IBTEX No. 9 of 2026 January 19, 2026

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USD	EUR	GBP	JPY
90.84	105.42	121.66	0.57

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INTERNATIONAL NEWS

EU, Mercosur bloc sign partnership agreement after 25 years of talks

The European Union (EU) and the Mercosur group in South America yesterday signed signed a Partnership Agreement (EMPA) and an Interim Trade Agreement (iTA) in Paraguay's capital Asunción after over 25 years of negotiations.

EU representatives and Mercosur members Brazil, Argentina, Paraguay and Uruguay hailed the EMPA as 'historic'. Bolivia, the newest Mercosur member, was not involved in negotiations, but can join the agreement in the coming years.

The EMPA will remove trade barriers and make it easier for EU firms to sell goods and services to Mercosur, as well as make it easier to invest there. It will help the EU secure sustainable access to raw materials, thereby providing the EU industry with much-needed critical raw materials.

It will deliver substantial new commercial opportunities for companies across the EU, driving an estimated 39 per cent increase in annual exports to Mercosur (a value of nearly €49 billion), while supporting hundreds of thousands of EU jobs, the EU said in a release.

It will further integrate value chains between the two regions, helping industries on both sides stay competitive on the global market, the EU said.

High Mercosur tariffs have made European products in Mercosur more expensive. The EMPA will remove import duties on over 91 per cent of EU goods exported to Mercosur. Duties for some products will be liberalised over longer staging periods to allow sufficient time for companies in Mercosur countries to adapt.

Mercosur imposes high tariffs on imports of European products like clothing and textiles (35 per cent), leather shoes (35 per cent) and chemicals (up to 18 per cent). These sectors are also expected to see the largest increases in EU exports to Mercosur.

European Commission President Ursula von der Leyen said the agreement's "geopolitical importance cannot be overstated" at a moment when the benefits of free trade are again being questioned.

"We are convinced, everyone can and must benefit—in terms of new jobs on both sides, better opportunities for our people and the business sector, and thus higher income," she said a day before the agreement was signed. The EMPA allows the EU to further extend preferential access to its exporters and strengthen its political ties with Latin American countries, the EU noted.

Following the signature of the EMPA, both sides will now follow their respective procedures to work towards the ratification of the agreement. The iTA will expire once the EMPA enters into force.

The EU is Mercosur's second-biggest trade in goods partner after China and ahead of the United States.

Source: fibre2fashion.com– Jan 18, 2026

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Brazil to retain global cotton lead despite output dip in 2025-26

Brazil is expected to retain its leading position in the global cotton market in the 2025-26 season, despite a modest fall in production from last year's record. Exports will remain the main outlet for domestic supply, supporting Brazil's strong role in international trade, as per the Centre for Advanced Studies on Applied Economics (CEPEA).

Data from National Supply Company (CONAB) show cotton area rising just 0.7 per cent to 2.1 million hectares, as reductions in the Centre-South are partly offset by expansion in the North and Northeast. Lower yields, forecast to fall 3.5 per cent, are expected to pull production down 2.9 per cent year on year to 3.96 million tons.

Domestic availability in 2025-26 is projected at 6.77 million tons, up 4.5 per cent, with exports forecast to rise nearly 4 per cent to 3.06 million tons. Domestic consumption is estimated at 730,000 tons, while ending stocks by December 2026 are seen at 2.98 million tons, more than 6 per cent higher than a year earlier, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

Trade data from BBM indicate that, by January 6, 2026, contracts for the 2025-26 crop had already covered about 16 per cent of expected output, signalling continued strong forward selling by Brazilian producers.

Source: fibre2fashion.com– Jan 17, 2026

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UK retailers see softer year-end as December sales momentum fades

UK retail sales growth slowed sharply in December, signalling a softer end to the year for the sector amid ongoing pressure on consumer spending. Total retail sales rose 1.2 per cent year on year (YoY) in December, significantly lower than the 3.2 per cent growth recorded in December 2024 and below the 12-month average growth of 2.3 per cent, according to the British Retail Consortium (BRC).

Non-food sales slipped 0.3 per cent YoY during the month, reversing a robust 4.4 per cent increase a year earlier and underperforming the 12-month average growth of 1.1 per cent. The decline was evident across both physical and digital channels, the BRC said in a press release.

In-store non-food sales fell 0.5 per cent YoY in December, compared with a 0.4 per cent rise in December 2024, and remained below the 12-month average growth of 0.9 per cent. Online non-food sales also weakened, edging down 0.1 per cent YoY after a strong 11.1 per cent increase a year earlier, and trailing the 12-month average growth of 1.5 per cent.

Despite the slowdown in online sales growth, the online penetration rate for non-food items increased marginally to 38.6 per cent in December from 38.5 per cent a year earlier, remaining above the 12-month average of 37.2 per cent.

"It was a drab Christmas for retailers, as sales growth slowed for the fourth consecutive month. While food sales rose on the back of ongoing food inflation, non-food sales fell flat in the run up to Christmas, with gifting items doing worse than expected.

Many people were clearly holding out for discounts, with the last week showing significant growth off the back of Boxing Day and beginning of the January sales. Despite the disappointing December 2025 saw stronger sales growth overall, as non-food recovered from its 2024 decline," said Helen Dickinson, chief executive at BRC.

"These figures show that consumer spending remains cautious, with households squeezed by the rising cost of living. Now is the time to support struggling families with the cost of food and essentials and give the economy the boost it needs. From business rates to the implementation of the Employment Rights Act, there are plenty of opportunities for government to mitigate costs for retailers and prices for customers," added Dickinson.

"While there are individual festive success stories among retailers, retail sales largely froze in December. Total retail sales climbed by 1.2 per cent, with higher inflation also a factor in the sales growth," said Linda Ellett, UK head of consumer, retail and leisure, KPMG.

"It remains a challenging time for retailers, with consumers cutting back on spending due to higher household bills and any discretionary spend is being prioritised, particularly toward holidays and home improvements. Retailers are also facing increasing costs while needing to invest in innovation. There will be an ever-sharpening focus on business models, efficiencies and profit margin in the months ahead," added Ellett.

Source: fibre2fashion.com– Jan 17, 2026

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Trump Threatens to Hit Greenland Allies With 10 Percent Tariff Feb. 1

On Saturday morning, President Trump said the US would implement 10 percent tariffs on eight European countries that he alleges are getting in the way of a US purchase of Greenland.

The tariffs would begin Feb. 1 and apply to “any and all goods sent to” the US. from Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands and Finland. Furthermore, the levies would increase to 35 percent on June 1 if a deal over Greenland had still not been struck by then.

At a White House event on health care that took place Friday, Trump spoke to his previous efforts to leverage the threat of tariffs against European countries when it came to the terms for trade of essential pharmaceuticals.

“I may do that for Greenland too,” the president said, adding, “I may put a tariff on countries if they don’t go along with Greenland, because we need Greenland for national security.”

The remarks came as a bipartisan Congressional delegation to Denmark tried to lower the temperature on the dispute. Meanwhile, earlier in the week, Vice President JD Vance and Secretary of State Marco Rubio met with foreign ministers from Greenland and Denmark. Greenland is a part of the Kingdom of Denmark, though it is a self-governing territory.

European heads of state have balked at the idea that the U.S. would suggest forcibly taking control of another NATO member. They have backed both Greenland and Denmark in their assertion that they alone will make decisions about the fate of the territory. Denmark also indicated that it plans to up its military presence in Greenland and will work with regional allies to do so.

As Trump continues to wield the threat of higher tariffs against those allies, the Supreme Court remains mum on the fate of his International Emergency Economic Powers Act (IEEPA) regime. The president and his cabinet have betrayed their anxieties about the forthcoming decision, however, and have indicated that they aim to pursue contingency plans should the current regime be invalidated by the high court.

Those plans include the levying of duties using other trade statutes, like Section 301 of the Trade Act of 1974, which addresses discriminatory trade practices, as well as Section 232 of the Trade Expansion Act, which allows for the imposition of tariffs in response to national security threats, according to National Economic Council Director Kevin Hassett.

Hassett said on Fox Business Friday that while the administration is "highly confident that [the Supreme Court is] going to side with us," leadership also has "a backup plan that's really solid."

"We can put a 10 percent tariff right away to make up most of the room, and then use things like the 301 authorities, the 232 authorities, to backfill the things that we've already achieved with these great deals with countries," he said.

"If you look at the Consumer Price Index, the last data that we saw showed the core over three months at an annual rate at only 1.6 percent, and so the idea that the tariffs would harm the economy and create inflation has been proven wrong by the data, and I think that the Supreme Court wouldn't want to upend all of that great success either," he said.

Meanwhile, one of the U.S.' one-time greatest allies turned frenemy—Canada—has struck a trade deal with the nation's most prominent competitor.

On Friday, Canadian Prime Minister Mark Carney announced that America's neighbor to the north has reached a trade deal with China after weeks of negotiations, despite calling the country Canada's biggest security threat during his campaign last year.

"Twenty billion dollars in wages are earned each year by Canadians because of our existing trade relationship [with China]," Carney said during a press conference from Beijing on Friday.

"This is a relationship that has been distant and uncertain for nearly a decade that has held back investment, it stalled business growth and cost Canadian workers good opportunities, and it has had the consequence of leaving us even more dependent on our largest trading partner," he added, referring to the U.S., which currently imposes 35 percent duties on Canadian goods.

"And that's why immediately after the election, Canada's new government began to recalibrate our relationship with China strategically, pragmatically and decisively," he added.

The deal will lower Canadian tariffs on China-made electric vehicles from the 100 percent levied last year in exchange for lower duties from China on Canadian agricultural goods. It will also bolster coordination between the nations to "jointly address global challenges," Chinese President Xi Jinping told Carney Friday.

Watching the two countries strike a deal might very well have rankled Trump, but the president was reticent about any concerns.

"That's what he should be doing. It's a good thing for him to sign a trade deal," he said of Carney. "If you can get a deal with China, you should do that."

Source: sourcingjournal.com– Jan 15, 2026

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Heimtextil 2026 highlights home textile industry evolution in 2026

As the global home textile market heads toward a $145.27 billion valuation in 2026, the industry is transitioning from simple product supply to integrated service solutions. The recent conclusion of Heimtextil 2026 in Frankfurt underscored a decisive shift: top-tier decision-makers now constitute 78 per cent of attendees, signaling that the event has evolved into a strategic war room for navigating a high-tariff, volatile trade landscape. With geopolitical tensions forcing a recalibration of sourcing toward ASEAN and European hubs, manufacturers are leveraging 'Contract Business' as a high-margin buffer against stagnant retail demand in traditional Western markets.

The hospitality pivot and the 2027 hybrid format

The most significant commercial development is the formal elevation of the hospitality sector. Data indicates, functional contract textiles are outperforming decorative basics, driven by a post-pandemic surge in high-end resort development and healthcare infrastructure. To capitalize on this, a landmark partnership with Hospitality Interiors Europe (HINT) was inaugurated, setting the stage for a dedicated parallel event in 2027. This move targets the lucrative project development segment where decision-makers from global chains like Marriott and IKEA seek 'holistic' interior concepts that merge material durability with aesthetic differentiation.

AI-driven craftsmanship and ESG compliance

Digital transformation has moved beyond the back office to the design loom. The 'Texpertise Focus AI' initiative demonstrated that predictive algorithms are now essential for mitigating high e-commerce return rates and optimizing material usage to meet the EU's strict Ecodesign for Sustainable Products Regulation (ESPR). By integrating AI with traditional craftsmanship—a theme championed by architect Patricia Urquiola - mills are achieving a dual objective: hyper-personalized aesthetic 'glitches' that appeal to Gen Z consumers and verifiable supply-chain transparency. For manufacturers, these technologies are no longer optional but the only viable pathway to maintaining margins amidst a 6.7 per cent weighted average tariff increase in global manufacturing.

Heimtextil is the global benchmark for home and contract textiles, connecting 3,000 international exhibitors with a high-caliber buyer network. Focused on the entire value chain - from upholstery to 'Smart Bedding' - the platform facilitates strategic sourcing across 148 nations. Following a 10 per cent rise in regional machinery exports, current growth plans center on AI integration and the expansion of the 'Interior. Architecture. Hospitality' segment to sustain market leadership through 2027.

Source: fashionatingworld.com– Jan 17, 2026

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Philippines announces 'flexible financing' for garment manufacturers

The Philippine Department of Trade and Industry (DTI) recently announced it would work with government financial institutions to provide ‘flexible financing’ to domestic garment manufacturers for automation, machinery and production equipment to make them more competitive in the global market.

Trade and industry secretary Cristina A Roque said foreign buyers told her automation is no longer optional, but has turned a baseline requirement globally.

“They expressed a clear preference for exporters with modern, automated production equipment, as short lead time is now the deciding factor, especially for fast-fashion brands,” Roque was cited as telling a recent meeting with garments manufacturers by a domestic media outlet.

Therefore, the department will work with institutions like the Land Bank of the Philippines and the Development Bank of the Philippines to provide flexible financing, she said.

Incentives under the DTI’s Board of Investments will support mechanised and digital garment production, while the Philippine Economic Zone Authority’s (PEZA) incentives will offer a comprehensive package of fiscal and non-fiscal support for export-oriented garment firms located within PEZA special economic zones, she said.

The department will also study proposals by the domestic garment industry aimed at enhancing overall cost competitiveness, including potential reductions in value-added tax rates to levels comparable to those of ASEAN peers and expanded fiscal support for existing firms and subsidiaries.

Source: fibre2fashion.com– Jan 18, 2026

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Initial Kenya-China pact to secure duty-free access for 98.2% exports

Kenya recently signed a preliminary agreement with China to secure duty-free access for 98.2 per cent of its exports to the latter.

The deal, part of China's initiative to remove tariffs on African imports, will allow Kenyan goods to enter the vast Chinese market without duty and is expected to diversify Kenya's export basket, with particular emphasis on agricultural products.

A full trade deal is on the horizon, Nairobi announced.

Kenyan President William Ruto visited Beijing last year, where several financing and cooperation agreements were finalised.

Kenya's trade ministry said its exporters could benefit economically from this 'early harvest arrangement' by accessing the large consumer base in China, domestic media outlets reported.
Kenya is set to enjoy key trade benefits with China after the Asian nation agreed to negotiations allowing Kenyan goods to enter its market without tariffs, amid U.S.-imposed trade barriers affecting local exports.

China's broader duty-free and quota-free policy for African goods primarily benefits least developed countries, leaving developing nations like Kenya initially excluded. Therefore, Kenya tried to secure a trade arrangement that provides comparable privileges.

The Kenyan government said the zero-duty access could raise profits of Kenyan exporters, expand market reach and create employment opportunities across multiple sectors.

Source: fibre2fashion.com– Jan 18, 2026

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Chinese firm signs pact with BSEZ for 1st factory in Bangladesh

Leaders Label Material (Bangladesh) Co Ltd, a subsidiary of China's Huzhou Lingxian Silk Ribbon Co Ltd, has signed a land lease agreement with the Bangladesh Special Economic Zone (BSEZ) for its first production facility in the country.

Construction is scheduled to commence in the second quarter of 2026. The initial investment is an estimated $15-20 million.

The company, known for its expertise in radio-frequency identification (RFID) solutions, tags and labels, serving global apparel and retail giants, is the tenth institution to secure a spot within the zone, said a press release from BSEZ, a government-to-government initiative between Bangladesh and Japan.

Source: fibre2fashion.com– Jan 17, 2026

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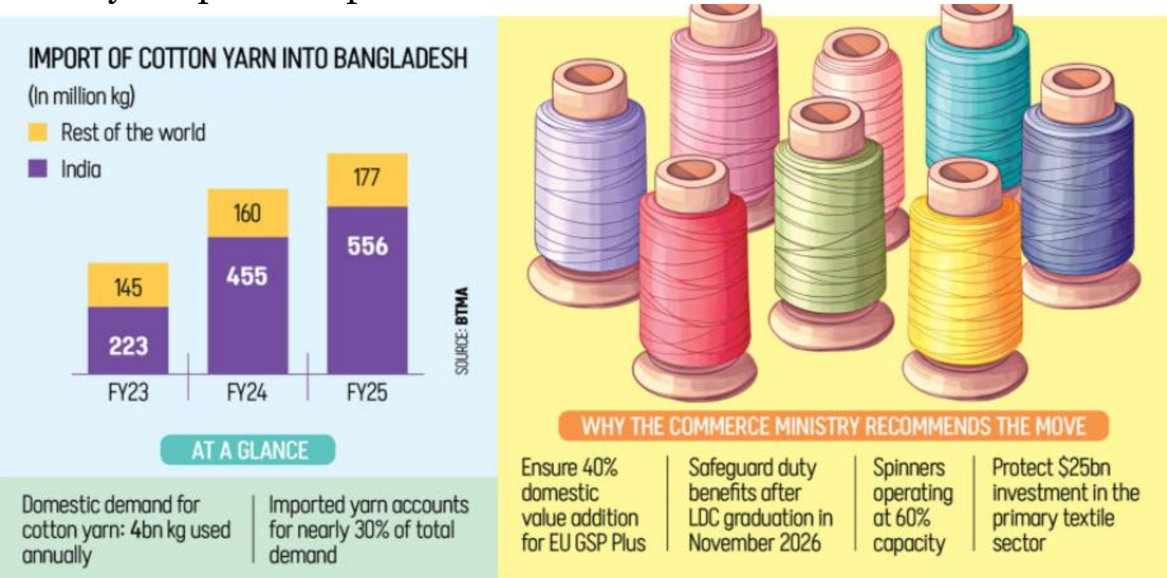
Bangladesh: Govt moves to curb yarn imports, RMG exporters unhappy

The commerce ministry has recommended that the revenue board end the duty-free import of certain types of yarn under the bonded warehouse facility.

Local spinners have welcomed the recommendation, but local apparel manufacturers say this could push up production costs and undermine the country's export competitiveness.



In a recent letter to the National Board of Revenue (NBR), the ministry recommended withdrawing the bonded facility for importing yarn of 10 to 30 count - a medium-to-coarse thickness range widely used in knitwear manufacturing. A higher count indicates less thickness.

The ministry cited mounting pressure on local spinning mills from cheaper imports, particularly from India.

Readymade garment exporters say the proposal risks unsettling the country's largest export sector at a time of global uncertainty and intense price competition.

Leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) voiced their concerns regarding the move and announced to hold a press conference on the issue today.

BGMEA Director Faisal Samad said the suspension of duty-free imports would force garment manufacturers to rely more heavily on local yarn suppliers, where prices are already rising. “The garment sector will be severely affected as we will have to buy yarn at higher prices from a monopolised local market,” he said, adding that BGMEA members had raised the issue at an emergency meeting.

He declined to comment further ahead of the press conference, but said exporters were deeply concerned about the government’s decision to restrict imports of “widely consumed” yarn. BKMEA Executive President Fazlee Shamim Ehsan said imported yarn accounts for nearly 30 percent of the country’s total demand - roughly $1.5 billion worth - with most of it sourced from India. The remaining demand is met by domestic spinners. He said local mills had already started quoting prices $0.25-0.3 (Tk 30-36) per kilogramme higher following the proposed restriction.

“It is not right to harm the export-oriented garment industry to salvage the spinning sector,” he said, arguing that targeted incentives of four to five percent could have been offered to primary textile producers instead. The push for restricting imports follows sustained lobbying by the Bangladesh Textile Mills Association (BTMA), which has warned that some mills in the primary textile sector, which have investments of about $25 billion, are facing the risk of closure due to the import of cheap yarn from India.

In late December, BTMA urged the government to either suspend the bonded warehouse benefit or impose a 20 percent tariff on imports of the popular yarn counts. According to BTMA sources, Bangladesh uses 400 crore kilogrammes of yarn in a year, with some 46 percent coming from India. According to BTMA, Indian traders have been selling 30-count yarn in Bangladesh at $2.50 to $2.60 per kilogramme, even though the same yarn sells for $2.90 to $2.93 per kilogramme in India. The association said such pricing reflects heavy incentives and has left local spinners struggling, with unsold yarn stocks reportedly reaching Tk 12,000 crore by the end of December.

The commerce ministry echoed these concerns in its letter to the NBR, noting that yarn imports surged sharply in recent years. Import volumes rose by more than 68 percent in fiscal year 2023-24 (FY24) compared to the previous year, while values increased by over 46 percent. In FY25, volumes grew by another 18.4 percent and values by 26.3 percent.

The ministry said at least 50 spinning mills have already shut down and warned of further losses if the current import trend continues. It also cautioned that growing dependence on imported yarn could reduce the garment sector's competitiveness due to lengthened lead times, reduce local value addition, and put pressure on foreign currency reserves.

Exporters, however, argue that limiting access to competitively priced yarn could weaken Bangladesh's position in global apparel markets, especially as buyers remain highly price-sensitive. Showkat Aziz Russell, president of BTMA, said the issue must also be seen in the context of Bangladesh's graduation from least developed country (LDC) status.

He said exporters would need to comply with "two-stage transformation" rules – using locally spun yarn instead of imported cotton – to qualify for preferential market access in destinations such as the European Union (EU), the United Kingdom and Japan after graduation.

He also noted that securing GSP Plus benefits from the EU would require at least 40 percent local value addition, compared to current levels of around 35 percent in spinning, knitting at 20 percent and weaving at 25 percent. The local spinners mainly produce the 30-count yarn to serve the garment exporters. While local mills can supply about 90 percent of yarn demand for knitwear and 45 percent for woven garments, the rest still depends on imports from countries including India, China and Pakistan.

Spinners said in fiscal year 2025-26, $2.0 billion worth of yarn was imported from India, with local mills using 1,600 tonnes daily. Bangladesh is the largest destination for Indian yarn exports, receiving 44 percent of the total, while Cambodia ranks second at 21 percent.

Earlier, in April last year, Bangladesh banned yarn imports from India through land ports, though sea-route imports remained unaffected. Millers have said they do not seek a complete ban, but rather measures to curb what they describe as dumping. Contacted, Mohammad Naziur Rahman Miah, first secretary of customs (export and bond), said the NBR had received the commerce ministry's letter. "The issue is under consideration. No decision has been made yet."

Source: thedailystar.net– Jan 19, 2026

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NATIONAL NEWS

India's Textile & Apparel Exports Maintain Growth Momentum amid Global Headwinds

India's Textile and Apparel (T&A) exports have demonstrated resilience and steady growth despite a subdued global trade environment, reflecting the sector's adaptability, diversified market presence, and strength in value-added and labour-intensive segments. The sector recorded positive growth for the second consecutive month, with exports in December 2025 rising by 0.40% over December, 2024 to USD 3.27 billion, following strong growth in November 2025.

During December 2025, export growth was broad-based across key segments, led by Handicrafts (7.2%), Ready-Made Garments (2.89%), and MMF yarn, fabrics and made-ups (3.99%). These trends underline India's competitive advantage in value-added manufacturing, traditional crafts, and employment-intensive production, even amid volatile global demand conditions.

On a calendar-year basis (January–December 2025), textile and apparel exports remained stable at USD 37.54 billion, with notable cumulative growth in Handicrafts (17.5%), Ready-Made Garments (3.5%), and Jute products (3.5%). Stability at this scale, despite geopolitical tensions and inflationary pressures in key markets, reflects the sector's structural strength and diversified export basket.

A key highlight of 2025 has been significant market diversification. During January–November 2025, India's textile sector recorded export growth across 118 countries and export destinations compared to the corresponding period of 2024, reflecting a broad-based improvement in market performance.

Strong expansion was observed in both emerging and traditional markets, including the United Arab Emirates (9.5%), Egypt (29.1%), Poland (19.3%), Sudan (182.9%), Japan (14.6%), Nigeria (20.5%), Argentina (77.8%), Cameroon (152.9%), and Uganda (75.7%), along with steady growth in key European markets such as Spain (7.9%), France, Italy, the Netherlands, Germany, and the United Kingdom.

This diversified growth pattern underscores the resilience of India's textile export sector and the strengthening of India's global market presence across a wide range of destinations.

This positive export performance is being reinforced by a coherent policy framework focused on enhancing competitiveness, value addition, and market expansion.

Overall, the sustained export momentum, widening market footprint, and strong performance of value-added segments reaffirm India's position as a reliable and resilient global sourcing hub for textiles and apparel. With continued emphasis on diversification, competitiveness, and MSME participation, the sector is well-placed to scale up exports and deepen its integration with global value chains in the period ahead.

Source: pib.gov.in– Jan 16, 2026

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Indian textile exports face structural headwinds as 50% US tariffs reshape trade

The Indian textile and apparel sector closed the first three quarters of FY26 with a marginal contraction of 0.26 per cent, reaching $23.25 billion as of December 2025. This decline reflects a high-stakes standoff between domestic exporters and global trade policy shifts. While overall merchandise shipments rose, the textile segment was stifled by the 50 per cent tariff on Indian garment imports enacted by the United States in late 2025. This move has fundamentally altered the competitive landscape, forcing exporters to offer deep discounts of up to 25 per cent to retain market share in their single largest destination.

Logistical bottlenecks and regional constraints

Beyond Western trade barriers, the sector is grappling with regional disruptions in its secondary markets. Historically the primary destination for Indian yarn, Bangladesh implemented restrictive land-port import policies in early 2025, contributing to a 2.19 per cent decline in overall textile shipments.

Furthermore, domestic cotton production is projected to reach a two-decade low this season. The Confederation of Indian Textile Industry (CITI) has recently urged the government to eliminate the 11 per cent cotton import duty to offset these supply shortages and rising input costs, which currently put Indian spinners at a structural disadvantage against duty-free competitors like Vietnam.

Strategic move towards domestic demand

Despite the export cooling, the industry is finding a vital buffer in the domestic market, which is projected to grow by 10.5 per cent in FY26. Brands are increasingly focusing on the ‘Aspirational India’ segment in Tier-II and Tier-III cities to compensate for sluggish overseas volumes.

Ready-made garments (RMG) have shown resilience, growing by 2.36 per cent during the nine-month period, driven by a surge in man-made fiber (MMF) adoption. Companies that integrated downstream operations have fared better, maintaining credit metrics by capitalizing on the $142 billion domestic market even as home textile exports to the US face fierce price competition from neighboring nations.

Industry stewardship

The Confederation of Indian Textile Industry (CITI) serves as the apex body for the entire textile value chain, representing manufacturers, exporters, and regional associations. It facilitates policy advocacy with the Ministry of Textiles, focusing on raw material security and ESG compliance. With India's apparel market projected to reach $350 billion by 2030, CITI's current strategy emphasizes diversifying export destinations to the UK and UAE to mitigate US-specific tariff risks.

Source: fashionatingworld.com– Jan 16, 2026

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India-EU trade deal to double exports in three years, industry says

Textiles, pharmaceuticals, chemicals, engineering goods, gems and jewellery exports will receive a boost from the free trade agreement between India and the 27-nation European Union, according to exporters. The conclusion of negotiations for the agreement is likely to be announced on January 27.

Tariff cuts impact

The industry estimates that with tariffs having been phased out due to the FTA, exports to the EU will double over the next three years, they said.

The free trade agreement (FTA) would provide a stable and predictable framework for exporters, allowing Indian firms to plan long-term investments, integrate into European value chains, and secure market access, even as global economic uncertainties persist, they noted.

Market diversification push

"This FTA will be a game changer in terms of reducing our dependence on any single market," Apparel Export Promotion Council Chairman A Sakthivel said, adding that with the US tariffs on Indian goods being too high, domestic exporters face higher costs and reduced competitiveness in a major market, which is pushing Indian exporters to diversify the export market.

Successive negotiations have emphasised sectors where India has a strong export footprint in the EU. Textiles and apparel, pharmaceuticals, engineering goods, petroleum products and chemicals are central to these discussions, he added.

Textiles and apparel currently attract 12-16 per cent import duty in the EU, which makes Indian goods less competitive.

The average import duty for ready-made garments in the EU is 12 per cent, which apparently comes to 9.6 per cent as India enjoys preferential access under the EU's Generalised Scheme of Preferences (now called DCTS).

Leather export opportunity

Kanpur-based Growmore International MD Yadvendra Singh Sachan said that domestic leather exporters should use this opportunity to significantly boost shipments.

"The FTA will be a game changer for Indian exporters," Sachan said.

US tariff pressure

Federation of Indian Export Organisations (FIEO) said substantial increases in US tariffs are affecting a spectrum of Indian exports, and it underscores the need for diversification of export markets and trade strategies.

Against this backdrop, it said, concluding a comprehensive India-EU Free Trade Agreement is not only timely, but it is strategically vital.

EU trade significance

The EU remains one of India's largest trading partners, accounting for about 17 per cent of India's goods exports and a significant share of services trade.

"Reducing tariff and non-tariff barriers with the EU will partially offset adverse impacts from tariff pressures elsewhere, especially the United States, strengthening India's global trade footprint," FIEO Director General Ajay Sahai said.

He said that India is a major supplier of generics and speciality chemicals, and easier access under the trade pact will help scale exports.

Manufacturing gains

Reduced duties on engineering goods and electrical machinery will enhance the competitiveness of Indian manufactured goods, he added.

Besides gems and jewellery, exports are expected to benefit from tariff concessions and streamlined regulatory convergence, while petroleum products and iron and steel export lines will gain improved market access under the FTA regime, Sahai said.

Services sector boost

The major service segments, which will benefit from the pact, include IT, Legal, consulting, accounting, and management.

Trade volumes

Bilateral goods trade between India and the EU was approximately USD 136.5 billion in 2024-25, with India exporting roughly USD 75.8 billion to the EU.

The two sides are constantly engaged in talks.

Source: thehindubusinessline.com– Jan 17, 2026

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Merchandise exports may face tough time due to US-India trade deal impasse, tariff threats: CRISIL

Ratings firm CRISIL said that merchandise exports are likely to be buffeted by stronger headwinds due to the continuing impasse on the US-India trade deal and the fear of further levies by America for the purchase of Russian crude oil.

In its latest report, CRISIL said that in the near term, tea and basmati rice could face some pressure because of the imposition of a 25 per cent tariff by the US on countries trading with Iran.

The report said that the current account deficit (CAD) is expected to remain manageable because of a robust services trade surplus, healthy remittances and softer crude oil prices.

The ratings firm said the CAD is expected to be one per cent of gross domestic product (GDP) this financial year, with a mild uptick, but still within the safe zone, to 1.6 per cent in the financial year 2026-27.

With the merchandise exports growth rate lagging imports, the merchandise trade deficit widened to $25 billion in December 2025, from $20 billion a year earlier.

In terms of destinations, exports to the US decelerated to 1.8 per cent year-on-year in December. Exports to the rest of the world rose at a slower rate. However, the US remained India's top export destination, largely driven by smartphone shipments from India.

Source: thehindubusinessline.com– Jan 17, 2026

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GTRI calls for overhaul of tariff structure, customs to boost India's trade

India needs a sweeping overhaul of its import tariff structure and customs administration to cut trade costs, strengthen manufacturing competitiveness and revive export growth, suggests trade-focused think-tank Global Trade Research Initiative (GTRI).

The report, titled 'A Blueprint for Modernizing India's Import Tariffs and Customs Regime', outlined the need for reforms, spanning tariff policy, customs procedures, export incentives and manpower deployment. Taken together, the measures would transform customs from a control-oriented system into what the authors described as a growth-enabling institution aligned with India's broader manufacturing and supply-chain ambitions.

The study comes as India's merchandise trade crosses $1.16 trillion and nearly 29 per cent of gross domestic product flows through customs clearances. In that context, even modest inefficiencies now impose economy-wide costs, raising input prices, delaying shipments and weakening export competitiveness at a time when global companies are reassessing sourcing locations amid geopolitical fragmentation.

Finance Minister Nirmala Sitharaman's commitment in December to overhaul customs procedures has created a rare policy opening, the GTRI report said, but warned that piecemeal changes will not be enough.

At the core of the recommendations is a call to rationalise India's import tariffs, which the report argued have lost relevance as a revenue instrument while continuing to distort production decisions. Customs duties now account for just 6 per cent of gross tax revenue and average only 3.9 per cent of the value of imports, according to GTRI.

The distribution of tariff revenue is highly skewed, it argued. Nearly 90 per cent of import value is concentrated in fewer than 10 per cent of tariff lines, while the bottom 60 per cent of tariff lines generate under 3 per cent of customs revenue. Maintaining a complex tariff schedule for such limited fiscal return imposes high administrative and compliance costs, the GTRI report argued.

GTRI recommended imposing zero duty on most industrial raw materials and key intermediates, while adopting a low, standard duty (around 5 per cent), on finished industrial goods over the next three years. It also called for eliminating inverted duty structures, where inputs are taxed more heavily than finished products, quietly eroding domestic manufacturing competitiveness.

Extreme tariffs, such as the 150 per cent duty on alcohol, should be rationalised, the report added, arguing that such rates encourage evasion while delivering negligible fiscal gain.

Equally important, tariff reform should be based on total import duty, not just headline basic customs duty, it suggested. Importers face a cumulative burden of cesses, surcharges and trade remedies, making the effective tariff far more complex than official rate schedules suggest.

Beyond tariffs, the report takes aim at what it describes as a labyrinthine system of customs notifications, many of which amend decades-old rules and are not self-contained. Traders must navigate hundreds of overlapping notifications to determine applicable duties, often without clear HS-code references.

GTRI urged the government to issue self-contained notifications that clearly state their full impact, and to publish all applicable import duties in a single, unified online schedule.

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India's new FTA playbook looks beyond trade and tariffs to investment ties

Free-trade agreements (FTAs) signed by India in the post-pandemic era reflect a shift from tariff-focused deals to an alignment with a changing world order.

These agreements have weaved in new elements such as binding investment commitments from the FTA partners, provision for social security arrangements and progressively opening up the government procurement market to foreign firms.

In a first, New Delhi also agreed to lower tariffs and grant market access for automobiles in the FTA with the UK. This is a sector that has been long considered "sensitive" due to its potential to impact jobs in India. Similarly, while India continues to fiercely protect another sensitive sector — agriculture — it has, in some recent trade agreements, offered quota-based market access to fruit and dry fruit — a step it had never attempted in the past.

Broad architecture

Government officials said the recently concluded trade agreements and the ongoing negotiations for FTAs indicate a recalibration in the way India is engaging with the world. These trade deals aim not only to deepen economic ties with India's strategic allies, but also to position the country in shaping modern trade frameworks and integrate them into global supply chains.

India has been on an FTA-signing spree of late. Since 2021, it has signed seven trade agreements, three of which — with the UK, Oman and New Zealand — were finalised in 2025 alone.

A comprehensive trade deal with Mauritius was signed in 2021, followed by pacts with the UAE and Australia a year later. A deal with the four-nation European Free Trade Association (EFTA) was signed in 2024. Currently, India is in active negotiations with the US, EU, Canada, Mexico, Israel, Eurasian Economic Union, Peru and Chile.

Agneshwar Sen, trade policy leader, EY India said in the newer FTAs signed with developed markets, tariff concessions offer limited preferential market access. Thus, alongside goods and services trade, India is increasingly weaving in new elements such as investment and visa commitments, social security agreements and calibrated access to government procurement.

Given the increasing impact of these subjects on trade, these provisions will future-proof the agreements, Sen said, by providing greater certainty to investors; reducing the cost of labour mobility for Indian professionals; and integrating Indian firms, particularly micro, small and medium enterprises, into the partner country's public procurement ecosystem.

"India is pursuing this broader architecture because global value chains are being reconfigured, and competitiveness today depends as much on investment flows, regulatory predictability and services mobility as on tariffs," he said.

Investment pledges

Nearly two years ago, when India and the four-member EFTA bloc — Switzerland, Norway, Iceland, and Liechtenstein —signed a trade and economic partnership agreement (TEPA), government officials said that apart from the gains for India's labour-intensive sectors in terms of reduction in tariffs, New Delhi's major win was investments worth $100 billion.

Under the deal, which kicked in on October 1, India secured a binding commitment from the four-nation group to invest $100 billion and create 1 million direct jobs over the next 15 years. The deal also says India can partially withdraw market access to EFTA countries after a lengthy consultation if investments do not flow in — another first.

Similarly, under an FTA finalised in December, New Zealand has committed $20 billion in foreign direct investment (FDI) over the next 15 years. The commitment too will be backed by a 'rebalancing mechanism' enabling suspension of benefits under the FTA if expected investments don't materialise.

The reason was that average tariffs in any case were low in developed countries — 2.2 per cent in New Zealand for instance. Bringing them down to zero meant the gains for Indian exporters were limited.

As a result, negotiators in the department of commerce devised a strategy focused solely on FDI, where countries will nudge companies to invest in India. In return, India has to maintain a certain level of nominal economic growth rate.
Experts said there will be greater clarity on these developments in a few years.

Auto, alcohol, agri

India has until now protected its domestic automobile and alcohol sectors. But now, under the insistence of developed countries such as the UK, Australia, New Zealand and EU, India is bound to give access to its large domestic market. Indian negotiators have however, succeeded in ensuring that access is given in a phased manner.

In the case of the India-UK Comprehensive Economic and Trade Agreement (Ceta), New Delhi for the first time has agreed to reduce tariffs on automobiles, but in a phased manner.

Indian negotiators struck a fine balance by protecting small cars while opening up the large car segment to promote competition. Similarly, India allowed duty cuts on another contentious item — alcoholic beverages such as whisky, brandy, rum, vodka, tequila and cider — but again in a phased manner.

India has also reduced the customs duty on Australian wines, but in a staggered manner to ensure that the domestic wine industry doesn't end up being subjected to predatory pricing. Even as India continues to fiercely guard its agriculture sector, trade deals with Australia and New Zealand gave quota-based market access for oranges, mandarins, almonds, pears and cotton, among others produce.

Looking West

A former trade ministry official said that while India's earlier "Look East" approach focused on countries that are now competitors, the current emphasis is on looking towards the West — mainly developed nations, where certain demands will have to be accommodated in order to integrate into the global supply chains.

"India is gradually opening up its markets, keeping in mind the evolving global order. Developed countries are increasingly prioritising issues such as sustainability, labour standards and other New Age concerns," the official said, adding that India will have to respond, slowly and in a calibrated manner by aligning its policies through small steps.

For instance, India has been wary of opening government procurement — or tenders — to foreign entities in order to protect domestic producers. However, the first sign of flexibility was seen in the comprehensive economic partnership agreement (Cepa) with the UAE. The biggest relaxation has come in the India-UK Ceta, where New Delhi has committed to give UK businesses access to around 40,000 tenders with a value of at least £38 billion a year. The UK trade deal with has also seen many other new chapters such as telecommunication, innovation, and subsidies.

By embedding these in FTAs India is aligning its trade policy with its development priorities, while positioning itself as a reliable, long-term economic partner.

Source: business-standard.com– Jan 18, 2026

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Commerce Ministry formulates specific guidelines for missions abroad to boost exports

New Delhi: The government has formulated specific guidelines for Indian missions abroad as it steps up efforts to boost exports through market diversification amid global economic uncertainties, an official said.

The official said trade promotion guidelines for Indian commercial missions abroad include management of non-tariff barriers, market engagement activities, planning and resource management, trade intelligence and market research.

These guidelines are important as commercial representatives are the first point of contact for the host country's stakeholders in trade.

The official said the representative has to align trade promotion activities to leverage the ongoing free trade agreements and help increase utilisation of these pacts.

Commerce representatives have been suggested to conduct market surveys to assess the demand for Indian products.

The move is important as India is looking to increase exports of goods and services to USD 2 trillion by 2030.

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Mother of all trade deals is loading: What it means for India

As New Delhi prepares to host the European Union's top leadership for India's 77th Republic Day celebrations and the 16th India–EU Summit on January 27, the stage is set for what could become one of the most consequential trade agreements of this decade. If concluded during the visit of European Council President Antonio Costa and European Commission President Ursula von der Leyen, the long-pending India–EU Free Trade Agreement (FTA), formally the Broad-based Trade and Investment Agreement (BTIA), would mark a strategic, economic and geopolitical turning point, not just for the two partners but for the global trading system itself. "This will be the mother of all deals," Commerce and Industry Minister Piyush Goyal said on Friday.

Commerce and Industry Minister Piyush Goyal's description of the pact as the "mother of all deals" captures both its scale and its symbolism. With a combined market of nearly two billion people, the agreement would link two of the world's largest democratic economies at a time when protectionism is on the rise and established trade routes are being disrupted.

Two decades in the making

The India–EU FTA negotiations began in 2007, reflecting early recognition on both sides of their economic complementarity. Between 2007 and 2013, several rounds were held, but talks faltered over deep differences on market access, tariffs, intellectual property rights, labour and environmental standards, and public procurement. Contentious issues such as India's high import duties on automobiles and alcohol, EU demands for stronger IPR protection, and concerns over data security for Indian IT firms eventually brought negotiations to a standstill in 2013.

Attempts to revive the process between 2016 and 2020 yielded limited results. The real breakthrough came after 2020, when global supply chains were shaken by the pandemic and geopolitical tensions. In June 2022, India and the EU formally relaunched negotiations, expanding the scope to include not just an FTA, but also an Investment Protection Agreement and a pact on Geographical Indications. Talks were fast-tracked following Ursula von der Leyen's visit to India in February 2025, and officials on both sides now indicate that only a handful of issues remain unresolved.

Why timing matters

The renewed urgency behind the deal is closely tied to shifts in the global trade landscape. High tariffs imposed by the United States have disrupted traditional trade flows, with Indian exports facing duties as high as 50 per cent. In this context, the EU, already India's largest trading partner, offers a critical avenue for diversification.

Bilateral trade between India and the EU reached 120 billion euros (around $140 billion) in 2024. The bloc accounts for about 17 per cent of India's total exports, while India absorbs roughly 9 per cent of EU overseas shipments. With U.S.–India trade negotiations stalled and China increasingly seen as a strategic risk, an India-EU FTA would help both sides reduce overdependence on any single market and strengthen supply-chain resilience.

For Brussels, the deal fits into a broader push to deepen ties with major emerging economies, following recent agreements with Mexico and Indonesia. For New Delhi, it complements a more assertive trade strategy that has seen India finalise or conclude talks with partners such as Australia, the UAE, the UK, EFTA countries, Oman and New Zealand since 2014.

Market access and the core economic bargain

At its heart, the proposed FTA is about opening markets on both sides, though not without limits. The EU is pressing India to sharply reduce import duties on cars, which can exceed 100 per cent, as well as on medical devices, wine, spirits and certain meat products. India, however, remains cautious, particularly in sectors it considers sensitive or politically fraught.

Automobiles and steel have emerged as the main sticking points, according to officials cited by Reuters. While the EU seeks greater access for its carmakers, India worries that its steel exports could be constrained by the EU's carbon border adjustment mechanism and safeguard measures that limit overall steel imports.

Agriculture remains another red line. Indian officials have repeatedly stated that India will not fully open its agriculture or dairy sectors, citing the livelihoods of millions of subsistence farmers. A Bloomberg report, however, suggests that the final agreement may include some agricultural products while excluding those that could harm domestic farmers, indicating a measured compromise rather than a blanket exclusion.

Boosting Indian exports and services

For India, the most immediate gains would come from improved access to the EU market for labour-intensive goods. Lower or zero duties would make Indian garments, textiles, leather products, pharmaceuticals, steel, petroleum products and electrical machinery more competitive.

This is particularly significant for textiles, where Indian exports currently face tariffs of 12–16 per cent, putting them at a disadvantage compared to countries like Bangladesh and Vietnam that enjoy preferential access under EU trade schemes.

Services are another critical pillar. Indian exports of business services, telecommunications, IT and transport services to the EU are expected to grow substantially. Faster recognition of Indian standards in sectors such as automobiles and electronics could further integrate Indian firms into European value chains.

What Europe stands to gain

From the EU's perspective, the deal opens the door to India's vast and still relatively protected consumer market of more than 1.4 billion people. European exporters are likely to see gains in aircraft and aircraft parts, electrical machinery, chemicals, diamonds and high-end manufactured goods. European service providers, particularly in intellectual property, IT, telecommunications and business services, could also benefit from clearer rules and stronger investment protections.

Alcohol trade illustrates the imbalance the EU hopes to address. While India's exports of wines and spirits to the EU remain modest, EU exports of wines and spirits to India are significantly larger, despite high Indian tariffs. Even partial tariff reductions could dramatically expand European sales.

Beyond trade

Beyond trade in goods and services, the agreement is expected to spur greater two-way investment. The EU is already a major source of foreign direct investment in India, with cumulative inflows of $117.4 billion between April 2000 and September 2024, representing about 16.6 per cent of total FDI equity inflows. Around 6,000 EU firms operate in India, with the Netherlands, Germany and France among the largest investors.

The FTA could accelerate European investment in Indian manufacturing, renewable energy, digital infrastructure and green technologies. At the same time, Indian companies, which have invested over $40 billion in the EU since 2000, could gain more predictable access to European markets. Sustainability, however, remains a complex area. The EU insists that trade partners adhere to international labour and environmental standards, including commitments under the Paris climate agreement. Aligning these expectations with India's development priorities has been one of the more delicate aspects of the negotiations.

A deal with global implications

If concluded, the India–EU FTA would be far more than a bilateral trade pact. It would indicate that large, diverse economies can still strike comprehensive agreements despite rising protectionism and geopolitical tensions. By linking one of the world's largest consumer markets with its biggest trading bloc, the deal could reshape global trade flows and set new benchmarks for cooperation in areas such as digital trade, investment protection and green growth.

As Commerce Secretary Rajesh Agrawal has indicated, negotiations are "very close" to the finish line. Whether or not the agreement is formally announced during the January summit, its contours already suggest why it is being billed as the "mother of all deals", a pact whose economic weight and strategic significance extend well beyond India and Europe.

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India's textile exports rise in December amid market diversification push

India's textile and apparel exports have demonstrated resilience in December, growing for the second straight month on a year-on-year basis, despite a subdued global trade environment and a 50 per cent tariff imposed by the US, the country's largest export market for the segment.

The 0.40 per cent growth in textile and apparel exports in December 2025 over the previous year to USD 3.27 billion, for the second consecutive month following strong growth in November, reflects the sector's "adaptability, diversified market presence, and strength in value-added and labour-intensive segments," the Textile Ministry stated.

Segment-wise growth

During December 2025, export growth was broad-based across key segments, led by handicrafts (7.2pc), ready-made garments (2.89), and MMF yarn, fabrics, and made-ups (3.99 pc). These trends underline India's competitive advantage in value-added manufacturing, traditional crafts, and employment-intensive production, even amid volatile global demand conditions, the ministry stated.

Calendar year performance

On a calendar year-basis (January-December 2025), textile and apparel exports remained stable at USD 37.54 billion, with notable cumulative growth in handicrafts (17.5 pc), ready-made garments (3.5 per cent), and jute products (3.5 per cent).

Stability at this scale, despite geopolitical tensions and inflationary pressures in key markets, reflects the sector's structural strength and diversified export basket, the textile ministry said.

Market diversification push

A key highlight of 2025 has been significant market diversification. During January-November 2025, India's textile sector recorded export growth across 118 countries and export destinations compared to the corresponding period of 2024, reflecting a broad-based improvement in market performance.

Strong expansion was observed in both emerging and traditional markets, including the United Arab Emirates (9.5 per cent), Egypt (29.1 per cent), Poland (19.3 per cent), Sudan (182.9 per cent), Japan (14.6 per cent), Nigeria (20.5 per cent), Argentina (77.8 per cent), Cameroon (152.9 per cent), and Uganda (75.7 per cent), along with steady growth in key European markets such as Spain (7.9 per cent), France, Italy, the Netherlands, Germany, and the United Kingdom.

Global sourcing strength

This diversified growth pattern underscores the resilience of India's textile export sector and the strengthening of India's global market presence across a wide range of destinations, the ministry stated.

Overall, the sustained export momentum, widening market footprint, and strong performance of value-added segments reaffirm India's position as a reliable and resilient global sourcing hub for textiles and apparel.

With continued emphasis on diversification, competitiveness, and MSME participation, the sector is well-placed to scale up exports and deepen its integration with global value chains in the period ahead.

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India's apparel retail market poised to reach ₹16 lakh crore by FY30: CareEdge

India's apparel retail market is set for a significant expansion over the next five years, with industry size projected to touch nearly ₹16 lakh crore by 2029-30, driven by rising disposable incomes, rapid digitalisation and strong growth in value fashion and e-commerce, according to a CareEdge Ratings report.

The apparel market, estimated at ₹9.30 lakh crore in 2024-25, has grown at a compound annual growth rate (CAGR) of around 7 per cent since 2017-18. Organised retail currently accounts for approximately 41 per cent of the total market and is expected to grow at a faster pace of 10-13 per cent, supported by increasing consumer preference for branded apparel, the entry of international brands and the expansion of structured retail formats.

A key driver of growth is the value fashion segment, which is benefiting from rising brand awareness and consumer price sensitivity. Value fashion, estimated at ₹3.5 lakh crore in 2023-24, is expected to grow at a CAGR of 7 per cent to reach ₹5.0 lakh crore by 2029-30.

Retailers such as Zudio, Max Fashion and Reliance's Yousta are aggressively expanding their store networks, particularly in Tier-2 and Tier-3 cities, which are emerging as major consumption hubs, it said. E-commerce is another major growth engine for the sector.

Online channels currently account for about 22 per cent of organised apparel retail and are projected to increase their share to nearly 25 per cent by 2029-30, translating into a market size of around ₹5.0 lakh crore. Rising internet penetration, increasing adoption of smartphones and the influence of Gen-Z consumers on fashion trends are accelerating the shift towards digital-first and omnichannel retail strategies.

While the industry faced demand pressures in 2024-25 due to inflation and adverse weather conditions, signs of recovery emerged during the festive and wedding season towards the end of the year. Increased footfalls, promotional online sales events and improved consumer sentiment have supported the rebound in sales momentum.

CareEdge Ratings noted that recent GST changes are likely to favour the value segment, with apparel priced below ₹2,500 attracting a lower tax rate of 5 per cent, boosting affordability and volumes. In contrast, higher GST on premium apparel may encourage consumers to trade down, further strengthening demand for value offerings, it said.

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