India-US-Bangladesh Textile Trade Dynamics

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Textile Trade Latest News

- The U.S.-Bangladesh reciprocal trade agreement, granting zero reciprocal tariffs on select apparel, has triggered concerns for Indian textile exporters.

Background of the U.S.-Bangladesh Textile Deal

- The United States has agreed to establish a mechanism under which certain textile and apparel goods from Bangladesh will receive a zero reciprocal tariff rate.
- However, this benefit is conditional. The zero reciprocal tariff will apply only to a specified volume of imports and will be linked to the use of U.S.-produced cotton and man-made fibre (MMF) textile inputs.
- This development is significant because Bangladesh is one of the largest exporters of garments to the U.S., competing directly with India, China, and Vietnam.

Structure of Bangladesh's Textile Industry

- Bangladesh exported garments worth $50.9 billion globally in 2024, with $7.4 billion going to the U.S.

- Its industry model is heavily dependent on imported textile inputs. In 2024, Bangladesh imported textile inputs worth $16.1 billion, of which $3.1 billion came from India.
- Bangladesh imports around 85 lakh bales of cotton annually from Brazil, India, and African countries. India alone exported 12-14 lakh bales of cotton and $1.47 billion worth of cotton yarn to Bangladesh in 2024-25.
- This indicates that Bangladesh's garment exports are deeply integrated with Indian raw material supply chains.

India's Exposure to the U.S. Market

- India exports approximately $16 billion worth of garments annually, with nearly one-third going to the U.S.
- Both India and Bangladesh primarily produce cotton-based apparel. Therefore, any preferential access granted to Bangladesh directly affects Indian exporters competing in the same market segment.
- Currently, Indian goods face an 18% reciprocal tariff in the U.S., while Bangladeshi goods will face 19%, reduced from 20%.
- Thus, the tariff differential between India and Bangladesh has narrowed significantly.

India-U.S. Cotton Trade

- India imports around five lakh bales of U.S. cotton annually, including 2.5 lakh bales of extra-long staple (ELS) cotton such as American PIMA.
- India levies an 11% import duty on cotton, except for ELS cotton. Indian mills are already nominated by American brands to supply yarn made from U.S. cotton.
- The Union Commerce Ministry has stated that Indian garment exporters will receive similar access benefits to the U.S. market as Bangladesh.
- However, operational clarity on this promise is still awaited.

Possible Shift in Trade Dynamics

- Bangladesh may replace Indian cotton with U.S.-produced cotton to qualify for zero reciprocal tariffs.
- If this happens, the immediate impact will be on Indian cotton and yarn exporters supplying Bangladesh.
- However, analysts note that over 63% of Bangladesh's garment exports go to the European Union duty-free.
- Since its supply chains are oriented toward European buyers, restructuring production to use U.S. cotton may require significant investment in spinning and fabric processing capacity.

Key Concerns for Indian Exporters

- Several practical concerns remain:
  - Whether India will waive the 11% import duty on U.S. cotton to ensure competitiveness.
  - How the U.S. will determine the quantity of U.S. cotton content in garments.
  - Whether increased demand will push up U.S. cotton prices, reducing cost competitiveness.
  - Whether benefits apply only to reciprocal tariffs or also to basic duties.
- Both India and Bangladesh exporters will get relief only from the reciprocal tariff if they use U.S. cotton, not from the basic duty.

- If U.S. cotton becomes expensive due to higher demand, garments made from it may not remain competitive compared to those made from cheaper global cotton.

Broader Strategic Implications

- The development highlights three structural issues:
  - Growing importance of rules-of-origin conditions in trade agreements.
  - Increasing integration of trade with supply-chain geopolitics.
  - Need for India to align domestic tariff policy with export competitiveness.
- India’s textile industry is the largest employment generator after agriculture.
- Hence, any shift in global trade patterns has serious economic and employment implications.

Source : TH
