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NITI Aayog

TRADE WATCH

QUARTERLY



July-September [Q2] FY25

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July-September [Q2] FY25



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Foreword

Trade remains central to India's economic progress in its pursuit of becoming "Viksit Bharat." The global trade environment continues to evolve rapidly amid rising geopolitical tensions, shifting supply chains, and emerging regulatory challenges. These developments underscore the importance of closely monitoring India's trade dynamics to ensure timely policy responses and strategic positioning in global markets. As India deepens its integration into global value chains, understanding sectoral trends and trade performance becomes critical for sustaining economic growth and competitiveness.

This edition of *Trade Watch Quarterly* includes a thematic analysis of India's textiles sector which plays a critical role in employment generation, manufacturing output, and export earnings and is one of India's oldest labour-intensive industries.

India is the 6th largest textile exporter (in 2023) globally, with a strong presence in natural fibre-based products like cotton and carpet threads. This indicates India's higher concentration in upstream inputs in global value chain. However, with global trade landscape shifting towards manmade and technical textiles, India has huge untapped potential in downstream, high value segments.

Addressing these challenges and aligning with global trends will be vital in enhancing India's competitiveness in the textile sector. The insights offered in this publication aim to inform such policy conversations, while also capturing broader trade dynamics—including regional trade shares, export market trends, and trade balances with FTA partners.

This publication presents valuable insights for multiple stakeholders- policymakers, industry leaders, and academicians, offering a strong basis for refining India's trade strategies. As global trade dynamics continue to evolve, this edition of Trade Watch is intended to support informed decision-making and help strengthen India's position.

I take this opportunity to acknowledge the continued guidance of Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, and commend the Economic & Finance-1 team at NITI for their efforts in producing this edition of the Trade Watch Quarterly.

New Delhi
March'2025

Suman Bery

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FOREWORD

Trade is the pulse of India's economic ambitions, a bridge between aspirations and achievements. As global dynamics shift, India stands at a crucial juncture, navigating evolving markets, leveraging its strengths, and shaping new opportunities. Resilience, innovation, and strategic partnerships will define the nation's trajectory in international trade.

The future belongs to economies that adapt, and India's trade landscape is transforming with bold strides. Among its key sectors, textiles stand as a pillar of industrial growth and global trade. While India has historically excelled in natural fiber-based textiles, the global market is shifting towards man-made and technical textiles. This shift presents an opportunity for India to diversify its exports, enhance value addition, and strengthen supply chain integration. By embracing innovation and sustainability, India can secure a stronger foothold in high-value textile markets. Recognizing this potential, textiles is focused in this edition, examining ways to elevate India's competitiveness in the sector and tap into emerging opportunities. In this connection, the second edition of the *Trade Watch Quarterly* publication offers crucial data points and corresponding policy insights including opportunities and challenges to the stakeholders.

As we move forward, evidence-driven policymaking and dynamic trade strategies will be the cornerstone of success. I extend my sincere gratitude to Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, for his guidance and unwavering support. My appreciation also goes to the advisory board members for their invaluable insights. Lastly, I commend the Economic & Finance-1 team at NITI Aayog for their dedication in shaping this publication. Their work reflects India's commitment to driving a resilient trade future, one built on vision, strategy, and innovation.

New Delhi

March, 2025

(Arvind Virmani)

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FOREWORD

India's trade landscape continues to evolve, driven by strategic policy reforms, resilient industrial growth, and expanding global partnerships. The *Trade Watch Quarterly* serves as a crucial tool for understanding these shifts, offering in-depth analysis of India's trade performance across merchandise and services, while also addressing emerging opportunities and challenges.

This edition of *Trade Watch Quarterly* introduces a dedicated thematic section on the textile sector, a cornerstone of India's industrial framework that contributes significantly to exports, employment, and Global Value Chain integration. Despite its strong presence in natural fibre-based textiles, India's share in global textile trade remains modest, highlighting the need for innovation, modernization, and policy-driven competitiveness. The publication delves into critical aspects of India's textile exports, analyzing peer dynamics, supply chain efficiencies, and the sector's alignment with shifting global demand patterns. It also explores the potential of high-value and technical textiles, an area where India can expand its footprint.

The findings in this publication offer valuable insights for policymakers, industry leaders, and academicians, providing a robust foundation for enhancing India's trade strategies. As the country navigates evolving global trade dynamics, this edition of *Trade Watch Quarterly* aims to guide informed decision-making that strengthens India's positioning in high-growth markets.

I extend my sincere appreciation to the Economics and Finance-I team under Dr. Pravakar Sahoo, Programme Director, for their meticulous research and analysis. May this publication serve as a catalyst for sustained progress and inspire collective action to unlock new opportunities for India's trade, particularly the textile sector.

Dated: 25th March 2025


25/3

[B.V.R. Subrahmanyam]



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Acknowledgement

It is with great pleasure that we present the second edition of the *Trade Watch Quarterly* publication for July-September (Q2) FY25, an effort to provide a comprehensive and data-driven assessment of India's evolving trade landscape. At a time when global trade is facing significant geopolitical and economic uncertainties, this publication aims to equip policymakers, industry leaders, and researchers with critical insights into India's trade performance and the broader global context shaping it.

This edition presents a thematic focus on India's textile sector, a crucial industry contributing 5% to total exports and employing millions across the value chain. The publication examines India's competitiveness in textile exports, its participation in global value chains, and the challenges faced in transitioning towards high-value and technical textiles.

I would like to take this opportunity to express my deep gratitude to Shri Suman Bery, Vice Chairman, NITI Aayog and Dr. Arvind Virmani, Hon'ble Member, NITI Aayog whose encouragement and support have been crucial in driving our efforts. I am immensely thankful to Shri B.V.R. Subramanyam, CEO, NITI Aayog, for his visionary leadership and steadfast commitment. His continuous guidance, strategic foresight, and dedication to excellence have set a remarkable standard for all of us, ensuring that our work aligns with the highest levels of quality and integrity. I thank all the members of NITI Aayog for their unwavering support and valuable contributions.

We extend our sincere gratitude to the esteemed members of the Advisory Board of *Trade Watch* for their invaluable support and contribution to this publication. Their guidance has been instrumental in shaping the direction of this initiative. A special thanks to Prof. Harsha Vardhana Singh (Brookings India), Prof. Rupa Chanda (UNESCAP), Prof. Sanjay Kathuria (CSEP), Prof. Debashis Chakraborty (IIFT, Kolkata) and Dr. Ashwini Bishnoi, (GJUST, Hisar) for their extensive comments and insights, which have significantly enriched this edition of *Trade Watch*.

The successful completion of the publication is a testament to the collective efforts of the Economics & Finance -I division. I would like to thank the entire team, Shri Amit Verma, Ms. Jyotika Nagvanshi, Mala Parashar, Pooja Teotia, Apica Sharma, Salome Sara Philips, Riya Jindal, Kavya Rao, & Manuj Joshi for the hard work & collaborative spirit.

We look forward to continued engagement and contributions in future editions of *Trade Watch Quarterly*.

New Delhi
March' 2025

Dr. Pravakar Sahoo

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Executive Summary

International trade plays a vital role in a country's economic growth, providing access to new markets, driving industrial development, and enhancing competitiveness. *Trade Watch Quarterly* serves as a quarterly assessment, offering a snapshot of India's trade performance, highlighting trade direction and composition along with a thematic analysis. Given the geopolitical uncertainties, this edition also assumes particular significance, providing a concise analysis of key developments shaping trade dynamics.

The composition of exports has remained largely stable this quarter compared to Q1, with the top 10 sectors unchanged. However, y-o-y export growth varies across sectors, with mineral fuels and iron & steel experiencing significant declines, including in volume. On the imports side, copper and its articles have entered the top 10 sectors this quarter, driven by a 28% y-o-y increase, attributed to economic expansion in construction and infrastructure.

Regionally, North America and the EU continue to account for around 40% of total exports, maintaining their position from the previous quarter. Similarly, Northeast Asia and West Asia remain key import sources, contributing to approximately 40% of total imports. Notably, gold imports have driven import growth from West Asia.

For this quarter, the publication assesses the competitiveness of the textile sector. India's textile sector plays a crucial role in the country's industrial output, employment, and exports, contributing 5% to total exports and amounting to \$34.2 billion in 2023.

Despite being one of India's oldest industries, its share in global trade remains modest at 4%, making it the sixth-largest textile and apparel exporter. India holds strong competitiveness in natural fiber-based textiles, particularly cotton and carpets, but faces challenges in apparel exports and other technical textiles, where Bangladesh and Vietnam have outpaced it.

India has a moderate presence in man-made textiles but lags in high-value technical textiles, a segment dominated by China, Germany, and South Korea. Although India's participation in global textile value chains has grown, the sector must undergo urgent reforms in supply chain integration, cost efficiency, and sustainability compliance to stay competitive in the global market.

HIGHLIGHTS

1. India's total trade grew by 5.67% in April–September 2024 compared to the same period in 2023, with exports rising 5.23% and imports increasing 6.07% year-on-year.
2. India's merchandise exports have remained stable, averaging \$35.4 billion per month over the past six months, while imports averaged \$57.8 billion, except for a surge in August. Year on year fluctuations remain aligned with Q1 levels.
3. India's exports composition remains stable, with a drop in mineral fuels; copper entered the top ten imports due to rising infrastructure demand.
4. USA, UAE, and the Netherlands continue to be India's leading export markets, accounting for 33% of total exports, with the Netherlands' growth driven by smartphones and petroleum; the top five markets remain stable.
5. China, UAE, and Russia continue to lead imports; UAE imports surged due to gold demand, while crude imports from Russia, Iraq, and Saudi Arabia slowed.
6. India has scope to strengthen its presence in major global trade regions, as it currently accounts for only 8% of its trade in regions that make up 77% of world trade, presenting opportunities for growth in high-value markets.
7. Merchandise trade deficit with FTA partners rose to \$26 billion; exports to Japan grew by 30% on smartphone shipments, while UAE imports jumped 48% due to gold demand.
8. India ranks 6th in global textile exports, but its basket remains skewed towards natural fibers with a strong presence in cotton and carpet threads.
9. Global textile exports are moving towards manmade and technical textiles, while India's focus remains on natural fibers and apparel, with a declining share in the latter.
10. India's GVC participation in the textile sector is concentrated in intermediate and primary inputs (such as cotton, wool, and silk), reflecting a limited presence in high-value downstream products.

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A. INDIA'S TRADE ANALYSIS

A. India's Trade Analysis

Global trade exhibited a steady recovery in the first half of FY25, with both merchandise and services trade showing positive momentum. Merchandise trade volumes expanded by 1.5% from April to July compared to the same period in 2023. This upward trend continued in the services trade, where from July to September 2024 overall service trade values increased by 8.0% year-on-year, reinforcing the resilience of global trade dynamics.

India's total trade performance showed a y-o-y improvement in the first half of FY25. During this period, total trade amounted to \$839 billion, reflecting a y-o-y increase of 5.67%. Exports rose by 5.23% y-o-y to reach \$395 billion, while imports grew by 6.07%, reaching \$445 billion. (Figure 1).

Figure 1: Trade performance in the H1 of FY25



Source: Department of Commerce, MoC&I, GOI

1. Merchandise and Services Analysis

In September 2024, exports and imports declined y-o-y by 0.3% to \$34.3 billion and 0.9% to \$54 billion respectively (Figure 2). The imports increased steadily from \$56.8 billion in July to \$62.5 billion in August. In Q2 FY25, exports averaged \$34.2 billion per month, remaining relatively stable, while imports experienced fluctuations. Exports declined by 4.3% y-o-y to \$103 billion, primarily due to a decline in mineral fuel and oil shipments, while imports rose by approximately 2% to \$173.5 billion, driven by increased gold purchases. (Figure 3)

Figure 2: Merchandise Trade (Monthly)

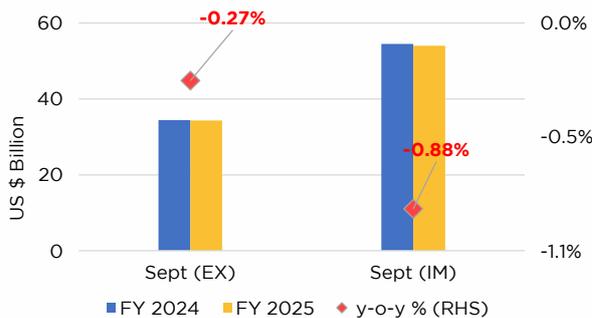
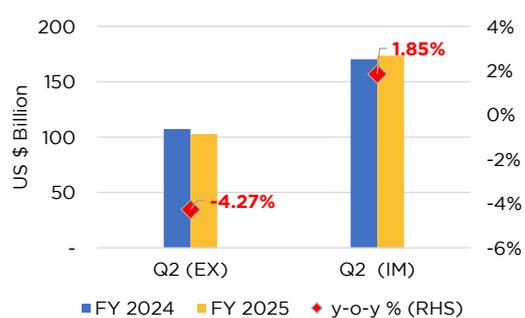


Figure 3: Merchandise Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

India's monthly services exports reached nearly \$32 billion in September 2024, reflecting a 14.6% y-o-y increase, while imports amounted to approximately \$16.5 billion, marking a similar growth rate of around 14%. In Q2 FY25, services exports rose by 12.14% to \$93.5 billion, while imports increased by 12.89% to \$48.7 billion, contributing to a surplus of \$44.8 billion. The y-o-y growth rate of services exports accelerated from 10.09% in Q1 FY25 to 12.14% in Q2 FY25, while services imports grew from 9.09% to 12.89%.

Figure 4: Services Trade (Monthly)

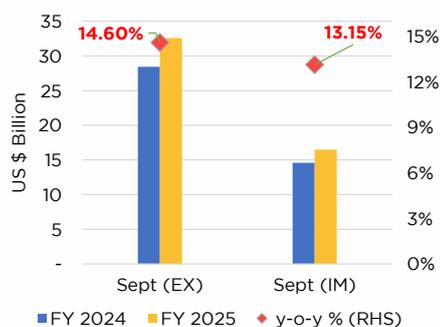
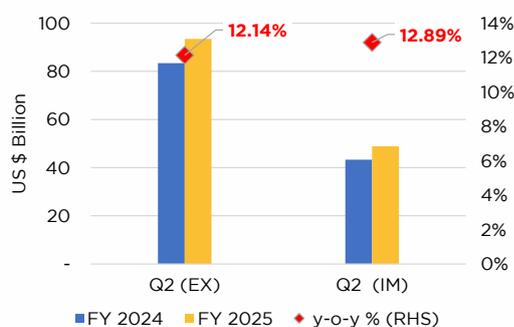


Figure 5: Services Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

Overall, in H1 FY25, the merchandise trade deficit was greater than the services trade surplus, leading to an increase in the total trade deficit to \$54.9 billion, up from \$44.2 billion y-o-y.

2. Compositional Analysis

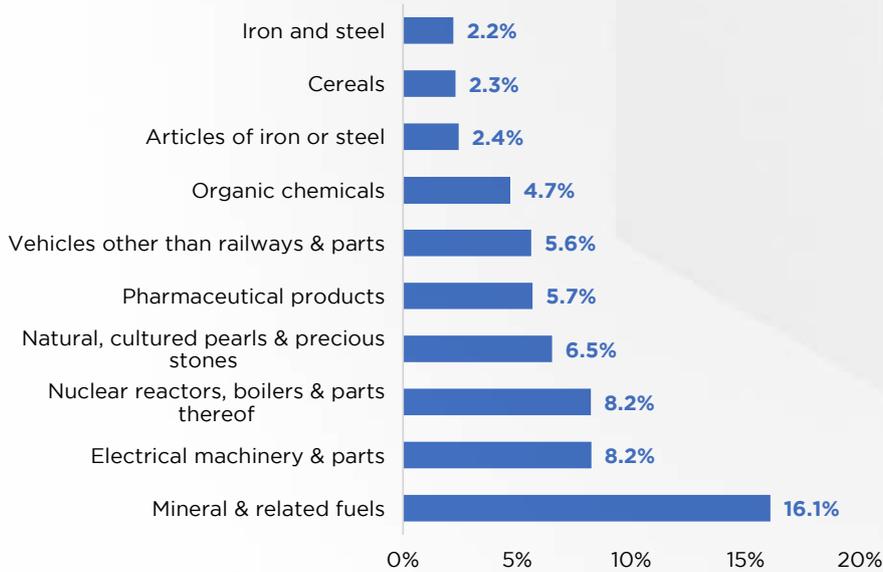
Merchandise Exports

In Q2 FY25, the leading export commodities¹ were mineral fuels (16.1%), electrical machinery and equipment (8.2%), and nuclear reactors (8.2%) (Figure 6). However, steep y-o-y declines were noted in sectors such as mineral & related fuels, natural and cultured pearls, iron & steel and cereals dropping by 30%, 18% 17.2% and 10.3% respectively. (Figure 7).

The decline in mineral fuels exports, primarily driven by motor fuels, was due to reduced order volumes from European countries including France, Romania, Turkey, Portugal, and Italy. Exports of electrical machinery and parts experienced growth, supported by robust smartphone sales, which accounted for 42% of the category's exports this quarter. Meanwhile, inflationary pressures on cereals prompted export restrictions on agricultural products such as non-basmati rice, dampening overall cereal export performance. Also, the exports of natural and cultured pearls (HS 71) declined due to reduced shipments of cut and polished diamonds, which are facing increased competition from lab-grown diamonds.

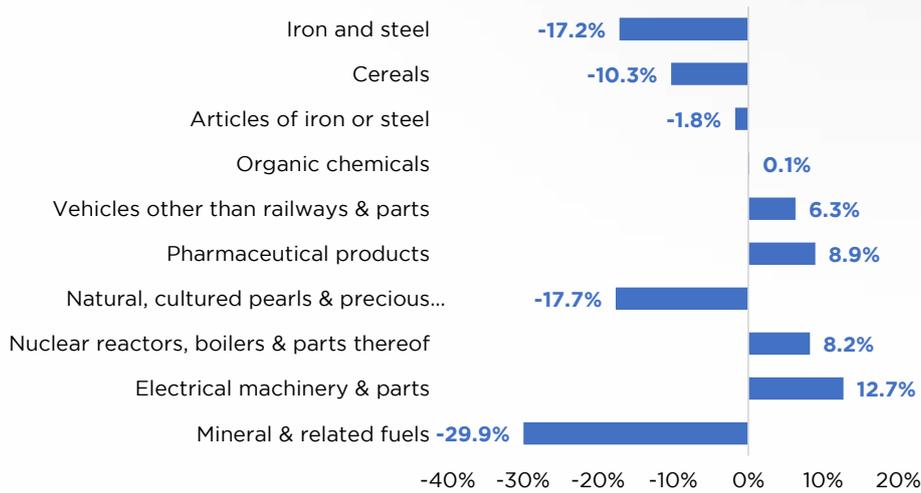
¹ Leading commodities are the top ten commodities with the highest value share in exports.

Figure 6: Composition of Exports



Source: Department of Commerce, MoC&I, GOI

Figure 7: Y-o-Y Q'2 Exports



Source: Department of Commerce, MoC&I, GOI

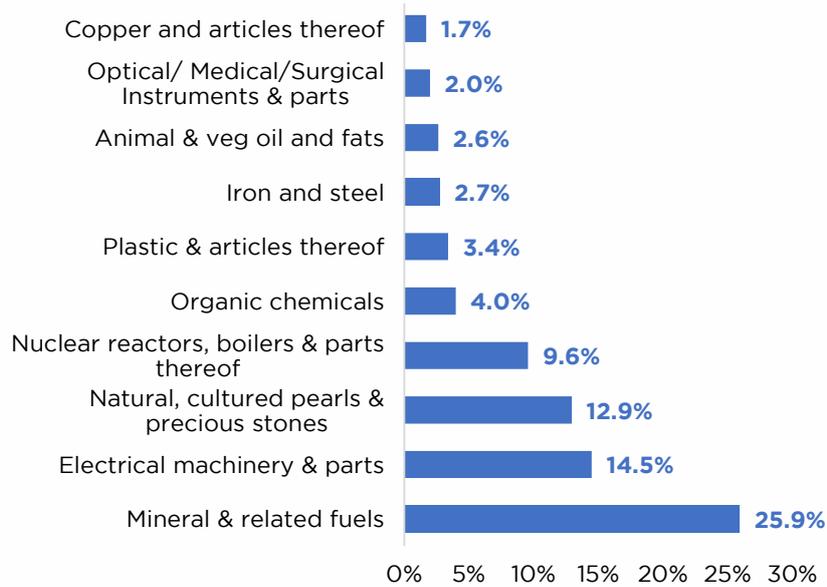
Merchandise Imports

The leading² imports for this quarter include mineral fuels (26%), natural and cultured pearls (12.9%), electric machinery (14.5%) and nuclear reactors (9.6%). The increase in imports was driven by a y-o-y rise of 28% in copper and related articles, 14% in natural and cultured pearls, followed by a 10% increase nuclear reactors. Imports in the natural and cultured pearls category were primarily driven by gold, which accounted for 74% of the total imports in this category. In August 2024, gold imports peaked at \$8.6 billion, marking a month-on-month increase of 243% from \$2.5 billion. This sharp rise can be attributed to a reduction in customs duty and heightened festival demand.³ Copper imports also witnessed a surge, driven by overall economic growth and a decline in domestic copper production due to smelter closures and quality issues.

² Leading commodities are the top ten commodities with the highest value share in imports.

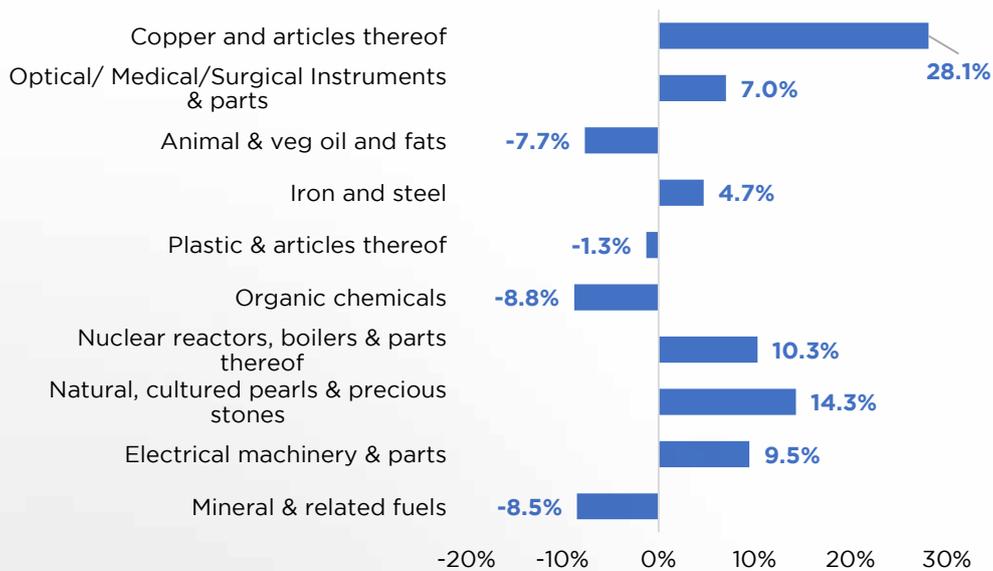
³ <https://www.ptinews.com/story/business/gold-imports-doubled-to-record-high-of-usd-10-06-bn-in-august/1826752>

Figure 8: Composition of Imports



Source: Department of Commerce, MoC&I, GOI

Figure 9: y-o-y Q'2 Imports



Source: Department of Commerce, MoC&I, GOI

3. Trade Direction

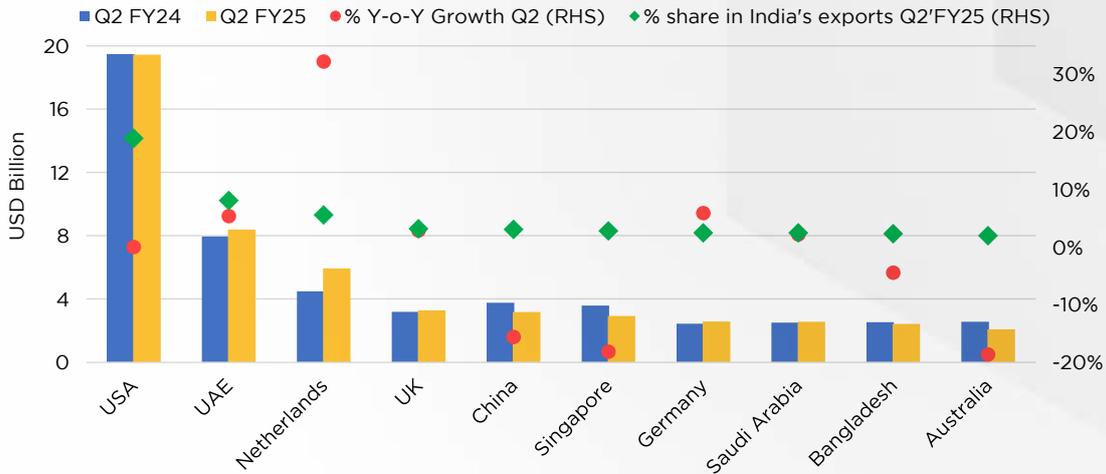
Merchandise Exports

India's exports to its top markets⁴ (USA, UAE, Netherlands, UK, China, Singapore) remained stable, accounting for about 42% of Q2 FY 25 exports. Positive export growth was recorded in five out of the top ten economies. However, declines were recorded with Singapore (-19%), Australia (-18.6%) due to decline in automotive diesel exports, and China (-16%) compared to Q2 FY24. (Figure 10). Exports to the top ten markets showed a marginal y-o-y increase of 0.3%.

The Netherlands has emerged as India's third-largest export destination, with petroleum products, including diesel and aviation turbine fuel, leading the export basket. In the electronics category, smartphone shipments have been particularly prominent, contributing to the Netherlands becoming a key market for Indian smartphones.

⁴ Top markets are those that account for the top 10 shares of total exports in Q2 FY25.

Figure 10: India's exports to major destinations

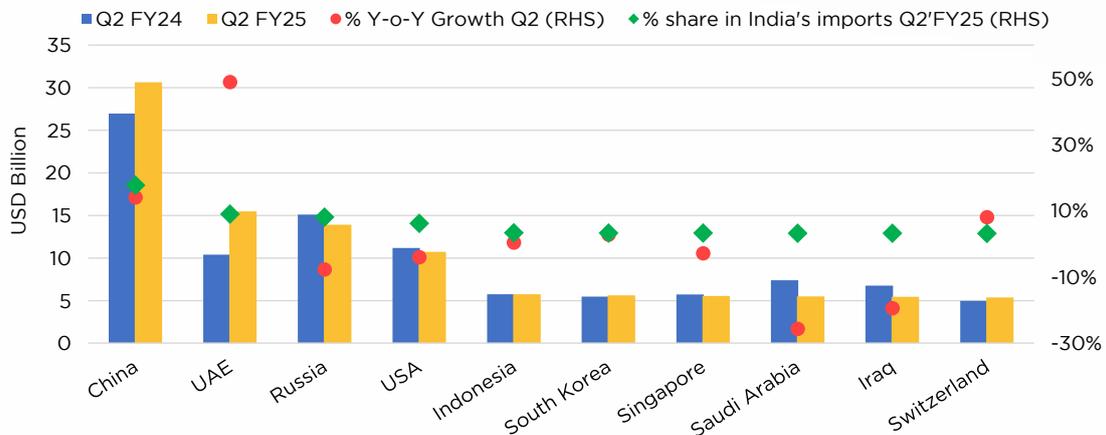


Source: Department of Commerce, MoC&I, GOI

Merchandise Imports

India's share of imports from its top markets⁵ - China, Russia, UAE, USA remained stable, making up nearly 41% of total imports. In Q2 FY25, India recorded significant y-o-y import growth with UAE (49%), on account of gold and crude imports experiencing a y-o-y increase of 108%, Switzerland (8.03%) and China (+14%) due to imports in electronic machinery and nuclear reactors, boilers and parts. However, import growth declined with Saudi Arabia (-25.71%), Russia (-7.76%) and USA (-4%). (Figure 11)

Figure 11: India's imports from major destinations



Source: Department of Commerce, MoC&I, GOI

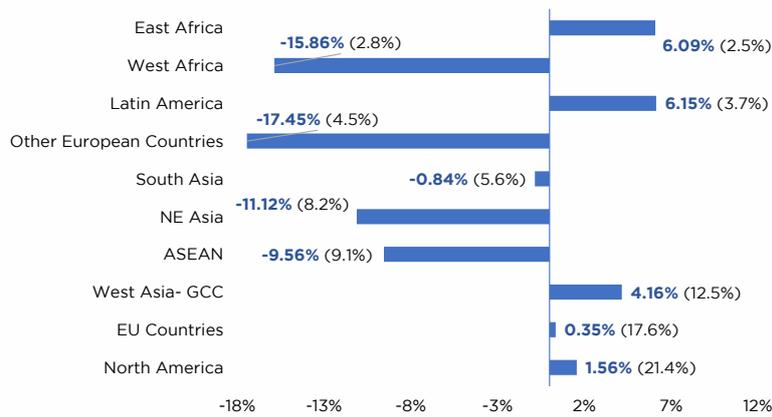
4. Regional Analysis

Merchandise Exports

India's Q2 FY25 exports reveal a mixed performance across regions. Exports were primarily directed towards North America, the EU, West Asia (GCC), and ASEAN accounting for 52% of total exports. While North America, EU countries, and West Asia showed steady growth, regions like ASEAN, NE Asia, and West Africa faced declines in exports. India's exports to the top three Latin American countries—Brazil, Colombia, and Chile—recorded y-o-y growth of over 21%.

⁵ Top markets are those that account for the top 10 shares of total imports in Q2 FY25

Figure 12: Region-Wise y-o-y (%) Q'2 Exports growth⁶



Source: Department of Commerce, MoC&I, GOI

Similarly, in East Africa, countries like Tanzania, Kenya, Mauritius, Réunion, and Comoros also saw y-o-y growth exceeding 10%. This notable export growth signals potential new opportunities in these markets. However, export slowdowns were observed in West Africa (-16%), Other European countries (-17%) and Northeast Asia (-11%). (Figure 12).

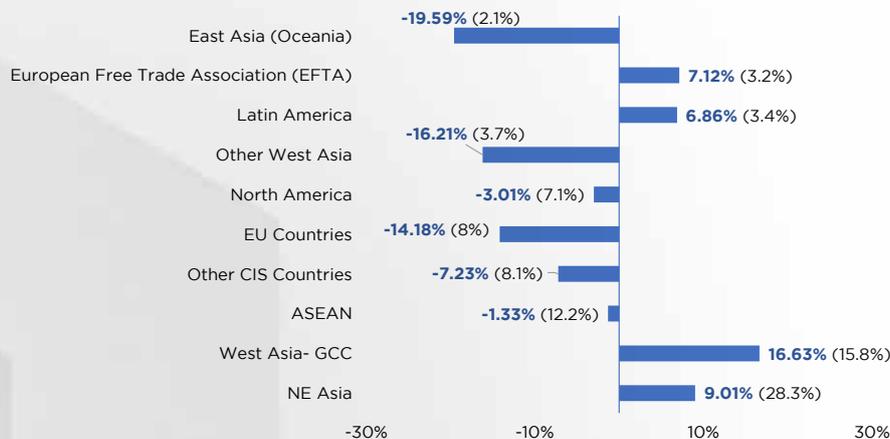
Regions like Latin America and East Africa, despite having lower shares in overall trade, recorded strong YoY growth of over 6%, indicating emerging potential. In contrast, high-share regions such as North America, EU and West Asia experienced export growth averaging 2%

Merchandise Imports

India's imports mainly came from Northeast Asia, West Asia (GCC), and ASEAN accounting for 56% of total imports in Q2 FY25. NE Asia dominated imports, growing by 9% y-o-y. West Asia (GCC) showed the highest growth at 16.63%, contributing 16% to total imports. ASEAN, while at the share of 12.26%, saw a slight decline of 1.3%.

Notable import growth was observed in West Asia (GCC), particularly from the UAE, at 16.63%, European Free Trade Association (7.12%). However, major markets like the EU (-14.18%) and North America (-3%) experienced contractions, alongside sharp declines in East Asia (Oceania) (-19.59%) particularly with New Zealand and Other West Asia (-16.21%). (Figure 13)

Figure 13: Region-Wise y-o-y (%) Q'2 Import growth⁷



Source: Department of Commerce, MoC&I, GOI

⁶ Export share of the region in India's total exports is mentioned in the figure in parenthesis

⁷ Import share from the region in India's total imports is mentioned in the figure in parenthesis

5. India's Trade Presence Across Key Global Regions in 2023⁸

India's trade distribution varies across global regions, with stronger engagement in neighboring and emerging markets. Though major trade hubs like the EU, Northeast Asia, and North America dominate global trade, India's share in these regions remains modest.

Table 1: India's Trade Share Across Global Regions 2023

Sr.No	Region	Region's Trade Share in the World ⁹	India's Trade Share in the Region ¹⁰
1	EU Countries	30.5%	0.9%
2	NE Asia	22.1%	2.0%
3	North America	16.6%	1.8%
4	ASEAN	7.8%	2.9%
5	Other European Countries	4.5%	1.6%
6	Latin America	3.5%	3.8%
7	West Asia - GCC	4.3%	5.9%
8	EFTA Countries	1.4%	3.2%
9	Other CIS Countries	1.9%	8.4%
10	East Asia (Oceania)	1.7%	3.7%
11	Other West Asia	1.3%	8.1%
12	North Africa	1.0%	2.8%
13	West Africa	0.8%	6.9%
14	South Asia	0.6%	11.1%
15	East Africa	0.4%	13.6%
16	Southern African Customs Union (SACU)	0.5%	8.8%
17	CARs Countries	0.5%	0.7%
18	Central Africa	0.2%	3.6%
19	Other South African Countries	0.2%	10.2%
20	Unspecified	0.1%	0.4%

Source: ITC Trade Map

The EU, Northeast Asia, North America, and ASEAN account for 77% of global trade and 74% of global imports, yet India's trade with these regions is only 8%, and it caters to just 6% of their import demand. India's exports of key commodities—electrical machinery, mineral fuels, and nuclear reactors and mechanical appliances aligning with the region's top global imports¹¹, where China and the U.S. are key competitors, with China being the leading supplier for electrical machinery and nuclear reactors. India's share remains low at 1–2% of these import baskets. The top regions also contribute 73% of global exports, and India sources about 9% of its imports from them.

⁸ For this analysis, the latest available data is for 2023

⁹ The region's trade share refers to the sum of its exports and imports as a proportion of total global exports and imports

¹⁰ India's trade share refers to the sum of its exports and imports as a proportion of total global exports and imports

¹¹ Key commodities pertain to the HS-2 level

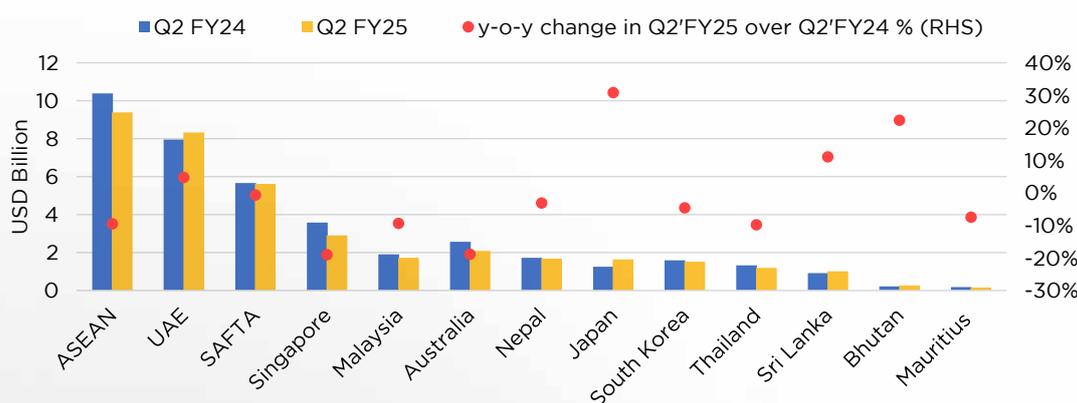
In contrast, India holds a 44% trade share with South Asia, East Africa, and Southern Africa—regions that account for just 2% of global trade. Top imported commodities¹² of these regions are mineral fuels and nuclear reactors with India’s key exports to these regions include natural and cultured pearls and mineral fuels, where Russia and UAE are the leading competitors for mineral fuels.

India’s trade has expanded more in neighbouring and emerging markets—South Asia (11.1%), East Africa (13.6%), and West Africa (6.9%)—than in global trade hubs. For instance, while the EU alone accounts for 30.5% of global trade and 29% of import and export demand, India’s trade with the region is around 1%, reflecting underutilised potential.

6. Merchandise Trade with FTA Partners

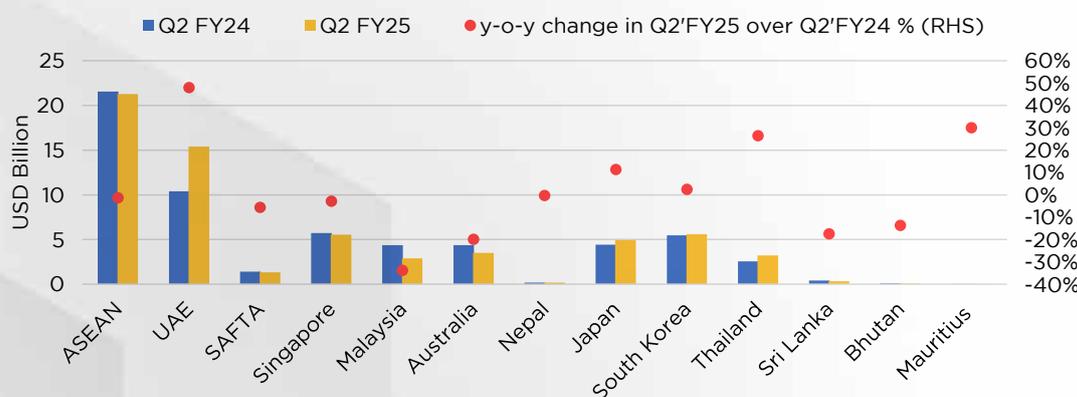
In Q2 FY25, exports to FTA countries totalled \$37.4 billion, reflecting a 4% y-o-y decline. Key regions like ASEAN (-10%), Singapore (-19%), and Australia (-19%) saw notable declines, which contributed to the overall drop. However, there was growth in exports to Japan (31%), Bhutan (22%) and Sri Lanka (11%) highlighting opportunities in these markets. Despite underperformance from major partners, smaller markets demonstrated high growth potential.

Figure 14: Exports- FTA Countries



Source: Department of Commerce, MoC&I, GOI

Figure 15: Imports- FTA Countries



Source: Department of Commerce, MoC&I, GOI

¹² Key imports pertain to the HS-2 level

In Q2 FY25, imports from FTA countries grew by 5% y-o-y, reaching \$64.3 billion. UAE led the growth with a significant 48% increase, driven by strong demand for key commodities. Japan (11.3%), Thailand (26%), and Mauritius (30%) also demonstrating high import growth. However, key partners like Malaysia (-34%), Australia (-20%), and Sri Lanka (-17%) experienced sharp declines. While overall imports increased, performance varied across regions, with strong gains in selected markets offsetting declines in others. Overall, in Q2 FY25, trade with FTA partners resulted in a deficit of \$26.7 billion, marking a 23% y-o-y increase.

B. THEMATIC ANALYSIS: TEXTILE SECTOR

B. Thematic Analysis: Textile Sector

India's textile and apparel exports have remained stagnant at approximately \$40 billion for the past six years, growing at just 0.8% annually, which is significantly lower than the global growth rate of 3.5%. This gap highlights the missed opportunity for India in a critical sector. Structural inefficiencies, such as fragmented industrial clusters, a dispersed value chain, low compliance with global standards, complex export procedures, and limited trade agreements, have impeded the sector's competitiveness.

In this context, given the textile sector's crucial role in India's economy—contributing to industrial output, employment, and export earnings—an analysis of the sector will be undertaken. This publication examines 14 products classified under HS-50 to HS-63 at aggregate and disaggregate levels, providing insights into their composition, trade direction, and global market presence.

India's export patterns in textiles reveal a strong presence in *natural fibre-based categories* (HS 52 & HS 57), particularly cotton (12.3% share, RCA 6.8, 3rd rank) and carpets (10.5% share, RCA 5.9, 3rd rank). These segments show both a high Revealed Comparative Advantage (RCA)¹³ and a notable share in world exports, indicating India's competitive strength in traditional textile sectors.

India holds a higher global export share in raw materials such as cotton and select textile categories. However, the apparel segment (HS 61 & 62) remains less competitive, with a relatively low RCA of only 1.3–1.7. Additionally, Bangladesh and Vietnam have surpassed India in these segments, capturing more than twice its share in global exports.

The man-made textile segments (HS 54 & 55) show mid-level RCA (1.8–2.6) but relatively low export shares (3.3–4.7%), reflecting a developing but not yet strong position. In technical textiles (HS 56, 59, 60), both RCA and share are low, indicating an underdeveloped segment despite the rising global demand which are dominated by China, Germany, and Korea.

China continues to dominate as the largest competitor across almost all textile categories, with particularly high global shares in man-made textiles (50%), technical textiles, and even traditional segments such as carpets and cotton. India's dependence on China for raw materials in synthetic fibers and technical textiles could be a strategic challenge for scaling exports which have been analysed in the global value chain section of this publication.

¹³ A country is said to have a revealed comparative advantage (RCA) in a given product *i* when its ratio of exports of product *i* to its total exports of all products exceeds the same ratio for the world as a whole. If RCA takes a value greater than unity, the country has a revealed comparative advantage in that product

Table 2: India's Exports Presence in Global Demand for 2023

HS 2	Products	World Demand (USD bn)	Product Share in World Textile Export	India's textile exports to World (USD bn)	Indias export share in World textile exports	India's RCA	Major Global Player
50	Silk	1.832	0.2%	0.117	6.4%	3.6	China (Share - 44%, RCA - 3.05)
51	Wool & other animal hair based textiles	11.312	1.3%	0.173	1.5%	0.8	Italy (Share - 19%, RCA - 6.7)
52	Cotton	52.853	6.0%	6.493	12.3%	6.8	China (Share - 20%, RCA - 1.4)
53	Other Vegetable fibre textile	6.427	0.7%	0.434	6.8%	3.7	China (Share - 28%, RCA - 1.7)
54	Manmade filament based textiles	54.742	6.2%	1.795	3.3%	1.8	China (Share - 52.5%, RCA - 3.6)
55	Man-made staple fibres	35.672	4.0%	1.678	4.7%	2.6	China (Share - 37%, RCA - 2.5)
56	Wadding, nonwoven, yarn etc	30.401	3.4%	0.549	1.8%	1.0	China (Share - 25%, RCA - 1.7)
57	Carpets and other floor coverings	17.220	2.0%	1.811	10.5%	5.9	China (Share - 23%, RCA - 1.6)
58	Special woven /tufted fabric, tapestry etc	12.215	1.4%	0.367	3.0%	1.6	China (Share - 47%, RCA - 3.3)
59	Impregnated, coated, textile fabrics	27.661	3.1%	0.464	1.7%	0.9	China (Share - 34%, RCA - 2.3)
60	Knitted or crocheted fabrics	37.770	4.3%	0.459	1.2%	0.7	China (Share - 57%, RCA - 3.9)
61	Articles of apparel and clothing accessories	268.904	30.5%	6.664	2.5%	1.3	China (Share - 31%, RCA - 2.15)
62	Articles of apparel and clothing accessories, not knitted	247.415	28.1%	7.840	3.2%	1.7	China (Share - 29%, RCA - 1.9)
63	Other made-up textile articles etc	77.152	8.8%	5.390	7.0%	3.8	China (Share - 43%, RCA - 3.0)
	Total	881.6		34.2	3.9%		

Source: ITC Trade Map

The global export distribution highlights China's overwhelming dominance across segments, with shares as high as 57% in knitted fabrics and 52.5% in synthetic filaments. Even in categories where India ranks as one of the top five exporters, the absolute export value remains modest signifying potential to expand exports.

Chapters 61 and 62 account for approximately 60% of global textile export demand, but India holds only a 6% share despite having an RCA share of greater than 1. This reflects India's continued focus on traditional textiles and natural fibers while facing challenges in expanding its presence in the high-growth synthetic and technical textile segments.

Table 3: Trends in India's Textile Export Presence in Global Demand

Category	Average Share % (2019-2023)		2023 (US\$ billion)		Share % in 2023		India's Export Share % in World's Import (2023)
	India's export share in World's import	Number of 6HS items	India's Textile Exports	World's Textile Imports	India's Textile Export Basket	World's Textile Import Basket	
Category 1	Less than 1%	334	1.19	325.11	3%	37%	0.4%
Category 2	Between 1% - 5%	248	8.08	347.94	24%	40%	2.3%
Category 3	Between 5% - 10%	124	6.95	104.68	20%	12%	6.6%
Category 4	More than 10%	134	17.80	94.75	52%	11%	18.8%
	Total of the above	840	34.03	872.48			

Source: ITC Trade Map

India's textile exports are highly concentrated in a few product categories: While the country exports 840 textile products, more than 52% of its exports come from just 134 items, in which India holds a global export share of over 10%. This indicates strong competitiveness in selected segments but also absence of diversification.

Low penetration in most textile categories: Category 1 which represents 334 items have a global market share of 37% but India has captured only 0.4%, highlighting weak competitiveness in a significant portion of the sector.

Missed opportunities in mid-range categories: In Category 2 and 3, India holds 9% share in global imports across 372 products, these account for 44% of India's textile exports suggesting India has a strong but underutilized position in mid-range textile categories. These include rayon, cabled cotton yarn, synthetic to name a few.

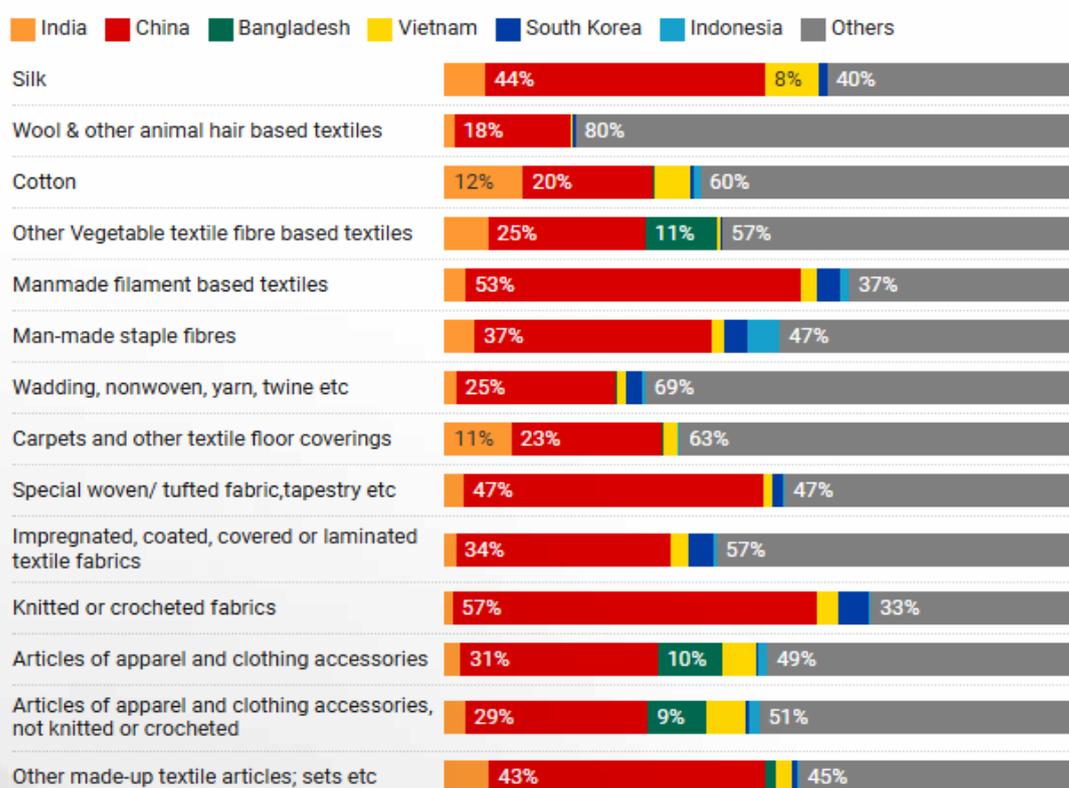
Stronghold in limited segments: India has a global market share of 19% in Category 4, showing strength in niche product lines. However, these products represent only 11% of global textile imports, limiting growth potential if India does not expand into other segments.

The dis-aggregate level analysis (HS-6 digits) indicates India's strong competitiveness in select high-demand textile products but a limited presence in a wide range of textile products which constitute substantial global demand. There is potential to expand market share in Category 2 and 3, while maintaining a strong position in Category 4, particularly in products such as uncombed cotton yarn, coconut coir, carpets, and home textiles.

1. Analyzing peer presence in exports of textile and clothing

India's textiles and textile products exports show a mix of strengths and areas for improvement in the global market. While the country competes well in some segments, it faces challenges from other major exporters. Factors like production costs, supply chain efficiency, and evolving market trends influence its performance.

Figure 16: Competitor Export Presence- Share in World's Export 2023



Source: ITC Trade Map

India depicts strong competitiveness in natural fibre-based segments, ranking among the top three global exporters in cotton (HS 52, 12.3% share, 3rd rank), carpets and other textile floor coverings (HS 57, 10.5% share, 3rd rank), and other made-up textile articles (HS 63, 7.0% share, 2nd rank). These categories benefit from India's raw material availability, and established production networks. However, China's export share remains dominant across all segments, commanding a 20% share in cotton, 43% market share in made-up textile articles and 23% in carpets.

Apparel Sector (HS 61 & 62) lags behind Bangladesh and Vietnam

India ranks 8th (HS 61) and 9th (HS 62) in clothing exports, with shares of 2.5–3.2%,

while Bangladesh (9.17%-10%) and Vietnam (5.49%–6.19%) have surpassed India. This highlights India's lag in apparel competitiveness, likely due to higher production costs, lower efficiency, and weaker integration into global supply chains compared to its Asian competitors. Despite being a global leader in production, India's MMF consumption is just 3.1 kg per capita, far lower than China (12 kg) and North America (22.5 kg), reflecting limited adaptation in apparel manufacturing due to lack of competitive MMF prices. India's synthetic-to-natural fiber ratio is around 1:1, whereas globally, it is 3:1, indicating a need for India to expand its MMF segment to align with global market trends¹⁴.

Man-Made Textiles (HS 54 & 55): A mid-tier player

India holds moderate rankings in synthetic textile categories, such as manmade filament-based textiles (HS 54, 6th rank, 3.3% share) and man-made staple fibers (HS 55, 4th rank, 4.7% share). However, these remain far behind China (37–53% share), which dominates global synthetic textile supply chains. South Korea, Indonesia, and Turkey also hold competitive positions, suggesting India faces stiff competition from established synthetic textile hubs.

Untapped potential in high-value and technical textiles (HS 56, 59, 60)

India ranks outside the top 10 in technical textiles and high-performance fabrics, including wadding & nonwoven fabrics (HS 56, 14th rank, 1.8% share), impregnated and coated fabrics (HS 59, 14th rank, 1.7% share), and knitted or crocheted fabrics (HS 60, 11th rank, 1.2% share). These segments are dominated by China, Germany, and South Korea. Given the rising global demand for technical textiles in automotive, medical, and industrial applications, this segment has potential that needs to be captured.

Bangladesh's Textile Crisis: A Strategic Opportunity for India

In 2023, Bangladesh exported \$48.9 billion in textiles, making it the second-largest textile exporter globally, with textiles contributing to 15% of GDP. The ready-made garments (RMG) sector, consisting of 3,500 factories, contributes 85% of Bangladesh's annual exports¹⁵. HS 61 (Articles of apparel and clothing accessories, knitted or crocheted) and HS 62 (Articles of apparel and clothing accessories, not knitted or crocheted) comprise of ~ 86% of the top exports from the country. However, recent political unrest, curfews, internet blackouts, and flooding have severely disrupted Bangladesh's RMG sector. The \$400 million loss in RMG exports, compounded by Chattogram port shutdowns, has caused severe shipment delays. Industry experts predict a 15–20% export decline for Q1 2025, while the EU has postponed a trade partnership agreement¹⁶. Prolonged instability may push global buyers to seek alternative suppliers.

¹⁴ https://www.texmin.nic.in/sites/default/files/Indian%20Manmade%20fibre%20textile%20industry_0.pdf

¹⁵ <https://www.thehindu.com/news/international/post-revolution-bangladesh-protests-cost-garment-industry-400m/article68777994.ece>

¹⁶ <https://www.livemint.com/market/stock-market-news/bangladesh-protests-textile-stocks-gokaldas-exports-arvind-and-6-others-jump-up-to-19-heres-why-11722930457825.html>

India is well-positioned to capitalize on this situation by expanding its presence in key textile segments, particularly in manmade fibre (MMF) textiles, technical textiles, and value-added apparel. In 2023, India's exports of knitted or crocheted rubberized textile fabrics accounting for 3.3% of total textile exports in this category¹⁷. With a stable policy environment, India's textile sector benefits from the Rebate of State and Central Levies and Taxes (RoSCTL) scheme (extended until March 2026)¹⁸, incentives for low-cost manufacturing, and the Production-Linked Incentive (PLI) scheme aimed at boosting MMF and technical textiles. Additionally, free trade agreements (FTAs) with the UK and EU present opportunities for India to expand its exports in categories where Bangladesh is experiencing setbacks. By strengthening supply chains, enhancing MMF production, and ensuring seamless port operations, India can position itself as a reliable alternative for global buyers looking to diversify their textile sourcing.

2. Mapping of India's Textile Exports with Global Demand and Supply

This section examines India's textile exports across top product categories and their position relative to major global competitors. While India has a strong presence in cotton and handmade carpets, it faces growing competition from countries like China, USA, and Turkey.

The USA, UAE, and UK remain key markets, but there is potential to expand into regions such as Japan, South Korea, and Latin America. Strengthening cotton value chains, exploring high-value apparel segments, and promoting sustainability can help improve competitiveness. Additionally, trade agreements with markets like the EU and UK could support further export growth.

Cotton (HS Code 52): India exports raw cotton mainly to Bangladesh, China, and Vietnam, limiting its value addition. Competing with China and the USA. India should target emerging markets like Indonesia and Turkey while focusing on investments in processing and branding. Strengthening the cotton value chain can also enhance competitiveness in premium segments.

Carpets and Other Textile Floor Coverings (HS Code 57): India dominates handmade carpet exports but faces competition from machine-made products from China and Turkey. Expanding into Saudi Arabia and Japan through sustainability certifications and FTAs will boost exports. Promoting high-value hand-knotted carpets can help India retain its edge.

Articles of Apparel and Clothing Accessories (HS Code 61): India's apparel exports rely on the USA, UAE, and UK, but competitors like China, Bangladesh and Vietnam are gaining ground. Expanding into Japan, South Korea, and Latin America can reduce market concentration. Strengthening trade agreements and sustainability compliance can enhance India's market position.

¹⁷ <https://wits.worldbank.org/trade/comtrade/en/country/IND/year/2023/tradeflow/Exports/partner/ALL/product/590691>

¹⁸ <https://pib.gov.in/PressReleasePage.aspx?PRID=2001049>

Table 4: Mapping of India's Textile Supply with Leading Exports and their Prime Destinations (2023)

Supply Side			Demand Side	
India's Top Export Destinations	Country's Share in India's Exports of Respective Product Category	Share of Product Category in India's Total Exports to Respective Country	Leading Global Exporter in Respective Product World Market	Top Destinations of Leading Global Exporter in Respective Product
52-Cotton				
Bangladesh	33.6	19.36	China (20.2)	Bangladesh (18.7), Vietnam (15.4), Cambodia (5.4)
China	12.8	51.32	USA (13.8)	China (21.5), Pakistan (11.1), Vietnam (10.3)
Vietnam	4.1	47.18	India (12.3)	Bangladesh (33.6), China (12.08), Vietnam (4.1)
57-Carpets and other textile floor coverings				
USA	57.9	13.8	China (23.4)	USA (20.2), Japan (8), Saudi Arabia (5.4)
Germany	5.3	0.99	Turkey (16.3)	USA (29.2), Saudi Arabia (9.6), Iraq (6.9)
UK	5.2	0.7	India (10.5)	USA (57.9), Germany (5.3), UK (5.2)
61-Articles of apparel and clothing accessories				
USA	32.1	2.82	China (30.9)	USA (23.1), Japan (8.2), South Korea (3.8)
UAE	9.6	1.93	Bangladesh (10)	Germany (19.7), UK (12.5), USA (11.1)
UK	8.9	4.42	Vietnam (5.5)	USA (53.1), Japan (12.9), South Korea (6.7)
62-Articles of apparel and clothing accessories, not knitted or crocheted				
USA	32.1	3.31	China (28.6)	USA (18.5), Japan (7.6), Kyrgyzstan (5.4)
UK	9.4	5.52	Bangladesh (9.2)	USA (30.7), Germany (13.3), UK (11.8)
UAE	6.6	1.56	Italy (6.6)	France (12.1), Germany (9.7), USA (9.6)
63-Other made-up textile articles; sets etc				
USA	48.9	3.47	China (43.4)	USA (30.6), Japan (8.2), UK (3.7)
UK	4.7	1.9	India (7)	USA (48.9), UK (4.7), Germany (3.8)
Germany	3.8	2.14	Pakistan (6.5)	USA (29.2), UK (12.4), Germany (7.5)

Source: ITC Trade Map

Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted (HS Code 62): India faces stiff competition from China and Bangladesh, which benefit from trade agreements in key markets. To remain competitive, India must push for FTAs with the EU and UK while expanding into high-value apparel segments and focusing on sustainable fashion and technical garments.

Other Made-Up Textile Articles (HS Code 63): India's exports in this segment rely on the USA and UK, but competition from China and Pakistan is growing. Targeting Latin America and Africa can reduce dependency on traditional markets. Expanding into technical textiles and negotiating better trade terms with the EU can drive growth.



3. India's presence in the Global Value Chain for Textiles

Global Value Chain (GVC) refers to trade in intermediate goods wherein operations are spread across national borders, to produce the final product. GVC participation can be expressed as the sum of pure backward participation¹⁹, pure forward participation²⁰, and two-sided participation²¹.

¹⁹ Pure backward participation refers to the share of a country's exports that incorporates imported intermediate goods, indicating dependence on foreign inputs in production.

²⁰ Pure forward participation represents the share of a country's exports that are used as inputs in another country's exports, highlighting the role of domestic industries in global supply chains.

²¹ Two-sided participation captures instances where a country both imports intermediate inputs for its exports and its exports are used as inputs in another country's exports, reflecting deep integration into multi-stage production networks.

According to the WTO's World Integrated Trade Solutions (WITS) database, 38.47% of trade in textiles and textile products is GVC-related, valued at \$259 billion, showing a steady rise from 32.16% in 2015, valued at \$13.5 billion. According to WTO estimates for 2022,²² Asia is the world's dominant region recording ~71% of world exports for this segment.

India's GVC-related trade share in textile and related products fluctuated between 2015 and 2022, ranging from 23% (2015) to 30% (2022), with an overall upward trend. The average annual increase in GVC trade share was approximately 1 percentage point, but this growth was not linear. A notable dip to 20% in 2017 was followed by a sharp 6-percentage-point rise in 2018. After relative stability from 2019 to 2020, GVC participation surged from 23% (2020) to 30% (2022), a 7-percentage-point rise in just two years, suggesting increased integration into global supply chains post-pandemic. Meanwhile, traditional trade remained dominant but steadily declined from 80% in 2017 to 70% in 2022, reinforcing India's gradual shift toward GVC-linked exports. (Figure 17)

Figure 17: Components of India's Gross Trade for Textiles and Textile Products

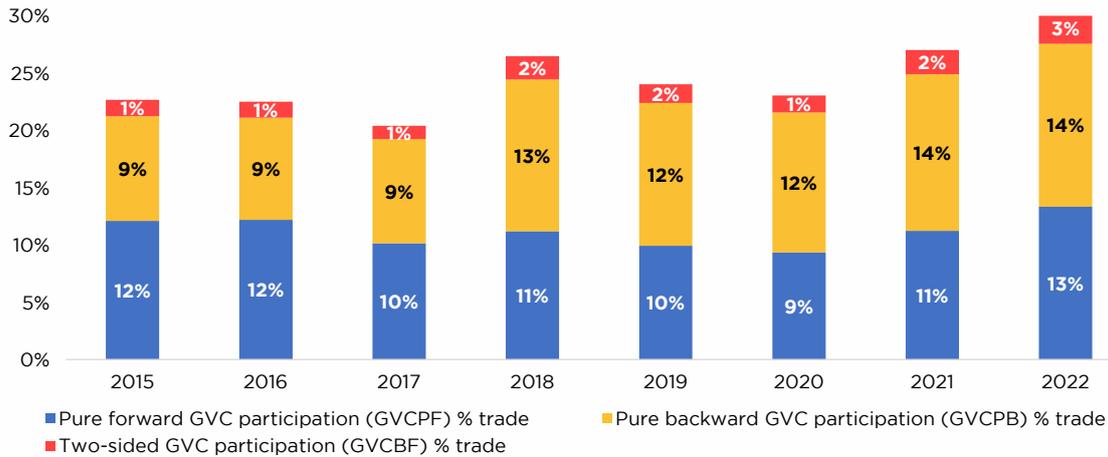


Source: WITS

While India's GVC-related trade in textiles and related trade increased from 23% in 2015 to 30% in 2022, with fluctuations, particularly a drop to 20% in 2017 and a sharp rise to 26% in 2018. Pure forward GVC participation (GVCPF), representing India's role as an intermediate goods supplier, remained relatively stable, averaging 10.5%, with a peak of 13% in 2022. Pure backward participation (GVCPB), indicating dependency on foreign inputs, rose from 9% to 14%, suggesting increased reliance on imported inputs. Two-sided GVC participation (GVCBF), reflecting both forward and backward linkages, remained minimal but grew from 1% to 3%, showing slight progress in deeper integration into global supply chains. The data signals a gradual shift toward greater backward integration and higher overall GVC participation, particularly post-2020 (Figure 18). As per WTO, between 2017-2020, India's clothing industry sourced various raw materials, including cotton, wool, and synthetic fibers like polyester, nylon, and viscose, from countries such as the United States, Australia, China, and South Korea whereas its exports primarily consisted of cotton and yarn sent to Bangladesh and China, overall driving its GVC participation.

²² https://www.wto.org/english/res_e/statis_e/miwi_e/gvc_sectoral_profiles_textiles_clothing24_e.pdf

Figure 18: Components of India's GVC trade for Textiles and Textile Products



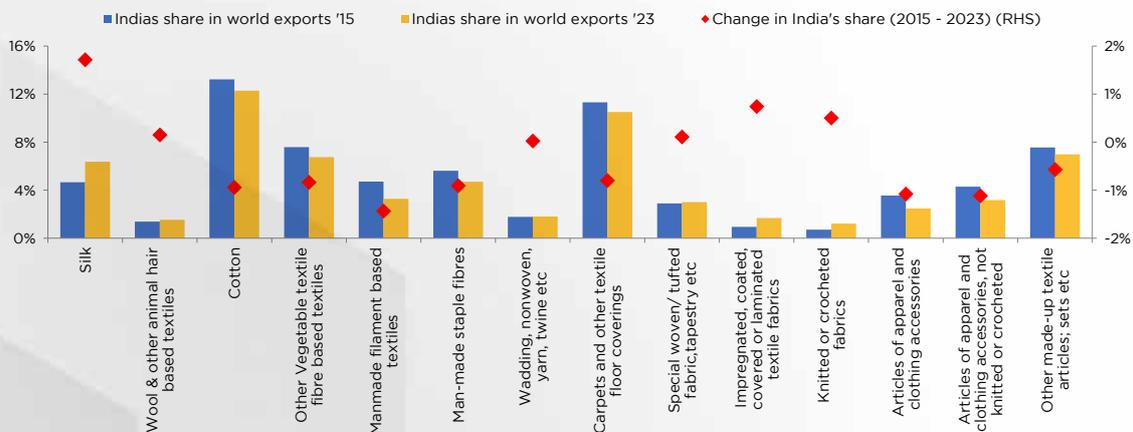
Source: WITS

4. Evolving trends in India's Textile Exports

India's textile export trends have evolved in response to shifting global trade dynamics. Globally, the share of cotton exports has declined over the years, dropping from 20.1% in 2015 to 6% in 2023. This sharp decline reflects shifting trade dynamics, driven by growing competition from synthetic fibers, evolving consumer preferences, and rising production costs. Similarly, exports of carpets, silk, and vegetable fibre-based textiles have decreased, indicating reduced demand or increased competition from alternative materials.

India's textile exports have shown growth in specialized segments but experienced declines in traditional categories. Silk exports have increased, despite a global contraction in silk demand. Technical textiles, including impregnated, coated, and laminated textiles, also saw growth. However, traditional segments like cotton and apparel faced declines. Cotton exports dropped, and apparel, accounting for the majority of India's textile exports, saw a reduction in market share, reflecting stiff competition from countries like China and Vietnam.

Figure 19: Change in India's share in the World trade



Source: ITC Trade Map

The man-made fibre sector also contracted, with both man-made filament-based textiles and staple fibers experiencing significant drops. This trend highlights India's struggle to keep pace with the global shift toward synthetic and blended fabrics. The textile industry faced challenges in the last two years due to geopolitical issues, slumping demand, and high raw material costs. The import duty on cotton made Indian cotton more expensive, while the quality control orders on MMF disrupted raw material availability. The industry is urging the removal of the cotton import duty during off-season months to regain competitiveness.

5. Recent Developments in India's Trade Policies: Key Updates for the Textile Sector

India's textile policy focuses on enhancing the sector's growth through modernization, sustainability, and export promotion. Key elements include the Production Linked Incentive (PLI) Scheme for MMF Apparel (2021), which aim to boost domestic manufacturing and global competitiveness in apparel, man-made fibers, and technical textiles. The National Technical Textiles Mission (2020) supports the development of high-tech textiles through innovation and R&D. To improve infrastructure and foster industry clusters, the Pradhan Mantri Mitra (PM Mitra) Scheme (2021) plans the creation of seven mega textile parks. The policy also emphasizes eco-friendly practices, promoting sustainable production methods like organic cotton cultivation and resource conservation. These initiatives collectively aim to modernize India's textile industry, expand exports, and enhance its global position. Some of the recent developments in the textile policies are as follows:

- ◆ **SAMARTH²³** : The Samarth Scheme, launched to enhance skills in the textile sector, has been extended for FY 2024-25 to FY 2025-26 with an outlay of Rs. 495 Cr to train 3 lakh individuals. The scheme aims to provide demand-driven, NSQF-compliant skilling programs and support industry efforts in creating jobs across the textile value chain (excluding spinning and weaving). It is implemented through 191 partners, including industry associations and government agencies. As of December 2024, over 3.54 lakh beneficiaries have been trained, with 2.79 lakh placed in jobs.
- ◆ **Rebate of State and Central Taxes and Levies (RoSCTL)²⁴** : On 7th March 2019, the Government approved the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme to rebate all embedded taxes/levies on the export of Apparel/Garments and Made-ups, aimed at enhancing the competitiveness of these sectors. The Union Cabinet has further approved the continuation of RoSCTL on exports of Apparel/Garments (Chapters 61 & 62) and Made-ups (Chapter 63) until 31st March 2026.
- ◆ **Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA)²⁵** : The Government has approved setting up of 7 (Seven) PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks in Greenfield/Brownfield sites with world-class infrastructure including plug and play facility with an outlay of ₹4,445 crore for a period of seven years up to 2027-28.

²³ <https://pib.gov.in/PressReleasePage.aspx?PRID=2089306>

²⁴ <https://pib.gov.in/PressReleasePage.aspx?PRID=2089306>

²⁵ <https://www.ibef.org/blogs/india-s-textile-industry-embracing-sustainability-and-innovation>

- ◇ **BharatTex²⁶**: Bharat Tex is a global textile event to attract international investments and buyers. The first-ever Global Textile Expo, Bharat Tex, was successfully held in 2024. It provided a platform for networking and business collaborations between Indian and international businesses, as well as within different segments of the Indian textile value chain. Following its success, the second edition, BHARAT TEX 2025, was organized on a similar scale by a consortium of 11 Textile Export Promotion Councils (TEPCs).
- ◇ **National Technical Textiles Mission²⁷** : The Ministry of Textiles has approved 12 research projects worth INR 13.3 Cr. under the National Technical Textiles Mission. These projects focus on strategic areas such as geotextiles, sustainable and smart textiles, and composites. They were proposed by leading research institutions, including IITs, NITs, and CRRI, to advance innovation in the technical textiles sector.
- ◇ **PLI Scheme for MMF Apparel** : The scheme aims to boost domestic production of MMF apparel, MMF fabrics, and technical textiles, with an outlay of ₹10,683 crore over five years. Government has approved 64 applications out of 67 applications received. In the approved 64 applications, the proposed total investment is Rs.19,798 crore and projected turnover of Rs. 1,93,926 crores with a proposed employment of 2,45,362.²⁸ Incentives will be provided on achieving threshold investment and turnover, followed by incremental turnover.
- ◇ **Textile Cluster Development Scheme (TCDS)** : The scheme is launched for 2021-26 with an outlay of Rs. 853 crores, aims to develop integrated ecosystem to boost the viability of textile units. It subsumes earlier schemes like the Scheme for Integrated Textile Parks (SITP) which supported infrastructure and Mega Clusters for Power loom, Knitwear, and Silk sectors which focused on improving market access. It also includes components from PowerTex India, focusing on infrastructure, credit, modernization, and capacity building.
- ◇ **Integrated Processing Development Scheme (IPDS)** : The scheme was launched to support the textile industry by improving infrastructure for common effluent treatment plants (CETPs) and promoting water conservation. It aims to develop environmentally sustainable processing units, particularly in textile clusters, by providing financial assistance for modernizing processing facilities, reducing pollution, and ensuring compliance with environmental norms. Initially implemented until March 31, 2021, the scheme has now been extended with an outlay of ₹275 crore solely for completing ongoing projects.

²⁶ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2010506>

²⁷ <https://pib.gov.in/PressReleasePage.aspx?PRID=2072728>

²⁸ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1913958#:~:text=Financial%20Year%202022%2D23%20and,proposed%20total%20investment%20is%20Rs.>

6. Key Insights on India's Textile Trade

In 2023, India was the sixth-largest exporter of textiles and apparel, accounting for 4% of global exports in the sector.²⁹ Despite being one of the country's oldest industries, its share remains modest. Textiles and apparel contributed approximately 5% to India's total exports, amounting to \$34.2 billion. The key findings of the analysis are as follows:

- ◇ India has a strong export presence in natural fibre-based textiles, particularly in cotton (HS 52) and carpets (HS 57). Cotton holds a 12.3% share in global exports, while carpets account for 10.5%. India's textile and apparel exports have remained at approximately \$40 billion for the past six years, growing at just 0.8% annually, far below the global growth rate of 3.5%.
- ◇ India's textile exports are concentrated in a limited number of product categories. While the country exports 840 textile products, more than 52% of its exports come from just 134 items, in which India holds a global export share of over 10%. This indicates strong competitiveness in selected segments but also absence of diversification.
- ◇ China dominates global textile exports, leading in man-made textiles (50%), technical textiles, and traditional segments such as cotton and carpets. India's dependence on China for synthetic fiber and technical textile raw materials presents a challenge for expanding exports.
- ◇ India's textile export strategy relies on key markets for Cotton (HS 52), Apparel (HS 61 & HS 62), and Made-Up Articles (HS 63), making diversification into Japan, South Korea, Latin America, and Africa essential to mitigate competition from China, Bangladesh, and Vietnam and reduce market concentration risks.
- ◇ Apparel and clothing (HS 60 & HS 61) account for ~60% of global textile exports. India holds only a ~6% share, lagging behind Bangladesh and Vietnam. Bangladesh has gained a competitive edge in global trade through low labor costs, large-scale production, strong buyer ties ensuring global standards, and export-focused incentives.
- ◇ India's Global Value Chain (GVC) participation in textiles has increased from 23% in 2015 to 30% in 2022, driven by higher backward integration indicating rising reliance on imported inputs, while forward integration remains stable, highlighting India's role as an intermediate goods supplier.
- ◇ India's textile export composition (HS 52, HS 57, HS 61, HS 62, HS 54, HS 55) is shifting, with declining cotton and apparel exports, while technical textiles and silk segments show growth, highlighting the need for policy support to enhance competitiveness in synthetic and blended fabrics.

²⁹ <https://pib.gov.in/PressReleasePage.aspx?PRID=2089508#:~:text=Ministry%20of%20Textiles-,India's%20share%20of%20global%20trade%20in%20textiles%20and%20apparel%20stands,October%20of%20FY%202024%2D25>.

C. GEOPOLITICAL FACTORS IMPACTING GLOBAL TRADE

C. Geopolitical Factors Impacting Global Trade

1. Geopolitical Developments

The global trade landscape is increasingly being shaped by geopolitical shifts. Tariffs now being the main factor dictating trade patterns. While they may offer short-term relief, they raise costs, distort resource allocation, and weaken long-term competitiveness across countries. Historical cases³⁰ show that tariff wars have led to higher consumer prices and economic stagnation rather than protecting domestic industries. A detailed analysis of the Reciprocal Tariff Plan's impact on India will be presented in the next issue. Ongoing trade policy shifts continue to reshape India's economic strategy, bringing both challenges and opportunities.

(i) The Rise of Friendshoring and Western Bloc Trade Realignments

In response to rising geopolitical tensions and trade wars, Western countries are increasingly shifting their supply chains to politically aligned nations—a strategy now referred to as 'friendshoring'.³¹ The WTO has observed a growing fragmentation in global trade, especially between the U.S. and China, as countries seek to prioritize trade within their own geopolitical blocs. While this shift disrupts traditional trade patterns, it creates new opportunities for emerging economies like India, particularly in sectors such as pharmaceuticals, IT services, and manufacturing. However, increasing competition from Vietnam, Mexico, and Poland, along with stringent labor and environmental regulations, necessitates that India enhances its ease of doing business, trade infrastructure, and regulatory alignment to capitalize on these shifts effectively.³²

(ii) The Expansion of BRICS and Its Impact on Global Trade

The BRICS alliance (Brazil, Russia, India, China, and South Africa) expanded in 2024 to include key energy-rich nations like Saudi Arabia, the UAE, Egypt, Iran, and Argentina. This expansion presents both opportunities and challenges for India. While deeper trade ties within BRICS can enhance economic cooperation, India's trade balance with China remains a concern. Ensuring balanced benefits for all members will require carefully structured internal trade policies, particularly in sectors where China holds a dominant position.

(iii) The Growing Influence of Africa in Global Trade

Africa's rapid economic growth, bolstered by increasing trade liberalization efforts such as the African Continental Free Trade Area (AfCFTA), has made the continent a key focus for global trade partnerships. The African Continental Free Trade Area (AfCFTA), which aims to eliminate tariffs and trade barriers, is gaining momentum, creating one of the world's largest free trade areas with a combined GDP of over \$3.4 trillion. Africa's total consumer and business spending is projected to surpass \$6.7 trillion by 2030,

³⁰ Smoot-Hawley Tariff Act (1930), Trump 1.0 Tariffs, U.S.-Europe "Chicken Wars are a few examples highlighting the negative impact of tariffs.

³¹ <https://www.weforum.org/stories/2023/02/friendshoring-global-trade-buzzwords/>

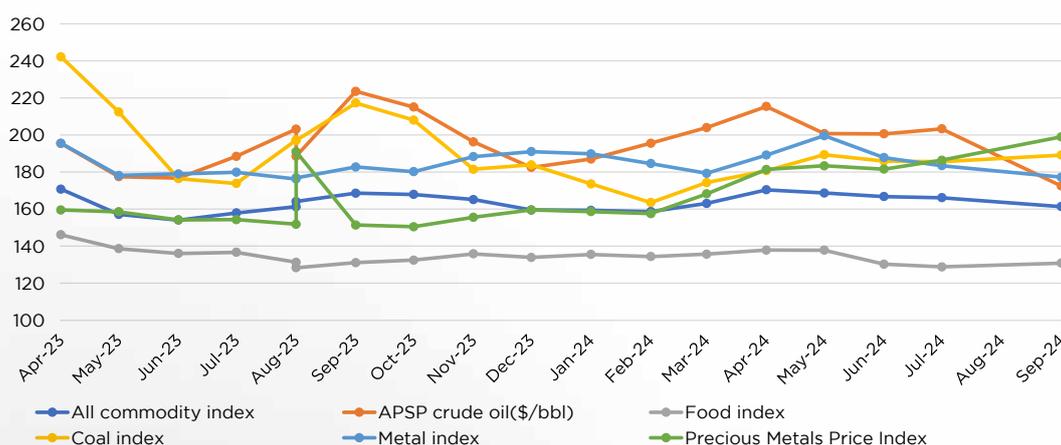
³² <https://www.gtreview.com/news/global/friendshoring-on-the-rise-led-by-us-china-trade-war-wto/>

presenting an opportunity for both local and international businesses.³³ Global players, including China and the EU, are increasing investments in African markets, particularly in infrastructure and digital trade. India, which has long-standing trade and cultural ties with Africa, has been expanding its exports of pharmaceuticals, automobiles, and IT services to the continent. However, increased Chinese dominance in African markets poses competition for Indian businesses, requiring stronger diplomatic and trade engagements, including concessional financing and technology-driven partnerships.

2. Commodity Price Trends³⁴

According to the latest IMF Commodity Price Index, the aggregate commodity price index fell by 4% y-o-y, largely driven by a 23% drop in crude oil prices and a 13% decline in coal prices. Oil prices fluctuated between February and August, trading between \$75 and \$90 per barrel, before softening in September due to weaker global demand. While OPEC+ production cuts provided some support to prices, strong supply growth from non-OPEC+ countries, particularly the United States, Canada, and Guyana, kept prices in check. Meanwhile, coal prices declined as economies continued their shift toward renewable energy, reducing demand from major importing countries.

Figure 20: Price indices across key commodities



Source: IMF

Metals and agricultural commodities displayed varied price movements during this period. The IMF’s metals price index rose 7.7% from February to August 2024, driven by higher copper (+8.1%) and aluminum (+7.8%) prices, due to increased demand primarily from renewable energy, electric vehicle, and data center industries. However, prices began to retreat in July due to weaker demand projections from China, especially in construction-related sectors, leading to a 19.9% drop in iron ore prices. Precious metals like gold surged 21.9%, reaching record highs, fueled by geopolitical uncertainty and expectations of rate cuts. In agriculture, cereal prices declined 14.3%, as global grain production hit a record high for FY 2024–25. However, Coffee and cocoa prices surged 33.8% and 20.4%, respectively, due to supply constraints in key producing regions like

³³ <https://www.brookings.edu/articles/the-promise-of-free-trade-and-integration-across-africas-nations/>

³⁴ WORLD ECONOMIC OUTLOOK: POLICY PIVOT, RISING THREATS- Commodity Special Feature: Market Developments and the Inflationary Effects of Metal Supply Shocks

Brazil, Vietnam, and West Africa. India's coffee and cocoa exports could face both opportunities and challenges as the global market adjusts to these price hikes.

Geopolitical factors continued to influence commodity markets, though their impact was more moderate compared to previous quarters. Rising tensions in the Middle East and disruptions in Red Sea shipping routes added volatility to oil markets, though no major supply shortages occurred. Looking ahead, commodity prices remain subject to economic policy shifts, geopolitical risks, and changing demand patterns, requiring careful monitoring to assess potential trade implications for India and other emerging economies.

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