modi is real. The US and India are bound not just by shared interests but by relationships anchored at the highest levels. Real friends can disagree but always resolve their differences in the end,” he said.

Last week, US Commerce Secretary Howard Lutnick said that the India-US trade deal did not happen last year because Prime Minister Narendra Modi did not speak to President Donald Trump about closing it. India’s Ministry of External Affairs said the claims were “inaccurate” and Modi had, in fact, spoken to Trump eight times in 2025 and on several occasions India and the US came close to striking the trade deal.

Gor reiterated the US’ stress on reciprocity and fair trade, which had been cited as the reasons for the US’ imposition of reciprocal tariffs on most of its trading partners, including India, last year . “Last week, our great Secretary of State (Marco) Rubio powerfully stated that this year is going to be a year of reciprocity. We are raising the standard for diplomacy itself. That means fair trade, mutual respect and shared security,” he said.

With the US striking trade deals with many of India’s competitors such as Vietnam, Bangladesh and Indonesia, bringing down their tariffs to 19-20 per cent, it is important for New Delhi too to get a deal done to stay competitive in its largest export market.

Source: thehindubusinessline.com– Jan 12, 2026

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MAGA deal in making: US resumes trade talks with 'real friend' India

New Delhi: US Ambassador designate to India Sergio Gor said New Delhi and Washington would resume discussions for a proposed trade pact on Tuesday. This comes amid claims by the Donald Trump administration that India is delaying the conclusion of the deal. Striking a conciliatory note on Monday after his arrival in the Capital, Gor termed bilateral ties as the most "consequential global partnership of this century."

Gor, who has a rapport with the US President, portrayed the relationship as one anchored beyond disputes over tariffs and market access. "Real friends can disagree, but always resolve their differences in the end," he said. "The US and India are bound not just by shared interests, but by a relationship anchored at the highest level."

Gor asserted that Trump's friendship with Prime Minister Narendra Modi is "real," saying he can attest to this, having "travelled all over the world with President Trump."

On the trade deal, the envoy said, "Many of you have asked me for an update on the trade deal negotiations."

"Both sides continue to actively engage," said Gor. "In fact, the next call on trade will occur tomorrow (Tuesday)... India is the world's largest nation. So, it's not an easy task to get this across the finish line." India and the US are in protracted negotiations for a trade deal.

They are holding parallel negotiations — one, on a framework trade deal to address the high tariffs levied by the US, and the other on a comprehensive Bilateral Trade Agreement.

Washington has imposed 50% tariffs on India with effect from August 27, including 25% penal tariffs for purchase of Russian fuel.

The proposed pact with the US is aimed at more than doubling bilateral trade to \$500 billion by 2030, from the current \$191 billion. The US remained India's largest trading partner for the fourth consecutive year in FY25, with bilateral trade worth \$131.84 billion.

While trade issues remain contentious, Gor stressed that the partnership extends far beyond tariffs. “While trade is very important for our relationship, we will continue to work closely together on other very important areas such as security, counterterrorism, energy, technology, education and health,” he said.

Calling India indispensable to Washington’s global strategy, the envoy said, “No partner is more essential than India. In the months and years ahead, it is my goal to pursue a very ambitious agenda. We will do this as true strategic partners, each bringing strength, respect and leadership to the table.”

Gor is expected to present his credentials to President Droupadi Murmu later this week.

Gor said India would be invited next month to join the Pax Silica as a full member, placing it alongside Japan, South Korea, the UK and Israel. He described the alliance as “a US-led strategic initiative to build a secure, prosperous and innovation-driven silicon supply chain — from critical minerals and energy inputs to advanced manufacturing, semiconductors, AI development and logistics.”

ET reported on Sunday that India will be invited to join Pax Silica next month.

Gor said he arrived in India “with profound respect and a clear mission — to take the partnership between our two nations to the next level,” describing it as a meeting point of “the world’s oldest democracy and the world’s largest democracy.”

He also conveyed greetings from Trump. “I spoke with President Trump just yesterday, and I bring his warm wishes to all the people of India, especially his dear friend, the incredible Prime Minister Modi,” Gor said, adding that he hoped Trump would visit India “in the next year or two.” “President Trump has a habit of calling at 2 in the morning, and with the time difference in New Delhi, it might work out pretty well,” he quipped on a lighter note.

Source: economictimes.com – Jan 13, 2026

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Will Budget 2026 synchronise Customs law with India's FTA ambitions?

“Trade is not a zero-sum game, but its administration often is.” This adage captures the current tension at India’s Customs borders. As India pivots its trade towards a new generation of future-fit alliances through Free Trade Agreements (FTAs), a paradox has emerged.

While the ministry of commerce negotiates the red carpet of market access, the ministry of finance is not aligned with enforcement. The challenge for the upcoming Budget is to transition towards strategic facilitation and ensure that trade facilitation measures through FTAs are not a legal fiction, but an economic reality.

Customs law: Gatekeeper to free trade

The legal nexus between customs law and FTAs is inherently precarious. Customs law acts like the gatekeeper of free trade since it regulates the import and export of goods. FTAs, on the other hand, are negotiated exceptions to the World Trade Organization’s most-favoured-nation (MFN) rule, which is found in Article XXIV of the General Agreement on Tariffs and Trade.

FTAs let States give preferential tariff treatment to treaty partners while keeping normal tariff rates for others. The interface between the two is more operational than conceptual. A complicated set of subordinate laws makes FTAs work by giving customs officials the power to decide treaty eligibility. This creates a structural duality in which the Customs administration has to balance revenue mobilisation efforts with trade propulsion measures. As a result, Customs regimes lead to labyrinthine legal disputes, where giving someone a tariff preference is no longer a ministerial act but a strict process for assimilating evidence.

Rules of Origin: A regulatory bottleneck

In the context of implementation and operationalisation of FTAs, a major pushback comes from rules of origin (ROO). ROO are a set of procedural measures to determine the economic nationality of a product. In the past, India faced issues with regional trade agreements in South-East Asia because of trade deflection, which is when goods from other countries were slightly processed to claim the benefit of FTAs. To counter this, India

put in place the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR) to protect the economy from this kind of circumvention. This framework juxtaposed the conventional trust-based model of international trade by transferring the burden of proof from the exporting sovereign to the importer. By requiring importers to have detailed information about the cost structures and manufacturing processes of their foreign suppliers, CAROTAR changed the Certificate of Origin (CoO) from a definitive shield into a convoluted compliance burden.

These rules have given rise to legal controversies, while undermining India's larger FTA objectives. Agreements with ASEAN (Association of South East Asian Nations), South Korea and Japan were expected to integrate India more deeply into regional value chains, yet utilisation rates have remained uneven. However, recurring issues over origin of goods have resulted in wide scepticism, with many domestic businesses now questioning whether FTAs truly benefitted trade.

The information requirements cut deep into suppliers' cost structures, and processes have raised concerns on proportionality, predictability and ease of compliance, militating against the principle of mutual trust and cooperation between customs administrations. As a result, CAROTAR has become a critical instrument shaping how FTAs are experienced in practice, often determining whether preferential access is effectively usable by trade.

Impact of CAROTAR on FTAs

In practical terms, CAROTAR has had a dampening effect on FTAs' utilisation, particularly for sectors with complex or multi-country supply chains. Importers increasingly face uncertainty regarding post-clearance audits, retrospective denial of benefits, and extended verification timelines.

Often, cases have landed up in courts. Post-clearance audits have become more frequent, with benefits sometimes denied retrospectively. Verification timelines often stretch far beyond what businesses can reasonably plan for. In response, many companies are shifting into a defensive mode. Some are redesigning supply chains simply to make origin compliance easier and some businesses now choose to pay MFN duties to avoid risk of disruption. The burden is felt most acutely by micro,

small and medium enterprises, which lack the leverage to obtain detailed origin data from overseas suppliers.

CAROTAR is a conscious policy reset aimed at curbing trade deflection and circumvention, which have often bothered India's policymakers. Tighter origin enforcement seeks to ensure that tariff concessions are not exploited through third-country trades. No doubt, the objective is legitimate and necessary. However, it must be remembered that FTAs are political and strategic bargains, and not merely tools for tax collection.

When CAROTAR is applied with excessive rigidity, it weakens commercial confidence and dilutes the strategic value of trade commitments.

QCOs: A double whammy

Beyond the complex maze of country-of-origin disputes, another nadir has emerged in the form of quality control orders (QCOs). Issued under the Bureau of Indian Standards (BIS) framework, QCOs are increasingly functioning as non-tariff impediments to the Indian market. In principle, they promote safety, quality and environmental protection. In practice, they often dilute the very trade liberalisation that FTAs seek to achieve. A product may successfully clear the CAROTAR origin threshold and still remain stranded at the port, because the required BIS certification cannot be issued by foreign laboratories that lack Indian accreditation.

This creates a regulatory double whammy for importers. Compliance is achieved on paper but defeated in execution. If left unaddressed, such tensions risk turning India's borders into a holding zone for preferential trade, where tariff concessions negotiated through diplomacy are effectively neutralised by the operational rigidity of technical standards. The challenge is no longer just about lowering duties — it is about aligning regulatory architecture with India's trade ambitions in a manner that preserves both safety objectives and commercial certainty.

Budget: Converting bottleneck to bridge

The upcoming fiscal document must recognise that an excessively defensive Customs posture can itself become a trade barrier. Revenue protection is a legitimate sovereign interest, but it should not come at the cost of commercial paralysis.

If the Budget can successfully bridge the gap between revenue protection and trade facilitation, it will do more than merely collect duties – it will provide the institutional bedrock required for India to integrate meaningfully into the global economic architecture.

Source: business-standard.com – Jan 12, 2026

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Signing free-trade deals is not enough to secure real economic gains

Free trade agreements (FTAs) are often presented as quick wins for trade and growth, promising lower prices for consumers and new markets for exporters. In practice, economic gains arise only under specific conditions. Success hinges not merely on tariff reductions, but on whether agreements induce sustained changes in production, investment, and competitiveness.

India is in one of its most active phases of trade diplomacy. It has concluded FTAs with the UAE, Australia, the European Free Trade Association (EFTA), the United Kingdom, New Zealand and Oman; negotiations with the United States are reportedly nearing completion, discussions with Canada have resumed, and region-wide talks with the European Union, the Gulf Cooperation Council and the Eurasian Economic Union continue. This push reflects India's effort to secure market access, attract investment and integrate more deeply into global value chains (GVCs) amid geopolitical uncertainty and supply-chain realignments.

Experience shows that not all FTAs are created equal. Their economic logic lies in trade creation — replacing high-cost domestic production with lower-cost imports from partner countries, which generates welfare gains. Trade diversion, by contrast, merely shifts imports from more efficient non-members to less efficient partners and reduces welfare. Judging FTAs by bilateral trade balances misses this distinction; the real test is whether they promote trade creation.

FTAs between countries with different factor endowments typically yield larger gains. Agreements with high-income countries create natural complementarities, with India exporting labour-intensive goods and services while importing capital- and technology-intensive products.

Such arrangements have greater trade-creation potential than FTAs among countries with similar production structures, where competition often dominates complementarity. Realising these gains, however, depends on the economy's ability to reallocate resources towards sectors of comparative advantage, which in turn requires flexible factor markets.

India's mixed experience with FTAs reflects these realities. Its withdrawal from the Regional Comprehensive Economic Partnership (RCEP), despite being a lead negotiator, was driven largely by concerns over trade deficits and import surges rather than by an assessment of trade creation versus trade diversion. Similarly, low utilisation rates and asymmetric outcomes under FTAs with the Association of Southeast Asian Nations (Asean), Japan, and the Republic of Korea are often viewed through bilateral trade balances and export shortfalls. While this has prompted reviews and renegotiations, it reflects a largely mercantilist framing. From a trade-creation perspective, these outcomes may stem as much from domestic supply-side constraints and limited adjustment capacity as from weaknesses in FTA design.

Signing an FTA is only the first step; effective use is another matter. While comprehensive utilisation data is scarce, available evidence suggests that India's FTA usage remains low, largely due to stringent rules of origin (RoO). Intended to prevent misuse, these requirements often undermine FTAs by raising compliance costs above tariff benefits, prompting firms to trade instead under most-favoured nation tariffs.

India's recent FTAs adopt a particularly strict approach to RoO, driven by fears of circumvention, even though evidence suggests that actual misuse has been limited. More importantly, such stringency makes little economic sense in GVC-intensive sectors, where restrictive rules discourage participation in cross-border production networks and undermine FTAs' potential to deepen integration into global manufacturing and services chains.

Low utilisation also reflects small preferential margins and limited firm awareness. International evidence suggests many enterprises are unfamiliar with how to claim FTA benefits, and in India the absence of firm-level surveys makes it difficult to assess this gap and to design targeted interventions.

Beyond trade-policy design, the effectiveness of FTAs depends on the broader domestic policy environment. Exploiting new trade opportunities requires flexible labour and land markets, yet long-standing rigidities in India have constrained specialisation and resource reallocation. While the four labour Codes are steps in the right direction, uneven implementation across states may limit their impact, and long-pending land reforms continue to constrain manufacturing expansion and large-scale investment.

Facilitating foreign direct investment is a crucial complement to FTAs. Multinational firms are better equipped to meet stringent standards in advanced markets and can help integrate domestic suppliers into GVCs, generating technology and knowledge spillovers. Without a supportive investment climate and deeper domestic reforms, however, these dynamic gains are unlikely to materialise.

India's FTA strategy must shift from headline signing to effective implementation and utilisation. This requires publishing utilisation data, simplifying and harmonising RoO, strengthening mechanisms to address non-tariff barriers, and modernising Customs administration. While newer-generation FTAs increasingly cover labour, environment, data and sustainability, caution is warranted when such provisions become de facto market-access conditions, as harmonising standards across countries with vastly different levels of development can impose disproportionate adjustment costs on developing economies.

India's renewed push for FTAs aligns with its Foreign Trade Policy 2023, which emphasises competitiveness, facilitation and GVC integration. But FTAs are only a stepping stone: They can open doors, yet real gains will depend on domestic reforms that enable firms to compete, adapt and grow.

Source: business-standard.com – Jan 12, 2026

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