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EDITORIAL ANALYSIS

US–Bangladesh Cotton Deal – India's Textile Sector at a Structural Crossroads

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GS2

GS3



The Indian Express

MAINS RELEVANCE:

GS Paper 2

GS Paper 3



INTERVIEW ANGLE

"A US–Bangladesh reciprocal trade deal gives Bangladesh near-zero tariff access to the US market using American cotton, threatening India's USD 1.6 billion cotton yarn exports to Bangladesh — what does this reveal about India's textile sector's structural vulnerabilities, and what policy interventions are needed?"

WHY IN NEWS

The US–Bangladesh reciprocal trade agreement — granting Bangladesh near-zero tariff access to the US market for textile volumes using American cotton/man-made fibre inputs — threatens India's **USD 1.6 billion cotton yarn exports** to Bangladesh and exposes a structural fault line in India's textile trade strategy.

THE DEAL AND ITS IMPACT ON INDIA

What Bangladesh gets:

Tariff reduction from **20% to 19%** for general goods, plus **zero duty** on quota-specified textile items using US cotton or man-made fibre (MMF) inputs

In exchange, Bangladesh commits to purchase **USD 3.5 billion** in US agricultural products and **USD 15 billion** in energy products over 15 years

India's disadvantage:

India faces an **18% US tariff** on its textile exports to the US — creating an effective 18-percentage-point gap on zero-duty quota items

India's **India-US BTA (Bilateral Trade Agreement)** negotiations have stalled; no equivalent deal is imminent

Bangladesh is **2nd-largest global apparel exporter** (after China) — a dominant force in the USD 800 billion global apparel market

Direct threat to India:

Bangladesh imports **USD 1.6 billion** in cotton yarn and **USD 85 million** in man-made fibre (MMF) yarn from India annually

Bangladesh = 70% of India's cotton yarn exports — a dangerous single-market dependency

If Bangladesh shifts to US cotton as a condition for quota access, Indian cotton yarn suppliers lose their largest customer

Affected Indian hubs: Tiruppur (Tamil Nadu) — India's knit apparel capital; Surat (Gujarat) — synthetic textile hub.

THE STRUCTURAL PROBLEM: COTTON VS MMF

The Bangladesh deal exposes a deeper structural mismatch in India's textile profile.

Global textile trade composition:

70% Man-Made Fibres (MMF): polyester, nylon, viscose, lyocell

30% Natural fibres (cotton, wool, silk)

India's textile export profile: Predominantly **cotton-based** — India is the world's largest cotton producer and exporter. Cotton-based textiles are a strength in raw material but a weakness in market positioning, because:

Global fashion is moving toward synthetic/blended fabrics (athleisure, fast fashion, performance wear)

MMF fabrics are cheaper, more versatile, easier to machine-wash, faster to produce

China and Vietnam dominate MMF-based apparel — India has not caught up

The China + Vietnam + Bangladesh triplet: Together, these three countries have positioned in the highest-volume segments of global apparel. India remains in niche cotton/natural fibre categories with higher prices — premium for some buyers, a limitation in mass-market competition.

WHY INDIA DOES NOT HAVE A US TRADE DEAL

The India-US trade relationship is the **world's largest bilateral trade relationship** by two democracies (~USD 190 billion in goods and services), yet a formal Free Trade Agreement (FTA) or Bilateral Trade Agreement (BTA) remains elusive. Key reasons:

Indian constraints:

Agriculture protection: India refuses to open agricultural markets (especially dairy, poultry, apples) to US exports — politically sensitive given farmer constituencies

Data localisation: US technology companies oppose India's data localisation requirements under DPDP Act 2023

Pharmaceutical IP: US pushes for stronger patent protection; India resists as it would affect generic medicine production

US constraints:

US insists on removing Indian import duties on US agricultural goods and Harley-Davidson motorcycles — demands that have political resonance in India

"Reciprocal tariff" pressures from the US side make it difficult for India to offer unilateral concessions

Recent progress: India-US Mini-Trade Deal / Limited Trade Package discussions — covering select sectors (medical devices, agricultural goods) — have moved in fits and starts but remain incomplete.

POLICY RESPONSES INDIA SHOULD CONSIDER

1. **"Cotton Parity" Clause in India-US BTA:** India should specifically negotiate for equivalent tariff treatment for cotton yarn and fabric exports that Bangladesh would receive — using the leverage of India's large US market (electronics, pharmaceuticals, services).
2. **Kasturi Cotton Bharat Initiative:** The government's **Kasturi Cotton Bharat** brand — using blockchain traceability for premium Indian cotton (Extra Long Staple/ELS varieties) — can position Indian cotton in premium sustainability-conscious markets in Europe, Japan, and Australia. ESG (Environmental, Social, Governance) compliance in textiles — organic cotton, fair trade certification, water-efficient processing — commands 10–30% premiums with European fast-fashion buyers.
3. **PLI for Textiles + Technical Textiles Mission:** The **Production Linked Incentive scheme for Textiles** (PLI-Textiles) focuses on MMF fabrics and technical textiles — the government has correctly identified the direction. But implementation speed needs acceleration. **National Technical Textiles Mission (NTTM)** covers Meditech (medical textiles), Mobiltech (automotive), Geotech (construction) — markets where India has competitive potential and cost advantage.
4. **Market Diversification:** Over-reliance on Bangladesh (70% of cotton yarn exports) is a textbook concentration risk. Target: Australia (ECTA signed 2022), UAE (CEPA signed 2022, zero-duty on Indian textiles), and Latin American markets where India has no bilateral friction.
5. **Domestic MMF capacity:** India's MMF production capacity needs investment. Current MMF yarn capacity is a fraction of China's. **Reliance Industries and ONGC Petro additions Ltd (OPaL)** are scaling polyester/nylon production — connecting upstream petrochemicals to textile manufacturing is the integrated MMF ecosystem India needs.

THE GEOPOLITICAL DIMENSION

Bangladesh's pivot toward US supply chains is also a geopolitical signal. Post-Sheikh Hasina government (Bangladesh experienced political transition in 2024-25), Bangladesh is recalibrating its external relations — seeking to reduce China dependence in favour of US and diversified supply chains. For India, maintaining Bangladesh as a downstream market for cotton yarn requires active trade diplomacy, not passive expectation.

UPSC RELEVANCE

Cotton yarn exports (India-Bangladesh: USD 1.6 billion), MMF (Man-Made Fibre), Kasturi Cotton Bharat, PLI for Textiles, National Technical Textiles Mission (NTTM), ECTA (India-Australia), CEPA (India-UAE), CBAM (EU Carbon Border Adjustment Mechanism), Bangladesh (2nd largest apparel exporter), India (6th largest apparel exporter), Tiruppur (Tamil Nadu), Surat (Gujarat).

*Bilateral trade agreements; India-US trade relations; India-Bangladesh economic ties; implications of preferential trade deals on third countries. **GS-3:** Industrial policy — textiles; PLI scheme; Make in India; structural transformation of manufacturing; value chain integration; diversification of export markets.*

★ FACTS CORNER — KNOWLEDGEPEDIA

US–BANGLADESH DEAL:

Bangladesh US tariff on textiles: reduced **20%** → **19%** (general); **zero duty** on quota items using US cotton/MMF

Bangladesh commitments: **USD 3.5 billion** US agricultural products + **USD 15 billion** energy over 15 years

India's US tariff on textiles: **18%** — effective 18% disadvantage on zero-duty quota items

INDIA–BANGLADESH TRADE:

India's cotton yarn exports to Bangladesh: **USD 1.6 billion** (2024)

India's MMF yarn exports to Bangladesh: **USD 85 million** (2024)

Bangladesh = **70%** of India's cotton yarn exports

GLOBAL APPAREL RANKINGS:

Bangladesh: **2nd largest** global apparel exporter (after China)

India: **6th largest** global apparel exporter

Global textile trade: **70% MMF**, 30% natural fibres

INDIA'S TEXTILE POLICY TOOLS:

PLI for Textiles: Covers MMF fabrics and technical textiles

National Technical Textiles Mission (NTTM): Meditech, Mobiltech, Geotech

Kasturi Cotton Bharat: Blockchain-traced premium ELS Indian cotton brand

India-Australia ECTA (2022): Zero duty on Indian textile exports to Australia

India-UAE CEPA (2022): Zero duty on Indian textiles to UAE

OTHER RELEVANT FACTS:

India is world's **largest cotton producer and exporter** (Bt cotton from 2002)

Tiruppur (TN): India's knit apparel capital; largest export hub for cotton knitwear

Surat (Gujarat): India's synthetic textile hub (polyester sarees, grey fabric)

India-US bilateral trade: ~**USD 190 billion** in goods + services (world's largest bilateral between two democracies by volume)

CITI = Confederation of Indian Textile Industry

India's share in global textile exports: ~**5%** (target 10% by 2030)

Sources: Drishti IAS, AffairsCloud, Indian Express

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