

# India textile edge threatened in US

Bangladesh's US deal could hurt India's apparel exports and cotton yarn sales, warn experts

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**NEW DELHI:** The competitive edge of Indian textile exports to the US may have narrowed, experts said, citing the 19% tariff on Bangladesh's exports—just one percentage point above India's 18% but with a duty-free option if these goods are manufactured from US cotton.

This incentive for Bangladesh to import US cotton could also hit India's cotton exports to its neighbour. India exported cotton yarn valued at \$3.57 billion in 2025, of which Bangladesh was the largest recipient, accounting for about 45.9% of its total yarn shipments.

Experts across trading houses, government departments and business lobbies said the devil lies in the details; both the US-India and US-Bangladesh framework agreements leave room for calibration before signing legally binding deal. The deals should be seen in their entirety rather than comparing sectoral gains, they added.

"Bangladesh has very significantly opened its economy to US



India exported cotton yarn worth \$3.57 billion in 2025, of which Bangladesh accounted for 46% of its total yarn shipments. AP

in all areas that India has protected in exchange for slight gain in textiles," one expert said on condition of anonymity.

New Delhi and Washington on Tuesday issued a framework for an interim bilateral trade agreement (BTA), likely to be signed by March. This reduces India's total additional tariff in the US from 50% to 18% in exchange for lower tariffs on US industrial and agricultural goods and a commitment to reduce Russian oil imports.

The US-Bangladesh statement, conversely, promised duty-free access for textiles under an unspecified mechanism. "The United States commits to establish a mechanism that will allow for certain textile and apparel goods from Bangladesh to receive a zero reciprocal tariff rate," the White House

stated.

It also referred to a quota-based concession. "This mechanism will provide that a to-be-specified volume of apparel and textile imports from Bangladesh can enter the United States at this reduced tariff rate, but this volume shall be determined in relation to the quantity of exports of textiles, e.g. U.S. produced cotton and man-made fiber textile inputs, from the United States."

Confederation of Indian Textile Industry (CITI) secretary general Chandrima Chatterjee called it a double blow. "It will not only hit our apparel exports to the US, but also our yarn exports to Bangladesh, as it is the largest market for Indian cotton yarn."

Cotton farmers are also anxious. Zero-duty US cotton

imports into Bangladesh—the world's largest importer—would shift demand away from India, weakening domestic fibre and yarn prices, said Anil Ghanwat of Shetkari Sangathan, a major Maharashtra farmers' group.

"Farmers are already worried about the actual implications of the US trade deal and Bangladesh's recent threats to increase customs on Indian yarn," he said. Bangladesh's Trade and Tariff Commission discussed such tariffs on January 5, HT reported on January 7.

However, one analyst disagreed.

Deloitte India partner Gulzar Didwania noted the benefit to Bangladesh comes with a rider: the duty-free quota is tied to a unique calculation mechanism.

"Specifically, the size of the duty-free quota will be linked to the volume of U.S.-origin textile inputs (such as cotton yarn, fabric, or man-made fiber textiles) exported from the United States to Bangladesh," he said. "While Bangladesh may gain a preferential advantage, India's improved tariff position, combined with its scale, supply-chain depth, and manufacturing capabilities, places it in a strong competitive position in the U.S. textile market in the near to medium term. Also, we need to wait and watch if textile and apparel sector gets any concessional benefit under the India-US BTA."

Apparel Export Promotion Council (AEPC) chairperson A

Sakthivel said since the BTA is unsigned, "we can negotiate" to strengthen India's position. Citing President Donald Trump's 'Liberation Day' tariffs of April 2, 2025, he noted: "Section 3(f) of the notification talks about proportional exemption from reciprocal tariffs if at least 20% value of the product is U.S. originating." Pradeep S Mehta, secretary general of CUTS International, said the US condition for Bangladesh to buy American inputs will shift supply chains away from China and India. "Economics is very clear from the beginning when US tariffs were introduced last year. Reading the formula used for calculating tariffs made it clear that inputs received from US for goods finally exported to US will be netted out from calculating the value on which tariffs are levied."

US tariffs, hiked to 50% in August 2025, hit the Indian apparel sector, which sends a third of its exports there. Margins suffered recently due to high discounts, though revenue impact was milder. Lower US tariffs and FTAs with the UK and EU augur well for the medium term, said Srikumar Krishnamurthy of ICRA Ltd. "But the recent US tariff action on Bangladesh, however, can minimise the larger benefits (for exports to US) given the pricing gap."

The textiles and commerce ministries did not respond to queries.