

India–EU Free Trade Agreement Benefits Indian Textile Industry

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The Indian textile industry is poised for significant growth following the finalisation of a long-awaited **free trade agreement (FTA)** between India and the **European Union (EU)** — a pact many officials are hailing as a landmark shift for bilateral commerce.

Historic Deal Signed After Two Decades

After nearly 20 years of negotiations, India and the EU formally sealed the trade pact on January 27, 2026, in New Delhi, with Indian Prime Minister Narendra Modi and EU leaders present at the signing ceremony. The agreement seeks to deepen trade ties between two blocs representing around **two billion consumers and roughly a quarter of the global economy**.

At its core, the FTA aims to reduce or eliminate customs duties on a large share of traded goods, rebalancing a relationship that has historically seen asymmetric tariff structures.

Textiles: A Primary Beneficiary

Among the sectors expected to benefit most is textiles — one of India's key labour-intensive export industries. The deal eliminates many **European import duties on Indian textile products**, significantly improving India's competitiveness in a market long dominated by China and other low-cost producers.

Industry analysts point out that India currently captures only a small share of the EU's massive textile and apparel import market, which is valued at **over USD 125 billion annually**. With tariffs previously ranging between 10% and 16%, Indian exporters faced a structural disadvantage that the FTA is now addressing.

Boosting Exports and Diversifying Supply Chains

With customs duties removed or substantially reduced, Indian textile makers could see stronger **market penetration across the 27-nation EU bloc**. This move is expected to facilitate diversification of European sourcing away from China and other dominant suppliers, providing growth opportunities for Indian mills, garment manufacturers and allied supply chains.

Such expanded access could also enhance **price competitiveness** for Indian exports and stimulate demand for fabrics, ready-made garments, home textiles and other segments that have large export potential.

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