Financial Express 28.01.2026

Textiles sector, hit by US levy, sees $11-bn boost

NARAYANAN V
Chennai, January 27

INDIA'S TEXTILE AND apparel export industry expects the historic trade deal between India and the European Union (EU) to significantly lift the country's market share and double apparel exports to the region to about $11 billion. The agreement, once implemented, is also expected to cushion the labour-intensive sector by enabling diversification away from the US, which has imposed a steep 50% tariff on Indian goods.

"The India-EU free trade agreement is a historic move that can reset this imbalance and unlock growth in labour-intensive exports, especially apparel," Prabhu D, convenor of Coimbatore-based Indian Texpreneurs Federation (ITF), said. India's apparel exports to the EU stands at $5.5 billion, with knitwear accounting for 56% and woven apparel 45%. "Both segments are well-placed to scale up," he added.

The EU imports nearly $95 billion worth of apparel annually from non-EU countries, with China and Bangladesh together accounting for over 50% of the market, while India's share is around 5%. In the current year, India, China and Bangladesh recorded 6-8% growth in the EU apparel market, while Vietnam and Cambodia grew faster at 11-15%. "With duty-free access expected within a year, India's apparel exports to the EU can grow at a 15% compound annual growth rate (CAGR), doubling to $11 billion over the next five years," Prabhu said.

"It's an historic moment for Tiruppur. We are already doing 25% of overall business to the EU. This trade deal will increase the share of Europe exports to 40%," said KM Subramanian, president of the Tiruppur Exporters' Association.

Tiruppur is estimated to have lost over ₹15,000 crore of business in 2025 due to 50% US tariffs, which forced American buyers to shift sourcing to markets such as Bangladesh, Vietnam and Cambodia. The knitwear hub exported close to ₹45,000 crore in the previous fiscal. Subramanian said major fashion brands from Italy, Paris and Germany are already major buyers from Tiruppur, which is expected to see a significant uptick.

Under the FTA, which is to take effect in 2027, 70.4% of tariff lines covering 90.7% of India's exports will see duty elimination from day one, for key labour-intensive sectors such as textiles, leather & footwear. Zero-duty access in textiles & clothing, covering all tariff lines and reducing tariffs by up to 12%, would open up the EU's $263.5-billion import market. India's total textile and apparel exports stand at $36.7 billion, with the EU accounting for $7.2 billion.

"Duty rationalisation will further improve India's competitiveness across cotton garments, home textiles and made-ups, while encouraging investments in man-made fibre, processing and finishing — areas where India has traditionally lagged thus far," said Ronak Chiripal, promoter of Ahmedabad-based Chiripal Group.

According to CareEdge Ratings, the trade deal with the EU — the world's largest ready-made garment (RMG) market — will unlock $4-4.5 billion in export opportunities for the sector. Indian apparel exports to the European Union currently face import duties ranging between 9.6% and 12%, while several competing suppliers such as Bangladesh enjoy duty-free access under preferential trade schemes. The FTA, it said, creates a level-playing field for accessing the EU's ready-made garment market, which is expected to reach $105 billion shortly.

Prime Minister Narendra Modi with European Commission President Ursula von der Leyen (right) and European Council President Antonio Costa during the signing of the India-EU free trade agreement in New Delhi on Tuesday PTI

Financial Express 28.01.2026

Level playing field for leather and footwear

NARAYANAN V
Chennai, January 27

THE ZERO-DUTY ACCESS to the European market will improve the competitiveness of India's $5-billion leather and footwear export industry and help level the playing field with competitors such as Bangladesh and Cambodia.

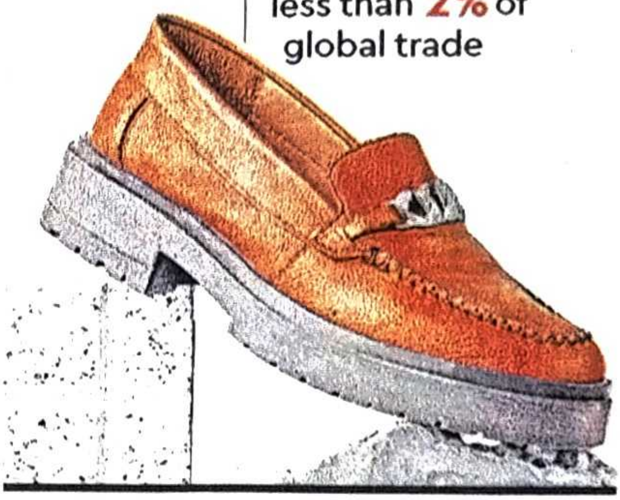
Under the India-EU FTA, tariffs of up to 17% have been eliminated across all tariff lines, easing access for India's leather and footwear exports to the EU, currently valued at about $2.4 billion. The bloc's leather and footwear imports are estimated at nearly $100 billion, offering significant headroom for Indian exporters.

India's leather, non-leather footwear and related product exports rose 25% year-on-year to ₹48,667 crore ($5.7 billion) in FY25. While the US remains the single-largest market with a 22% share, the 27-nation EU, along with the UK, accounts for the largest combined share of around 60%. The deal is also expected to boost sourcing from key clusters such as Agra-Kanpur in Uttar Pradesh and Vellore-Ambur in Tamil Nadu, supporting formal job creation and new enterprises. "Duties on leather and leather goods range between 4.5% and 7.5% across product categories. With these becoming zero, competitiveness improves to that extent," said Rafeeque Ahmed, president of the All India Hides and Skins Tanners and Merchants Association.

Ahmed, who is also chairperson of Chennai-based Farida Group, said Vietnam, Indonesia, Bangladesh and Cambodia were key competitors that already enjoyed zero-duty access. "The biggest advantage will be in non-leather footwear, where duties range between 10.5% and 15%. This segment is relatively small today but should see strong demand after duties are removed," he added. India accounts for less than 2% of global leather and footwear trade, valued at $296.5 billion, according to NITI Aayog. China dominates mass footwear and travel goods, Vietnam leads in textile- and leather-based footwear, while Italy is strong in premium processed leather and apparel. "The Indian footwear industry will finally get much-needed support, especially after the recent setbacks from US tariffs," said Israr Ahmed, former president of the Federation of Indian Export Organisations.

A STEP UP

- India's leather and footwear exports to the EU currently valued at about **$2.4 bn**
- The US is single-largest market for India's leather and footwear exports with a **22%** share, while the EU and the UK account for around **60%**
- India accounts for less than **2%** of global trade



Financial Express 28.01.2026

25% JUMP SEEN IN MOBILITY OF HIGH-SKILLED WORKERS

From tariffs to talent

MANU KAUSHIK & MUKESH JAGOTA
New Delhi, January 27

THE INDIA-EUROPEAN UNION FREE trade agreement (FTA) is set to reshape the movement of high-skilled Indian professionals across the 27-country bloc, shifting the spotlight from tariffs to talent.

Beyond goods and services, the pact creates a more predictable framework for the temporary entry and stay of professionals, including business visitors, intra-corporate transferees, contractual service suppliers and independent professionals.

Industry experts expect a 20-25% increase in such mobility over the next five years, driven by rising demand for specialised skills in Europe. However, some caution that the real test will lie in how quickly these commitments translate into simplified and harmonised visa procedures across member states.

Under the agreement, employees of Indian companies operating in the EU — along with their spouses and dependents — will find it easier to move between the two regions. The EU has offered India access to 144 services sub-sectors, including IT, education, finance and tourism, while India has opened 102 sub-sectors to European firms, underscoring the deal's strong services and people-mobility orientation.

An official statement said the FTA provides a "facilitative and predictable framework" for short-term and business travel in both directions, allowing professionals to provide services under multiple scenarios. This, experts say, aligns well with evolving corporate preferences for agile, project-based assignments rather than permanent relocation.

"The FTA strengthens India's position as a trusted talent and capability partner for Europe as it diversifies away from the US and China," said Aditya Narayan Mishra, MD and CEO of CIEL HR.

He added that sectors such as automotive, defence manufacturing, digital services and advanced manufacturing will increasingly rely on cross-border teams for R&D, compliance and localisation, making workforce mobility more strategic and innovation-driven.

A key breakthrough in the agreement is a five-year framework to engage on social security arrangements, along with measures to support student mobility and post-study work opportunities. Commerce Secretary Rajesh Agrawal said social security typically falls under the remit of individual EU member states, not the bloc.

"This is the first FTA where we are talking about social security. Over the next five years, there will be a push towards bilateral agreements," he said, noting that India already has such arrangements with 14 of the 27 member states.

Balasubramanian Narayanan, senior vice-president at TeamLease Services, said the framework addresses long-standing concerns around double social security contributions. "It provides uncapped mobility for Indian students, over 35,000 annual graduate-track permits and landmark spousal work rights, while protecting professionals' global earnings by ensuring they pay into only one system," he said.

Some recruiters, however, stressed that the FTA is unlikely to trigger large-scale migration. Instead, it will enable selective, skills-led mobility focused on short-term assignments, leadership roles and project-based work, particularly in IT services, engineering, pharmaceuticals and clean technology.

Commerce Minister Piyush Goyal said there are about 121,000 Indian students currently in the EU and encouraged more European universities to establish campuses in India. Experts believe the deal could also diversify student interest beyond traditional destinations such as Germany and France to newer innovation hubs across the bloc.

Financial Express 28.01.2026

Trump rattles South Korea months after trade deal

Vows to raise tariffs to 25% on Korean goods

CHOE SANG-HUN
Seoul, January 27

SOUTH KOREANS GOT a fresh reminder of President Trump's unpredictability when they woke up on Tuesday morning to see that he was increasing tariffs on South Korean exports, like cars, back to 25%.

Only recently it seemed that South Korea had resolved its worst trade dispute with the United States, its only treaty ally. After months of talks, Trump in October agreed to lower tariffs on South Korean products to 15% after winning a pledge that Seoul would invest $350 billion in the US.

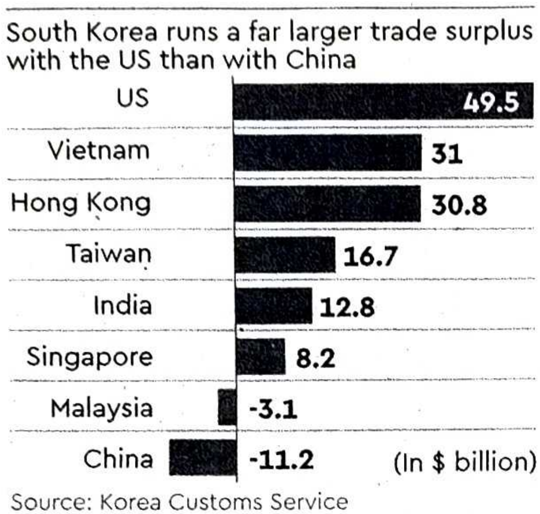
At the time, the South Korean leader, Lee Jae Myung, flattered Trump with gifts like a replica of an ancient golden crown. Trump extended the bonhomie with a surprising policy reversal, allowing South Korea to pursue a long-held goal of building nuclear-powered submarines.

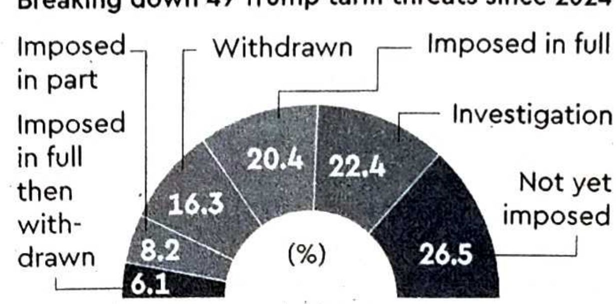
Now the uncertainty that dogged relations between the two allies for months is back. Trump did not say when the new duties would go into effect, but he remarked that South Korea's National Assembly was taking too long to implement the investment deal quickly enough. "South Korea's Legislature is not living up to its Deal with the US," Trump wrote on social media.

But South Korean officials on Tuesday insisted that the trade deal did not require parliamentary ratification because both the governments had signed a MoU, not a treaty. They pointed out that competing bills sponsored by the governing party and the opposition have been filed since November. Trump has continued to wield tariffs as a cudgel, in recent weeks trying to use them against European nations in his bid to take control of the Danish territory of Greenland. He has backed off, for now, on those threats against Europe.

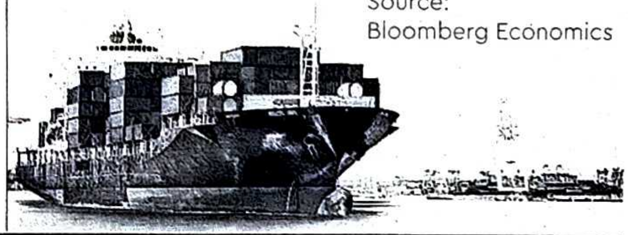
Seoul was caught off guard by Trump's announcement on Tuesday. Lee's office said that Washington had not officially informed it of Trump's decision to increase tariffs or shared any related details. It added that Korea's trade and industry minister, Kim Jung-Kwan, who was visiting Canada, would travel to US soon to meet commerce secretary Howard Lutnick. —NYT

TARIFF WARS





Source: Bloomberg Economics



Korean stocks charge ahead as tariff threat fuels dip buys

SOUTH KOREAN STOCKS swung to gains, as investors took an early drop on US President Donald Trump's latest tariff threat as an opportunity to buy in one of the world's hottest markets.

The benchmark Kospi closed 2.7% higher after erasing a morning loss of as much as 1.2%. Domestic and foreign funds were buyers on a net basis, while retail investors sold. SK Hynix was the biggest boost, jumping on reports of a supply deal with Microsoft. The Korean won pared an early slide of 0.7%, while bond futures edged higher.

The moves show how traders are increasingly unfazed by Trump's trade tactics, betting that he won't actually follow through on harsh penalties often dangled as a means to win concessions. —BLOOMBERG

Financial Express 28.01.2026

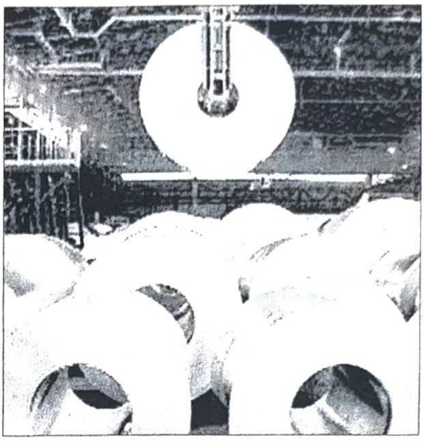
India-EU trade deal: No immediate relief for steel firms seen

Imports partially exempt from duties on quota basis

URVI MALVANIA
Mumbai, January 27

FULL IMPACT

- Steel will now be eligible for preferential market access via tariff rate quotas rather than blanket duty elimination
- India has not secured any exemption from the EU's Carbon Border Adjustment Mechanism (CBAM)



DOMESTIC STEELMAKERS ARE unlikely to see immediate relief under the free trade agreement between India and the European Union (EU), with steel remaining outside full tariff elimination due to its strategic importance and employment considerations. India will instead seek improved access to the EU's tariff-free steel import quotas, with outcomes on this front expected in the coming months.

Under the agreement, steel will be eligible for preferential market access through tariff rate quotas (TRQs) rather than blanket duty elimination. As part of the deal, 6.1% of tariff lines, covering 6% of India's exports, will receive preferential access either through tariff reductions or quota-based exemptions. Steel is among the sectors included under the TRQ framework, alongside automobiles and certain shrimp and prawn products.

"The EU has come in with a new set of proposals on steel, and we have agreed in good faith to work together towards a very preferential treatment as a free trade agreement so that India gets a better deal than most other countries with whom the EU does not have an FTA. And I do believe that it will be resolved satisfactorily over a period of time, since it has to go through the motions over the next six or eight months," Commerce Minister Piyush Goyal said.

However, India has not secured any exemption from the EU's Carbon Border Adjustment Mechanism (CBAM). Instead, it will participate in a technical working group for verifying carbon footprints and receive EU support for emissions reduction initiatives.

In a joint statement, the two partners said they will also work towards sharing experiences on the design and implementation of India's Carbon Credit Trading Scheme (CCTS), and the EU's Emissions Trading Scheme (ETS), and will explore further cooperation.

CBAM is the EU's mechanism to levy a carbon cost on imports based on the emissions generated during production. From January 2026, European importers of steel will be required to pay a charge linked to embedded emissions, unless an equivalent carbon price has already been paid in the exporting country.

"While import tariffs to EU nations will reduce to zero, CBAM will remain in force, and it is expected to make Indian steel costlier by about 15% and Indian engineering exports costlier by about 4-5%. Whether Indian steel exports to EU nations is impacted depends on the pace of EU's energy transition and that of other nations competing with India to export steel and engineering goods to EU," Niladri Bhattacharjee, Partner and Metals and Mining Industry Leader, Grant Thornton Bharat said.

He added that the deal is unlikely to trigger a surge in steel imports from EU nations since most of the steel imported from that market is high-grade speciality steel which has limited domestic demand. Additionally, Indian steelmakers producing this grade of steel have a competitive edge on pricing, he said.

During its fiscal third quarter earnings call late last week, JSW Steel indicated that the full impact of CBAM is still being assessed. Management said the company exports around 1.2–1.3 million tonne of steel annually to Europe, while noting that Europe's share in its overall exports has been declining as volumes shift towards Asia and West Asia.

The steelmaker's management also said that emissions verification under CBAM will be conducted on a plant-wise basis rather than at a company level and that the process is currently underway. Certificates for exports made in 2026 are expected to be issued after the end of the year, with the corresponding CBAM payments likely to crystallise in early 2027.

Financial Express 28.01.2026

FTA opens window for base metal exports

SAURAV ANAND
Panaji, January 27

THE FREE TRADE agreement (FTA) between India and the European Union (EU) is expected to mark a shift in base metals trade from a pre-FTA tariff-bound regime to a post-FTA market-access framework, influencing exports of steel, aluminium, nickel, zinc and lead into a bloc that accounts for nearly 25% of global GDP and about one-third of global trade.

Speaking at India Energy Week, Prime Minister Narendra Modi said that "just yesterday, a significant agreement was signed between India and the European Union," which he said people across the world are calling the "mother of all deals." He said the agreement brings opportunities for India's 140 crore people and millions across European nations, and reflects coordination between two of the world's largest economies. The Prime Minister said the deal represents nearly 25% of global GDP and about one-third of global trade, adding that beyond trade, it strengthens the shared commitment to democracy and the rule of law.

Prior to the FTA, India's base metals exports to the EU operated under existing tariff structures, shaping trade volumes and product mix across metals categories. Export values, based on data from the Ministry of Commerce and Industry, Government of India, show that finished steel dominated India's base metals exports to the EU in the pre-FTA period, with shipments valued at $6.64 billion, accounting for over 30% of India's base metals exports to the bloc.

Primary aluminium exports stood at $754.6 million, making the EU a key overseas market for Indian aluminium products even under the pre-tariff regime. Iron ore and concentrates exports were valued at $34.04 million, while exports of nickel, zinc and lead stood at $23.09 million, $17.24 million and $15.81 million, respectively.

Industry participants said the agreement is expected to alter conditions post-FTA, particularly if existing duties are waived or reduced. Rajib Maitra, partner, Deloitte India, said, "The EU-India FTA will provide higher market access for aluminium and nickel products as EU is a key market for both." He added, "It will also provide opportunities for zinc and lead exports." Maitra said, "In case the existing nominal duty is waived off, it will be beneficial for the Indian industries exploring base metals exports."

Industry participants also pointed to supply-chain implications in the post-tariff phase. Rishi Srivastava, Co-Founder, Offgrid Energy Labs, said, "The proposed Free Trade Agreement has the potential to materially reshape base-metal supply chains by making them more resilient, transparent, and diversified."

India, EU unlock trade corridors with FTA

>99.5% OF INDIAN EXPORTS BY VALUE TO SEE LOWER TARIFFS | >MAJOR BOOST FOR STUDENT AND WORKFORCE MOBILITY

SHREYA NANDI
New Delhi, 27 January

India and the European Union (EU) on Tuesday announced a much-awaited trade deal, drawing the curtain on nearly two decades of stop-start negotiations and binding together two billion people in a combined market worth more than $24 trillion. Under the free-trade agreement (FTA), Brussels has agreed to tariff liberalisation on 99.5 per cent of goods imported from India by value, covering 96.8 per cent of its tariff lines, while New Delhi will liberalise tariffs on 97 per cent of goods imported from the 27-nation bloc, spanning 92.1 per cent of its tariff lines — making it one of the most far-reaching trade pacts.

The agreement is set to provide a significant boost to India's labour-intensive sectors such as textiles, footwear, fisheries and pharmaceuticals, while European exporters stand to gain in agri-food, machinery, medical devices and automobiles.

Turn to Page 10 ▶

«...We should be able to celebrate coming into force of this agreement within 2026 itself»

Piyush Goyal, Commerce and Industry Minister

A WIN-WIN DEAL

What India gets

Near-total EU market access: 99% of export by value duty-free (96.8% of tariff lines)

Immediate gains: 70.4% of tariff lines (90.7% of exports) duty-free from day one; key sectors include marine products, gems & jewellery, electronics, leather & footwear, textiles, chemicals, rubber, and toys

Phased liberalisation: 20.3% of tariff lines reach zero duty in 3-5 years (select marine and processed foods)

Limited concessions: 6.1% get partial cuts or quotas (poultry, preserved vegetables, bakery, cars, steel, select shrimp)

Services opening: Commitments across 144 subsectors, including IT/ITeS, professional, education, and business services

Mobility gains: Assured temporary entry for business visitors, intra-corporate transferees, and independent professionals

Corporate mobility: Easier movement for employees (and dependents) of Indian firms in the EU

EXCLUSIONS:
Sensitive EU sectors excluded: beef, sugar, ethanol, rice, poultry
No CBAM exemption

PHOTO: PTI

Prime Minister Narendra Modi (*centre*) with European Council President Antonio Costa (*left*) and European Commission President Ursula von der Leyen in New Delhi

What the EU gets

Wide tariff coverage: 92.1% of tariff lines (97.5% of exports)

Immediate cuts: 49.6% of tariff lines duty-free at entry into force

Phased cuts: 39.5% eliminated over 5, 7, and 10 years

Sensitive products: 3% under partial cuts; quotas for apples, pears, peaches, kiwi

Auto: Car tariffs fall from 110% to as low as 10% (quota: 250,000 units); auto parts duty-free in 5–10 years

Industrial goods: Major cuts on machinery (up to 44%), chemicals (22%), pharmaceuticals (11%), vegetable oils (up to 45%)

Agri-food: Processed food tariffs (up to 50%) reduced to zero

Wine: Tariffs cut from 150% to 20% (premium) and 30% (mid-range)

Services access: Entry into India's services market, including financial and maritime services

EXCLUSIONS
India protects sensitive sectors: Dairy, cereals, poultry, soymeal, select fruits & vegetables

Biggest gainers

Zero tariffs once fully implemented
(figures in brackets: current tariff in %)

Marine products (26); leather & footwear (17); chemical (12.8); textile and apparel (12); furniture & light consumer goods (10.5); base metal (10); railway, aircraft & ships (7.7); toys (4.7), sports goods (4.7); and gems & jewellery (4)

The trade scenario

The EU is India's largest trading partner; India is the EU's 9th-largest

Goods trade (FY25): $136.53 bn
- India's exports: $75.85 bn
- India's imports: $60.68 bn

Key exports: Machinery, chemicals, base metals, mineral products, textiles.

Key imports: Machinery, transport equipment, chemicals.

Services trade (2024): $83.10 bn

Business Standard
28.01.2026

Pact weaves new hope into $100 bn textile export dream

India aims to double apparel exports to Europe to $11 billion in 5 years

SHINE JACOB
Chennai, 27 January

The proposed trade deal with the 27-nation European Union (EU) is expected to provide zero-duty access to the $95 billion European market for Indian textile and apparel manufacturers. Currently, India's share of the European market is just 6 per cent, or $5.5 billion. Industry experts expect this could double to $11 billion over the next five years.

The deal could also play a crucial role in helping India achieve its ambitious target of $100 billion in textile and apparel exports by 2030, from $37.7 billion in FY25. This comes at a time when Indian exporters have been hit hard by increased tariffs in the US market. Knitwear hub Tiruppur alone is estimated to have suffered losses of ₹15,000 crore in 2025 due to higher US tariffs.

"Indian apparel exports could grow by 20-25 per cent year-on-year after the operationalisation of the FTA, against the current growth rate of 3.01 per cent in the EU market," said A Sakthivel, Chairman of the Apparel Export Promotion Council (AEPC).

Of the $95 billion EU apparel market, China and Bangladesh together command more than 50 per cent. Bangladesh had an advantage in the region driven by duty-free, quota-free access under the Everything But Arms (EBA) initiative as a Least Developed Country (LDC). Other competitors with preferential duty access to the EU are Turkey and Vietnam.

"With duty-free access expected within a year, India's apparel exports to the EU could grow at a 15 per cent compound annual growth rate, doubling to $11 billion over the next five years," said Prabhu Dhamodharan, Convenor of the Indian Texpreneurs Federation (ITF).

In the current year, India, China, and Bangladesh grew 6-8 per cent in the EU apparel market, while Vietnam and Cambodia grew faster at 11-15 per cent, highlighting clear headroom for India, according to ITF data.

Spinning success

Textiles & apparels

(As on Jan 27, 2026)	Price (₹)	Change 1D%
KPR Mill	900.4	6.07
Welspun Living	126.0	4.30
Alok Industries	14.8	2.29
Trident/India	25.9	1.93
Vardhman Textiles	410.2	1.66

Source: Bloomberg; Compiled by *BS* Research Bureau

"Coming at a time when India's textile and apparel sector continues to be weighed down by steep US tariffs, the announcement of the India-EU FTA is a huge confidence booster. It creates opportunities for greater market access and increased business flows from the 27-nation bloc," said Ashwin Chandran, chairman of the Confederation of Indian Textile Industry (CITI).

Once operational, Chandran said, the India-EU FTA would level the playing field for Indian exporters vis-à-vis competitors such as Vietnam and Bangladesh, against whom India currently faces a tariff disadvantage in the EU.

"By removing the duty hurdle, the FTA will make Indian textile and apparel products more competitive in the European Union, which should potentially translate into higher revenues for our exporters," he said. However, CITI cautioned that exporters must intensify their focus on innovation and sustainability to take maximum advantage of the FTA. "Indian manufacturers are no longer operating at the 8-12 per cent tariff disadvantage that earlier constrained pricing in value and mid-market segments," said Abhishek Dua, co-founder of Showroom B2B.

In December, India signed the Comprehensive Economic Partnership Agreement (CEPA) with Oman and concluded FTA negotiations with New Zealand. In July, India signed the Comprehensive Economic and Trade Agreement (CETA) with the United Kingdom.

Meanwhile, talks on a Bilateral Trade Agreement (BTA) with the US are ongoing. The 50 per cent US tariff on Indian goods, effective from August 27, 2025, has adversely affected many textile and apparel companies, raising concerns that millions of workers in the sector could lose their jobs and livelihoods.

Business Standard 28.01.2026

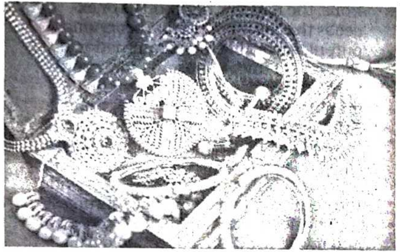
Now, India's gems & jewellery sector on par with China, Thailand

SHARLEEN D'SOUZA
Mumbai, 27 January

Exporters of gems and jewellery have said the free-trade agreement (FTA) has brought relief to their sector because this opens up the world's second-largest market and brings them on a par with China and Thailand, which face zero tariffs on shipments to Europe.

The Gem & Jewellery Export Promotion Council (GJEPC) said in a statement: "This removes 2-4 per cent duties on precious jewellery, unleashing huge export potential with the 27-member EU (European Union) bloc — home to the world's elite buyers."

India's exports of gems and jewellery in CY24 accounted for $30 billion and bilateral trade with the EU reached $5.2 billion, with exports at $2.7 billion (8.92 per cent of the total) and imports at $2.5 billion, the GJEPC said.



THE EU'S JEWELLERY IMPORTS FROM INDIA REMAINED LIMITED AT $628 MILLION, OF WHICH $573 MILLION WAS PRECIOUS JEWELLERY AND $55 MILLION WAS FASHION (IMITATION) JEWELLERY

The statement added the EU's jewellery imports from India remained limited at $628 million, of which $573 million was precious jewellery and $55 million was fashion (imitation) jewellery. These currently attract 2-4 per cent duties, leaving the market dominated by non-FTA competitors.

Kirit Bhansali, chairman, GJEPC, thanked Prime Minister Narendra Modi and Commerce & Industry Minister Piyush Goyal for securing the India-EU FTA, the "mother of all trade deals".

"The India-EU FTA will supercharge market diversification for the gem and jewellery industry. This transformative pact aims to double bilateral trade to $10 billion (₹91,000 crore) within three years. Zero-duty access to the world's largest consumer market empowers export hubs in Gujarat, Rajasthan, Maharashtra, and West Bengal to ramp up shipments of precious jewellery (plain and studded), silver, and imitation jewellery — capitalising on India's renowned design prowess. Especially with exports to the USA down by 44 per cent, this timely pact will help Indian exporters salvage lost ground," the release added.

Colin Shah, managing director, Kama Jewels, told Business Standard the FTA opened up 27 countries to the sector and this helped trade for Indian and the EU.

"Currently, India competes with China and Thailand, which already benefit from zero tariffs, but with the FTA, the Indian gems and jewellery industry benefits especially in the light of the tariffs imposed by the United States. We hope more markets open up for India," he said.

Pramod Agrawal, chairman, National Gems and Jewellery Council of India, said: "The agreement will fuel growth in trade between India and EU members. The manufacturing of gems & jewellery in India will increase, resulting in more employment, followed by further economic growth."

Agri sector set for a rich harvest

ROUTE MAP. Exporters of grapes, gherkins say tariff reduction will boost shipments, enhance competitiveness

Vishwanath Kulkarni
Bengaluru

SWEET DEAL. Farmers expect export volumes and output to improve once the FTA takes effect

Exports of Indian agricultural products, such as table grapes, gherkins, coffee and tea, will stand to gain from the free trade agreement with the European Union.

Agri stakeholders said the reduction in duties is likely to not only help expand the markets in Europe but also compete effectively with producers in other geographies.

"We are paying a duty of 8 per cent on grape exports. If it gets reduced, it will be a big boost for Indian grape shipments," said Vilas Shinde, Chairman and Managing Director, Sahyadri Farms, the country's largest exporter of table grapes.

India's table grape shipments to Europe have exceeded ₹3,000 crore, Shinde said adding that they expect better export volumes and improved output on the farm front with the FTA coming into effect.

Similarly, gherkin exporters said they stand to gain from the FTA.

"It is a huge boost for us. We will be able to compete with Turkey, and some eastern European countries and even with Germany," said GM Vinod of the Indian Gherkin Exporters' Association.

Presently, India's gherkin exports attract a duty of around 14.4 per cent in Europe, while competitors such as Turkey have zero duty.

The FTA is a great boost to the Indian gherkin industry, especially, when the US has imposed tariffs.

Europe is a huge market and may be around 35-40 per cent of the gherkins produced here are being exported to Europe, Vinod said.

SOLUBLE COFFEE

"Our soluble coffee will stand to benefit if tariff is reduced," said Ramesh Rajah, President, Coffee Exporters' Association. Green coffee shipments are already exempt from tariff in the EU, the largest destination for Indian shipments.

"The India-EU FTA can increase India's agricultural exports, but gains will be concentrated in high-value, standards compliant products and will materialise only with strong domestic policy support," said Parashram Patil, Agri-Economist and Member, Apeda.

Trade expert S Chandrasekaran said, "India's agricultural and processed food sectors are poised for a transformative boost under the India-EU FTA, creating a level playing field for Indian farmers and agrarian enterprises. Key commodities such as tea, coffee, spices, fresh fruits and vegetables, and processed foods will gain enhanced competitiveness, strengthening rural livelihoods, promoting inclusive growth, and reinforcing India's position as a trusted global supplier. India has prudently safeguarded sensitive sectors, including dairy, cereals, poultry, soymeal, certain fruits and vegetables, balancing export growth with domestic priorities."

Srinivas Kuchibhotla, Partner, Deloitte India, said, "While the FTA opens growth opportunities for value-led agri exports, eventually the benefits realised will depend on aligning trade policies with reforms on policy front by strengthening FPOs, ease of credit access, and building last-mile quality, alongside certification and traceability infrastructure so that Indian exporters can eye scale in high-value EU imports navigating rising competition where tariffs are eased from globally competing geographies."

"The upside that could be realised can be \$2.5-3.5 billion agri-food exports, taking the India-EU trade to \$7-8 billion...," Kuchibotla said.

With inputs from Mithun Dasgupta in Kolkata

Field levelled, India's seafood exporters eye a big catch

V Sajeev Kumar
Kochi

The Seafood Exporters Association of India (SEAI) described the FTA with the EU as a reprieve for the sector affected by high US tariffs.

The agreement, it said, will bring the duty applicable on seafood exported from India from the prevailing rates of 4.2-7.5 per cent to "nil", offering a level playing field with competitors from other countries/regions.

GREAT CATCH. The deal will turbo-charge exports of shrimp, frozen fish and value-added seafood, empowering coastal communities in Andhra Pradesh, Gujarat and Kerala

EXPORTS TO EU RISE

In 2024-25, India exported seafood worth $1.1 billion to the EU. The listing of 102 new fishery units by the EU led to a substantial increase in exports to this important market during the current financial year. Exports increased from 1,37,139 tonnes in April-November 2024 to 1,76,367 tonnes in the corresponding period of the current year, an increase of 28 per cent. In value terms, exports to the region increased 37.8 per cent from $716.95 million in April-November 2024 to $988.22 million in April-November 2025.

"We are confident this will help us to achieve our objective of diversification of markets and enable our produce to attain the pole position in this region," G Pawan Kumar, President, SEAI, said.

Rajamanohar, CEO, Aquaconnect, said the FTA offers a structural opportunity when the industry needs market diversification the most. Preferential access to a $30 billion import market (from non-EU countries) helps ease pressure on Indian exporters while opening stable, high-value trade routes to Europe.

The reduction of duties improves India's competitiveness and strengthens ability to scale beyond its current $1.1 billion exports to the EU, where India accounts for only about a 15 per cent market share.

There is a strong potential for deeper participation in Southern and North-Western Europe, creating clear upside for shrimp and mollusc exports.

VALUE CHAIN

The agreement also supports India's long-term ambition to move up the value chain, with value-added seafood gaining improved access to markets such as the Netherlands, Germany, and Belgium, Rajamanohar said.

The FTA will turbo-charge exports of shrimp, frozen fish and seafood exports, empowering coastal communities in Andhra Pradesh, Gujarat, Kerala, sources from the industry further added.

Business Line 28.01.2026

Glittering market beckons but tough EU norms could test gems/jewellery exporters

Avinash Nair
Ahmedabad

With India's gem and jewellery exports to the US down 44 per cent this year, the India-European Union Free Trade Agreement (FTA) is being seen as a crucial growth lever for the sector, even as stringent EU sustainability and regulatory norms emerge as the key challenge. Industry experts said the ability of Indian exporters to meet ESG compliance, responsible sourcing, and traceability requirements will determine how effectively the industry capitalises on improved market access under the trade deal, particularly across major export hubs in Gujarat, Rajasthan, Maharashtra and West Bengal.

Describing it as the "mother of all trade deals", Kirit Bhansali, Chairman of the Gem and Jewellery Export Promotion Council (GJEPC), stated, "The India-EU FTA will supercharge market diversification for the gem and jewellery industry. This transformative pact aims to double bilateral trade to ₹91,000 crore within three years. Zero-duty access to the world's largest consumer market empowers export hubs in Gujarat, Rajasthan, Maharashtra and West Bengal to ramp up shipments of precious jewellery (plain and studded), silver and imitation jewellery — capitalising on India's renowned design prowess. Especially with exports to the US down by 44 per cent, this pact will help Indian exporters salvage lost ground."

"Amid soaring metal prices and evolving trade dynamics, the deal enhances margins, sharpens our competitive edge in design and craftsmanship, accelerates manufacturing and generates jobs. For India's jewellery retailers, it opens doors to expand brands across Europe, building on their rising global footprint," Bhansali added.

> This transformative pact aims to double bilateral trade to ₹91,000 crore within three years
>
> **KIRIT BHANSALI**
> Chairman, Gem and Jewellery Export Promotion Council

India's gem and jewellery exports to the US saw a sharp decline during April-December 2025, falling 44.42 per cent year-on-year to $3.86 billion, compared with $6.95 billion in the same period last year, according to data from the GJEPC.

The slowdown deepened in December 2025, with exports to the US plunging 50.44 per cent year-on-year, reflecting the impact of tariff-related pressures and weak discretionary spending in the key market. However, the contraction in the US was offset by stable performance in other markets, keeping overall gem and jewellery exports largely flat during the nine-month period.

Provisional exports for April-December 2025 stood at $20.75 billion, marking a marginal 0.41 per cent decline in dollar terms, while registering a 3.69 per cent growth in rupee terms, aided by currency movements and steady trade flows.

KEY CHALLENGE

While the India-EU trade deal offers a strong growth opportunity for the gems and jewellery sector, meeting Europe's stringent sustainability and regulatory norms will be the key challenge, industry executives said.

"The India-EU trade deal comes at a critical time, amid geopolitical uncertainties and rising global tariff pressures and metal price volatility. For the gems and jewellery sector, the agreement is a strong positive, as tariff rationalisation will significantly improve India's competitiveness in the European market," said Rajeev Toshniwal, Chief Financial Officer, Kisna Diamond and Gold Jewellery, the flagship natural diamond and jewellery brand of the diamond exporter Hari Krishna Group.

'Big fillip for leather exports with edge over competition'

Mithun Dasgupta
Kolkata

India's leather exporters feel the India-European Union Free Trade Agreement will boost exports manifold to the 27-member bloc and leave them in an advantageous position compared to exporters from Vietnam, China and Bangladesh.

Due to the FTA, the tariffs on leather goods and footwear will become zero from the current 2.5-17 per cent rates.

"This is the mother of all trade deals. This agreement is going to increase our business in the EU. Now, all our products will attract zero per cent tariffs in the 27- nation bloc. Previously, we were having competition with Vietnam and Bangladesh. Vietnam had signed an FTA earlier. Bangladesh also has some benefits in terms of tariffs in the EU market," Council for Leather Exports Vice-Chairman Ramesh Juneja told *businessline*.

Last financial year, India's exports of leather goods and footwear to the European Union stood at around $3 billion.

"The EU's tariffs on Indian leather goods and footwear were in the range of 2.5 per cent to 17 per cent. A significant portion of the Indian exports was attracting 7-8 per cent tariffs. This will become zero. This is a very good advantage to our leather industry," Abdul Wahab, Regional Chairman, Council for Leather Exports, told *businessline*.

BIG PUSH

The EU accounts for almost 40 per cent of India's leather goods and footwear exports annually. "This zero per cent duty is going to be a big, big push. This was one major advantage which Vietnam had. Now, Indian exporters can look at this as a big advantage to bring the businesses from Vietnam and China to India," Wahab said.

"We are anticipating almost 300 per cent export growth. By 2030, we are looking at exports worth around $6 billion to the EU," he added.

STEEP TARIFFS

Following this development in the EU market, Indian leather exporters are hopeful of mitigating some of the business losses they are currently incurring in the US due to the impact of steep tariffs imposed by the Donald Trump administration.

Facing the tariffs shock as high as 50 per cent, exporters are losing the lucrative market of the US to Vietnam, Cambodia, Indonesia and the Philippines, even as they have resorted to offering 10-40 per cent discounts to their US clients.

Business Line 28.01.2026

FTA with EU promises lower prices for imported foods

Meenakshi Verma Ambwani
New Delhi

European food products, such as breads, pastries, pasta, chocolate, pet food, fruit juices and non-alcoholic beer, will be available to Indian consumers at cheaper prices. This comes as the India-EU FTA deal will lead to removal of tariffs of up to 50-55 per cent on such exports from the EU. Indian processed food makers will also get similar strategic access to European markets for certain marine and processed food items.

Experts said Indian consumers will get a better array of quality processed food products at cheaper prices, amplifying competition, especially in the premium segment. At the same time, Indian processed food companies will get improved access to high-value EU consumer markets provided they are in adherence with EU's regulatory compliance framework.

Naveen Malpani, Partner and Consumer and Retail Industry Leader, Grant Thornton Bharat, said, "The EU-India Free Trade Agreement marks a strategic pivot in how India integrates into global value chains by sharply liberalising trade in processed foods. Strategically, this deal accelerates India's evolution from a predominantly tariff-protected market to one where global benchmarking and competitiveness become central to long-term growth."

"For Indian industry, the FTA is both a market challenge and a competitive opportunity: consumers benefit from lower prices and greater choice, but domestic players will need to sharpen product differentiation, invest in quality, and scale supply chain efficiencies to defend and expand share. At the same time, Indian packaged food exporters also stand to gain improved access into a large EU market, provided they align with stringent safety, traceability and sustainability standards," Malpani added.

BEST & CHEAP: Experts said Indian consumers will get a better array of quality processed food products at cheaper prices

Amit Lohani, Founder & Director, Forum of Indian Food Importers, said this agreement will encourage EU players to seek joint-ventures with Indian partners as well as set up a manufacturing footprint in the country.

Piruz Khambatta, Chairman at Rasna Group, added this will also enable Indian processed food makers to tap into the EU market by leveraging their manufacturing footprint to serve the EU region.

COMPLIANCE ISSUE

However, legal experts also pointed out that Indian players will need to be compliant with stringent food safety and labelling regimes to be able to leverage on this opportunity.

"The India-EU FTA's zero-duty promise for packaged foods and beverages masks a deeper shift from tariff barriers to legal barriers. As customs duties disappear, regulatory compliance becomes the real gatekeeper. EU exporters are structurally aligned with stringent food safety, labelling, and traceability regimes, while many Indian businesses, particularly MSMEs, are not. This imbalance is likely to drive market consolidation rather than broad-based growth. Lower prices may attract imports, but higher exposure to product liability, recalls, and cross-border enforcement will quietly raise the cost of participation," said Ankit Rajgarhia, Designate Partner, Bahuguna Law Associates.

Echoing the sentiment, Shreevardhan Sinha, Senior Partner, Regulatory and Compliance, Desai & Diwanji, said, "Tariff liberalisation, particularly on processed agri-food products, could significantly improve Indian manufacturers' access to a high-value EU consumer market. However, market access will be meaningful only for those companies that are able to meet the EU's exacting regulatory architecture."

Business Line 28.01.2026

Exporters of labour intensive goods expect shipments to surge after duty cuts

BEING OPTIMISTIC. With US tariffs posing a stiff challenge, exporters hope EU pact will help salvage lost ground

Amiti Sen
New Delhi

Clinching of the long-pending India-EU Free Trade Agreement on Tuesday has sparked high expectations among Indian exporters, especially in labour-intensive industries facing turbulence in the US market owing to 50 per cent tariffs.

Sectors including apparel, leather, footwear, gems and jewellery, engineering goods, marine products, handicrafts and auto are anticipating a substantial boost in exports to the EU following the implementation of the trade pact.

OPENING MARKET

"With tariff elimination of up to 10 per cent on nearly $33 billion worth of Indian exports (to the EU), the FTA will provide immediate and tangible gains to key sectors...These benefits will translate into higher exports, large-scale employment generation, and stronger grassroots participation in global trade, reinforcing the government's vision of export-led prosperity," said SC Ralhan, President, Federation of Indian Export Organisations (FIEO).

The India-EU FTA, together with India's recent FTAs with the UK and the four-member EFTA bloc, effectively opens the entire European market for Indian exporters, marking a strategic breakthrough in India's trade diplomacy, FIEO observed.

Many of the labour-intensive sectors are set to make substantial gains as these are facing much higher tariffs than the EU average of 3.8 per cent, an official said. Tariff elimination on about 93 per cent of Indian exports to the EU (in value terms), which includes labour-intensive items, is scheduled to happen on day one of the implementation.

Although the FTA text has to be legally scrubbed and also be approved by the EU Parliament, it is being hoped that it would be implemented in calendar year 2026.

BIG OPPORTUNITY. The India-EU FTA, together with recent FTAs with the UK and the 4-member EFTA bloc, effectively opens the entire European market for exporters

GEM AND JEWELLERY

The India-EU FTA will supercharge market diversification for the gem and jewellery industry which faced up to 4 per cent duties in the EU, according to the Gems & Jewellery Export Promotion Council (GJEPC).

"This transformative pact aims to double bilateral trade to $10 billion within three years. Zero-duty access to the world's largest consumer market empowers export hubs in Gujarat, Rajasthan, Maharashtra, and West Bengal to ramp up shipments of precious jewellery (plain and studded), silver, and imitation jewellery — capitalising on India's renowned design prowess," per a statement.

Especially with exports to the USA down by 44 per cent, this timely pact will help Indian exporters salvage lost ground, the GJEPC noted.

APPAREL PRODUCTS

With the elimination of tariffs on Indian apparel products, which at present is as high as 12 per cent, the Indian apparel industry gains immensely as it will get a level playing field vis-à-vis its competing countries like Bangladesh, Turkey and Vietnam which enjoys duty free/ preferential duty access in EU's market, pointed out the Apparel Export Promotion Council (AEPC).

"The FTA eliminates tariff on 100 per cent of apparel tariff lines which will enhance market access to all member countries of the EU. The EU is the world's largest apparel importer with total apparel import worth $ 202.8 billion in FY 2024-25. Some of the major garment importing countries of the EU like Germany, France, Spain and Italy source substantially from India and this deal will further boost our apparel exports to these economies," said A Sakthivel, Chairman, AEPC.

Elimination of tariffs on leather and footwear sector at entry into force of the FTA, from up to 17 per cent, across all tariff lines will help level the playing field for India's exports to EU, valued at approximately $2.4 billion and improve share in EU's nearly $ 100 billion imports of the items, per the government.

Business Line 29.01.2026

FTA: India sets up guardrails against EU's green measures

SAFETY VALVE. Rapid response mechanism, non-violation complaints provisions to help Delhi address any bloc move that can impair market access, including an expanded CBAM

Amiti Sen
New Delhi

CARBON BURDEN. Without any flexibilities offered under the FTA on current CBAM measures, Indian steel and aluminium exporters are expected to take a substantial hit REUTERS

India's strategic inclusion of a rapid response mechanism (RRM) and a non-violation complaints (NVC) provision in the India-EU Free Trade Agreement is extremely significant in the context of regulations, such as the EU's Carbon Border Adjustment Mechanism (CBAM). India's guardrails in the FTA are especially critical as Brussels has previously indicated that the CBAM could be expanded beyond its current sectoral scope.

The provisions give India an early consultation channel to flag and negotiate the trade impact of future EU sustainability measures, such as CBAM expansion to downstream products, or regulations like the EU Deforestation Regulation that could erode market access even without a formal breach of the agreement.

TRADE SAFEGUARDS

"Both the NVC and the RRM mechanisms will help India in dealing with the challenges of the EU's regulations in future and protect the FTA benefits. All measures, including any sustainability on the grounds of the environment, come under their purview if they are violative of commitments made and if they impair market access causing disruption," an official noted.

The NVC provision can be invoked to find a solution to new measures which may not expressly breach the terms of the agreement but could nullify or impair the benefits, including market access concessions under the FTA, per the agreement.

"The second provision, the RRM, is a dedicated and fast-track mechanism to address concerns arising from existing and future measures/regulations that create or threaten to create significant disruption or impediment to trade between the parties," the official added.

CARBON CONCERNS

India is worried about the economic impact of the CBAM regulation, designed to prevent carbon leakage, which entered its "definitive phase" this month, officially imposing a direct carbon tax on imports of specific items — iron, steel, aluminium, cement, fertilizers, hydrogen and electricity.

Without any flexibilities offered under the FTA on current CBAM measures, Indian exporters of steel and aluminium are expected to take a substantial hit (estimated at 15-22 per cent).

However, if as planned the EU expands the CBAM in 2028 to 180 downstream products, such as machinery, vehicles and components, household appliances (for instance, washing machines and refrigerators) and construction equipment, it could seriously impair market access for Indian exports.

Beyond this expansion, the bloc has also been weighing the option of including other carbon-intensive sectors to the list, such as chemicals and polymers, refinery products, and glass and ceramics. This could further nullify India's FTA gains.

"Such disruptions caused by future measures can be taken up for resolution under the RRM and the NVC," sources said.

As part of the FTA, India has managed to secure an annex on CBAM, which provides for MFN (most favoured nation) treatment that would ensure that if flexibilities are offered to other countries under the mechanism, it must be extended to India as well.

Also read p2

India proposes opening of automobile market to EU in a phased manner

Business Line
29.01.2026

NEW PASTURES. Constructive approach to trade could support broader ecosystem, industry veterans say

S Ronendra Singh
New Delhi

India has proposed a tightly controlled opening of its automobile market to the European Union (EU) under the ongoing Free Trade Agreement (FTA) negotiations, offering quota-based and phased tariff reductions that sharply limit exposure for the mass-market auto industry while signalling flexibility on premium vehicles and local assembly.

WELL THOUGHT-OUT. India's offer on automobiles is calibrated rather than comprehensive, with concessions capped by volume, delayed timelines and a clear preference for completely knocked down imports over fully built vehicles REUTERS

EV ECOSYSTEM

According to official details, concessions on electric vehicle (EV) imports are proposed only from the fifth year of the agreement, reflecting concerns about protecting India's nascent electric mobility ecosystem.

Officials said India's offer on automobiles is calibrated rather than comprehensive, with concessions capped by volume, delayed timelines and a clear preference for completely knocked down (CKD) imports over fully built vehicles.

Under the proposal, India has offered tariff concessions for up to 1.6 lakh internal combustion engine (ICE) cars annually, alongside 90,000 EVs. A significant portion of this access, however, is designed to channel imports into local assembly lines rather than opening the door to large-scale fully built imports. Of the ICE quota, 75,000 units are reserved for CKD imports, with customs duties proposed to be cut from 16.5 per cent to 8.25 per cent.

Officials involved in the negotiations said the structure mirrors the current operating model of global auto manufacturers, most of whom already rely on CKD routes to reduce tariffs and assemble vehicles locally. As a result, any reduction in tariffs on completely built units (CBUs) is expected to affect only a limited set of high-end and niche imports, rather than India's volume-driven passenger vehicle (PV) market.

ONE-LAKH UNITS OF ICE

According to the officials, in the first year, only one-lakh units of ICE vehicles will be allowed to enter India across different categories. For instance, 34,000 units will be allowed for cars priced at €15,000-35,000 with 35 per cent import duty, and 33,000 units each for cars priced at €35,000-50,000 and above at a duty of 30 per cent each.

The 30-35 per cent duty on ICE cars imports will go down to 10 per cent over five years, and one-lakh quota will go up to 1.60 lakh units in 10 years, they added. A similar provision has been given for EVs with price ranging between €20,000 and €60,000.

Analysts said European auto majors such as the Volkswagen Group, which has brands like Audi, Lamborghini and Skoda, Mercedes-Benz, Stellantis, and Renault would benefit under this deal.

"This constructive approach could support the broader ecosystem, including innovation, supply-chain efficiency, and technology collaboration. We are positive the FTA will create a stable and predictable environment for European automakers to invest, innovate, and better serve customers in India," Balbir Singh Dhillon, Brand Director, Audi India, said.

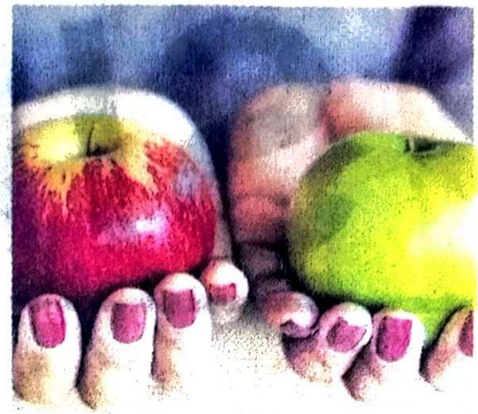
With inputs from Amiti Sen

India puts minimum price, 20% duty on apple imports from EU

Our Bureau
New Delhi

The Centre said it will allow import of apples from the EU at a minimum import price (MIP) of ₹80 per kg besides 20 per cent duty (against 50 per cent now). There is also a quantitative restriction of a maximum of 50,000 tonnes, to be raised to 1,00,000 tonnes over 10 years, it said and added that all these safeguards will protect domestic apple growers. India's apple imports were about 5 lakh tonnes (lt) in 2024 followed by Iran at 1,33,447 tonnes (25.7 per cent), Türkiye at 116,680 tonnes (22.5 per cent) and Afghanistan at 42,716 tonnes (8.2 per cent), whereas total imports from the EU stood at 56,717 tonnes (11.3 per cent).

In a presentation before the media, the government said EU apples will continue to face a minimum effective landed cost of ₹96 per kg, which will help preserve domestic price stability and safeguard farmer incomes.



"The preferential access through quota of around 50,000 tonnes has been carefully offered in line with EU's current imports to India. These imports are expected to be largely on the cost of existing imports and may replace some current sources without significantly increasing overall apple imports," a government official said. He said Indian apples will attract zero duty over 5-7 years when imported by the EU, opening a premium segment.

QUOTA-BASED

What it roughly means, said an official, is that India has given quota-based market access for apples, putting in place price floors and volume caps to safeguard domestic growers while opening a reciprocal export opportunity for Indian apples in the European market.

India's import of fresh apple (HS code 08081000) in 2024-25 grew 11 per cent to 5.58 lakh tonnes (lt) worth $ 449.74 million from 5 lt (worth $ 399.59 million) in the previous year. Import of apple from Europe had dropped 1 per cent to $157.58 million in FY25.

Aerospace sector to gain competitive edge

Aishwarya Kumar
Bengaluru

The India-EU Free Trade Agreement is expected to improve competitiveness for Indian aerospace manufacturers by reducing tariff-related costs for customers and easing access to European markets, according to industry players.

The pact could also benefit domestic-focused players by improving the availability of aerospace-grade raw materials and capital equipment from Europe.

BREAKING NEW GROUND. With aircraft demand rising and OEMs ramping up production, engagement with European customers creates meaningful opportunities

The European Union accounts for an estimated 20–25 per cent of global aerospace production, dominated by major OEMs like Airbus and a deep supplier base. With commercial aircraft demand rising and OEMs ramping up production to address record backlogs, engagement with European customers creates meaningful opportunities for Indian manufacturers, industry leaders noted. Aravind Melligeri, Executive Chairman & CEO of Aequs Ltd, called the agreement "a win-win for both parties".

DDU BASIS

With nearly 50 per cent exposure to the EU market, the tariff reductions will make Aequs more competitive as most contracts are on a Delivery Duty Unpaid (DDU) basis, meaning customers bear the tariff impact. The FTA also augurs well for companies focused on the Indian market as India looks to increase its aerospace manufacturing capabilities, including full assembly lines, Melligeri said.

Europe is a major producer and exporter of aerospace-grade raw materials like titanium, nickel-based alloys, aluminum, copper, and high-performance specialty steels, apart from capital equipment. The agreement also enhances India's credibility as a long-term manufacturing partner and opens opportunities for European companies.

LANDED COST

Rama Kandula, Co-Founder & CEO of Misochain, said, "Duty reductions can make a meaningful difference in landed cost, for precision-machined and electro-mechanical parts. Combined with India's manufacturing cost advantage, this can make Indian suppliers highly competitive, provided they match on quality, delivery reliability, and lead times."

'Sensitive Sectors Shielded in EU FTA'

The Economic Times 29.01.2026

Dairy, agri products not hit; no duty concessions on sub-₹25L autos, protecting local mass mkt: Commerce min

Our Bureau

New Delhi: India has fully protected its mass market cars and sensitive farm goods such as dairy, rice, wheat and pulses in its free trade agreement (FTA) with the European Union, the commerce and industry ministry said Wednesday.

India and the EU concluded negotiations for the FTA on Tuesday. It is likely to be signed and implemented this year.

New Delhi has extended import duty concessions for passenger vehicles priced above Rs 25 lakh, subject to an annual quota of a quarter million units, an official said Wednesday. The quota will largely be extended to traditional automobile manufacturers from the EU. It comprises 160,000 diesel and petrol vehicles, and 90,000 electric vehicles.

India has not extended any duty concessions on cars priced below €15,000 CIF (cost, insurance, freight) value, which translates to a retail price of about Rs 25-27 lakh after adding components such as customs duty, GST and other levies like road tax. "About 90% of India's mass market in the domestic passenger car segment comes in the sub-Rs 25 lakh price category," the official said.

Under the FTA, the quota is divided into three price bands for diesel and petrol cars.

For cars priced €15,000-35,000, the import duty will be reduced to 35% in the first year of the FTA's implementation, with a quota of 34,000 units. In this band, India's market is about 250,000-300,000 units at present.

For those priced €35,000-50,000, and above €50,000, the duty will be reduced to 30% in the first year, with a quota of 33,000 units each.

The total quota in the first year will be 100,000 units.

The 30-35% duty range will be gradually reduced to 10% for vehicles of all these price bands from the current 110% by the fifth year, while the quota will be increased to 160,000 units, the official said.

Duty for CKDs (completely knocked down) units will be halved to 8.25% for up to 75,000 fossil-fuel-run vehicles a year, a move that is expected to bring down the prices of luxury cars assembled in India. There will be no concession on electric cars priced up to €20,000.

Business Line 30.01.2026

Export diversification beats US tariff effect

COMING TO THE RESCUE. Labour-intensive sectors turn to Europe, West Asia and Asia as US share shrinks

Amiti Sen
New Delhi

Market diversification helped Indian exporters in several labour-intensive sectors blunt the impact of the 50 per cent tariffs imposed by the US in August 2025, with shipments swiftly redirected to alternative markets, the Economic Survey said.

While the tariffs delivered a sector-specific shock, industries such as gems and jewellery, textiles, marine products, automobiles, pharmaceuticals, paper and leather showed notable resilience. The rebound was driven largely by a strategic shift away from the US towards non-US destinations, the Survey noted.

The US tariffs came as a surprise, as India was widely expected to be among the early beneficiaries of Washington's new tariff regime.

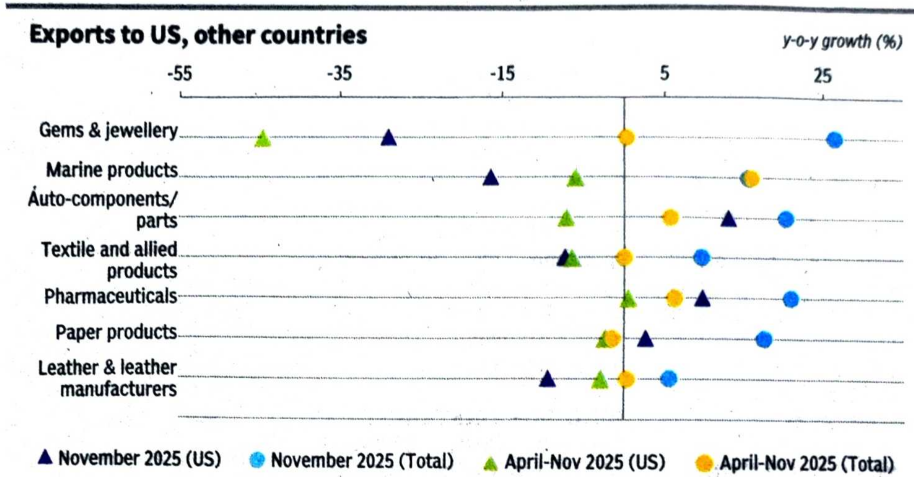
"Growth forecasts were revised downward. But in reality, growth accelerated due to a slew of structural reforms and policy measures," the Survey said.

MARKET EXPANSION

During April–November FY26, exports of several labour-intensive products posted gains across multiple regions. West Asia — led by the UAE — emerged as a key growth market, alongside the EU (including Spain, Italy, Germany and the Netherlands), Asia (China and Vietnam), South America (Brazil, Argentina and Chile), Russia and parts of Africa.

The shift was visible in gems and jewellery. The US' share in India's exports of the sector fell to 18.7 per cent from 33.7 per cent a year ago, while the combined share of the UAE — boosted by the FTA — and Hong Kong rose to 53.6 per cent from 41.4 per cent per cent.

Other sectors, including textiles, marine products, pharmaceuticals and auto components, also recovered lost ground by tapping new markets.



Source: FTSPCC, Department of Commerce, accessed on Jan 15, 2025

CLOSER TO HOME

The Survey said the recently-concluded agreement with the EU expands market access for India's labour-intensive manufactured exports, while deepening integration with Europe's technology and manufacturing ecosystems. India's diversification push is also supported by the India-UK Comprehensive Economic and Trade Agreement (CETA), the India-Oman Comprehensive Economic Partnership Agreement (CEPA), and ongoing FTA negotiations with the US, Chile and Peru.

Talks with New Zealand concluded in December 2025, while the India-Oman CEPA opens access to key markets across West Asia and Africa.

Despite US tariffs, merchandise exports grew by 2.4 per cent (April–Dec 2025), while services exports rose by 6.5 per cent. Merchandise imports for April-Dec 2025 increased by 5.9 per cent.

PLI delivers export gains, but performance uneven across sectors

Amiti Sen
New Delhi

The government's flagship production linked incentive (PLI) scheme, introduced in April 2020 to enhance domestic manufacturing and promote exports, has achieved "remarkable trade performance". However, there exists a variation in the trade performance within these sectors, the Economic Survey 2026 has said.

"A notable outcome of the PLI initiative has been the remarkable trade performance of these sectors. During the period FY21-FY25, the average annual growth rate (AAGR) of exports from this sector stands at 10.6 per cent, while imports have experienced an AAGR of 12.6 per cent," the Survey observed.

But this increase mostly came from a few sectors which recorded high export growth exceeding 20 per cent during FY21-25. These include IT hardware (77.2 per cent), ACC batteries (45 per cent), electronics (38.8 per cent), solar PV (23.9 per cent), and speciality steel (22.5 per cent), per the Survey.

IN THE LEAD. The Economic Survey flagged strong growth in electronics and IT hardware

In contrast, certain sectors, of the total 14 sectors covered under the scheme, demonstrated moderate export growth (with their growth rates below 20 per cent in the comparable period). These include automobiles (14.1 per cent), textiles (7.8 per cent), food products (6.7 per cent), pharma (6 per cent), medical devices (6.5 per cent), white goods (4.8 per cent), bulk drugs/active pharmaceutical ingredients (APIs) (3.5 per cent), and drones (3.9 per cent).

EXPORT EXPANSION

This export expansion has been accompanied by an increase (AAGR) in imports that has been moderate in electronics (17.6 per cent), IT hardware (11 per cent) and speciality steel (17.5 per cent), but substantially higher in solar PV (155.4 per cent) and ACC batteries (24.9 per cent).

"These trends indicate a scaling up of production capacity and the integration of value chains, suggesting that domestic manufacturing is not only maturing but is also beginning to leverage imported intermediate goods to facilitate higher-value exports," the Survey stated.

The electronics sector has emerged as a flagship success story under the PLI strategy. "The PLI Scheme has encouraged major smartphone companies to re-locate their production to India. As a result, India has become a major mobile phone manufacturing hub," it said.

The pharma sector, too, has fared well under the scheme. In the first three years, pharmaceutical sales under the scheme crossed ₹2.63 lakh crore, including exports worth ₹1.69 lakh crore. Overall, domestic value addition in the sector has been 83.74 per cent as on March 2025.

Business Line 30.01.2026

Pulses imports likely to drop by 30% in FY26 to 5 mt

Vishwanath Kulkarni
Bengaluru

Pulses import will likely decline by about a third to around 5 million tonnes (mt) during the current fiscal year against 7.3 mt the previous fiscal on higher carried forward stocks, a weakening rupee and the levy of duty on yellow peas.

"India imported 7.3 mt last year. I think this year we will end up with around 5 mt. The imported quantity has come down significantly. A lot of quantity got carried over the last year, and I think that is also a reason for a decline in imports," said Bimal Kothari, Chairman, India Pulses & Grains Association (IPGA).

The quick estimates released by the Commerce Ministry recently point to a similar trend. Pulses imports in value terms were down by 33.33 per cent at $2.525 billion during the April-December period in FY26 over the corresponding previous year's $3.788 billion.

LEVY ISSUES. Imports of yellow peas have come down following the imposition of 30% duty during the year

YELLOW PEAS IMPORTS

Kothari said imports till December were down at around 4 mt and another 1 mt is expected by March end. Further, he said the weakening rupee is making imports expensive. The rupee has declined by about 7-8 per cent in the past four months, he said.

The imports of yellow peas has come down significantly following the imposition of the 30 per cent duty during the year. Though prices of some varieties have firmed up a bit, it will not have any impact on the consumer, he said.

"Consumers are getting everything below the minimum support price. Stocks are good, prices are more or less stable despite the rupee weakening, and the crops are good. I don't think there's anything to worry about the availability of pulses during the current year. We will have a better update by the first week of March," Kothari added.

As per the IPGA, the overall imports of pulses for the January-November period of calendar year 2025 were down by around 8 per cent at 56.65 lakh tonnes (lt) (61.56 lt in same period last year). Imports of masur were up 1.2 per cent during January-November at 9.35 lt (9.19 lt), whereas tur imports were down 7.71 per cent during the period at 10.54 lt (11.43 lt). Urad imports during January-November were up 42 per cent at 9.86 lt (6.94 lt), while yellow peas were down 58 per cent at 11.41 lt (27.33 lt) and chana imports were up 472 per cent during the period at 13.25 lt (2.31 lt)

As per the first advance estimates, India's pulses production during the kharif 2025 season is estimated a tad lower at 74.13 lt against 77.33 lt a year ago. The pulses acreage during the ongoing rabi planting season is up 3 per cent till January 23, 2026, at 137.55 lakh hectares (lh) (133.94 lh a year ago).

Acreage of the main rabi pulses crop chana is up 5.11 per cent at 95.88 lh (91.22 lh), raising prospects for a good harvest. Masur (lentils area is up 2.6 per cent at 18.12 lh (17.66 lh).

Coking coal notified as critical, strategic mineral to reduce import dependence

Business Line 30.01.2026

Rishi Ranjan Kala
New Delhi

The government said on Thursday that it has notified coking coal as a critical and strategic mineral under the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act).

The move is part of the ongoing structural reforms in the mining sector and in line with the vision of *Aatmanirbhar Bharat* and *Viksit Bharat 2047*, the Coal Ministry said.

The decision is in line with the recommendations of the High-Level Committee on Implementation of Viksit Bharat Goals (HLC-VB) and policy inputs from NITI Aayog, recognising the strategic role of coking coal in ensuring mineral security and meeting the requirements of the domestic steel sector, it added.

FUELLING CHANGE. The amendment will encourage private investments, accelerate exploration and mining activities, and reduce imports PTI

IMPORT DEPENDENCE

India has an estimated 37.37 billion tonnes of coking coal resources, largely located in Jharkhand, with additional reserves in Madhya Pradesh, West Bengal and Chhattisgarh. Despite domestic availability, imports of coking coal have increased from 51.20 million tonnes in FY21 to 57.58 mt in FY25. Over 95 per cent of coking coal requirement of the steel sector is met through imports.

To address this dependence, the Centre amended the Act to including Coking Coal in the list of critical and strategic minerals, the Ministry said.

The inclusion of coking coal in this category is expected to facilitate faster approvals, improve the ease of doing business and accelerate exploration and mining activities, including of deep-seated deposits.

Mining of critical minerals is exempt from public consultation and permits the use of degraded forest land for compensatory afforestation. The reform will support the objectives of the National Steel Policy and promote private investment.

Indian Oil eyeing Africa, Europe for petrochemical exports: CMD

SHUBHANGI MATHUR
New Delhi, 29 January

State-run Indian Oil Corporation (IOC) expects Africa and Europe to emerge as important markets for petrochemical exports, amid a significant expansion of its refining capacity, chairman and managing director (CMD), AS Sahney (*pictured*), told *Business Standard*.

India's largest refiner, which operates a total capacity of 80.75 million metric tonnes per annum (mmtpa), mainly serves the domestic market, with exports contributing only a fraction to sales. IOC aims to increase refining capacity to 98.4 mmtpa by 2028.

"India is expanding its refining capacity. I will be (adding) around 18 million tonnes, which means 40 per cent of the expanded refining capacity will come from Indian Oil. Domestic (fuel consumption) growth is at 4-5 per cent. We have to go for exports, mainly diesel," said Sahney. Exports accounted for only 5.5 per cent of IOC's total sales in the first six months of the current financial year.

Among Indian refiners, private players — including Reliance Industries (RIL) and Nayara Energy — are the key exporters, while oil public sector undertakings (PSUs) sell fuel primarily in the domestic market.

Prime Minister Narendra Modi, while inaugurating India Energy Week (IEW) 2026, said India would soon have the largest refining capacity in the world. The country's present oil refining capacity stands at around 260 mtpa, with efforts ongoing to boost it beyond 300 mtpa.

IOC is currently expanding the capacity of its key refineries.

The company is also planning to increase its petrochemical production capacity from 4.3 mtpa to 13 mtpa by 2030.

Business Standard 30.01.2026

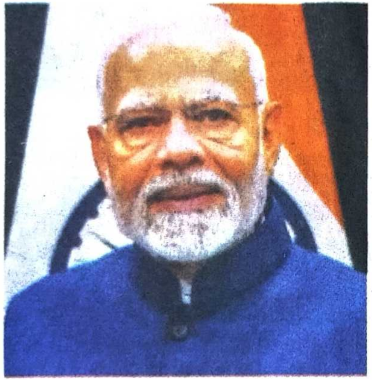
FTA with EU is for ambitious India: PM Modi

PRESS TRUST OF INDIA
New Delhi, 29 January

Prime Minister Narendra Modi on Thursday said the free trade pact with the European Union (EU) is for an ambitious India and urged manufacturers to benefit from new markets opening for them.

Modi also said that the nation is coming out of long-term pending problems and working towards long-term solutions.

Time has come to find solutions and not create hurdles, he said, adding his government is not confined to just files but ensuring last mile delivery of welfare schemes to the people. "Our priority is always human-centric while taking steps for all-round development of the country," he told reporters in Parliament House complex in his customary briefing at the beginning of the Budget session.



Prime Minister Narendra Modi said time had come to find solutions and not create hurdles

An India full of confidence has emerged as ray of hope for world, he added. Modi said the free trade agreement (FTA) with the EU is for an ambitious India and urged manufacturers to benefit from new markets opening for them.

"A new market has opened up. It offers quality products to 27 EU member nations," he said in an appeal to manufacturers.

India and the EU on Tuesday announced the conclusion of negotiations for the FTA, described as 'mother of all deals', under which 93 per cent of Indian shipments will enjoy duty-free access to the 27-nation bloc, while import of luxury cars and wines from the EU will become less expensive.

The deal, concluded after negotiations spanning about two decades, will create a market of about 2 billion people across the world's fourth-largest economy, India, and the second-largest economic bloc, the EU.

Referring to President Droupadi Murmu's address to the joint sitting of both Houses of Parliament on Wednesday, he said it was an expression of confidence of 140 crore citizens and outlined aspirations of the youth.

He also noted that Finance Minister Nirmala Sitharaman is going to table her ninth consecutive budget on Sunday and that she is the only woman finance minister in the country to achieve such a significant feat.

US trade deficit gap widens

Financial Express 30.01.2026

THE US TRADE deficit widened in November from the lowest level since 2009 as imports rebounded and exports fell, highlighting wide monthly swings in response to Trump administration's vacillating tariffs. The goods and services trade gap nearly doubled from the prior month to $56.8 billion, Commerce Department data showed on Thursday. The median estimate in a *Bloomberg* survey of economists was for a $44 billion deficit.

The trade data have been prone to volatility related to the implementation of US trade policy. In recent months, there's been a surge in trade of non-monetary gold and pharma preparations in response to President Trump's tariff announcements.

That was the case again in November, with a surge in inbound shipments of pharmaceuticals and a slide in gold exports. Overall imports increased 5%, also boosted by capital goods, such as computers and semiconductors.

The value of all US goods and services exports fell 3.6% in November. The figures aren't adjusted for inflation. The latest trade data will help economists firm up their estimates for fourth-quarter gross domestic product. Before the figures, the Federal Reserve Bank of Atlanta's GDPNow forecast net exports would add 1.88 percentage points to fourth-quarter growth.

On an inflation-adjusted basis, which filters into the real GDP measurement, the merchandise trade deficit widened to $87.1 bn in November, the largest in four months. Trade in gold, unless used for industrial purposes, such as in the production of jewellery, is excluded from the government's GDP calculation. **BLOOMBERG**

India widens crude oil import basket

SAURAV ANAND
New Delhi, January 29

INDIA HAS DIVERSIFIED its sourcing of crude oil in the current financial year, with a notable increase in the number of countries from which it imports crude, even as supplies from some traditional and recent top suppliers have declined, according to the Economic Survey 2025-26.

The survey said that in FY26 (April–November), crude oil imports from Libya, Egypt, Brazil, the United States and Brunei increased significantly compared to the same period in FY25, while imports from Russia, Saudi Arabia, Iraq and Venezuela declined.

"Although imports from other countries account for a significant portion of India's crude oil imports, the shares of the US, Egypt, UAE, Nigeria and Libya have increased," the survey said.

Between April and November 2025, the share of crude oil imports from the US rose to 8.1% from 4.6% in the same period of FY25, while the UAE's share increased to 11.1% from 9.4%. Egypt's share increased to 1.4% from 0.3%, Nigeria's share rose to 3.3% from 2.2%, and Libya's share increased to 0.5% from 0.1%, according to survey data. The decline in imports from Russia comes amid heightened geopolitical developments, including the US announcement of high tariffs on countries purchasing Russian oil and sanctions on major Russian oil producers.

‘$2 trillion export goal within reach by 2032’

Business Line 02.02.2026

CALIBRATED PUSH. Commerce Minister Piyush Goyal says Budget will boost labour intensive, services and technology sectors

bl.interview

Amiti Sen
New Delhi

Commerce and Industry Minister Piyush Goyal elaborated how Union Budget 2026-27 will boost exports, ramp up investments and create employment. The Minister highlighted the focus on labour-intensive sectors, boost to data centres and the services sector as well as a calibrated push for SEZ sales in the domestic market.

Edited excerpts:

This Budget has considerable focus on labour-intensive sectors, especially textiles, marine and leather. To what extent will it help exporters navigate the current turbulence in global trade?

India continues to do well despite the turbulence in global trade. The Budget will help us do even better as it provides huge opportunities to look at growth in these labour-intensive sectors.

The same holds true for the services and technology sector. In technology, for example, data centres getting a tax holiday up to 2047 will give a big boost to investments by foreign companies to set up data centres in India, to provide cloud services internationally. Look at the holistic benefits... investments will come to India, jobs will be created in India; they require large amount of real estate, so construction activity will get a boost; they require large amounts of renewable energy, so huge investments will come into clean energy. It will give a fillip to our power sector, green hydrogen, green ammonia, nuclear, solar, hydro pump storage and battery storage — all of them will get a boost with the data centres being attracted to India.

I can list so many such areas from the Budget. The self-help groups of women will give a fillip to their income.

And then, correspondingly, to consumption level. Consumption will give a fillip to trade and the economy, creating jobs. And there is a lot of focus on rescaling to prepare our youth for the technology of tomorrow.

> The Budget will help us do even better as it provides huge opportunities to look at growth in the labour-intensive sectors
>
> **PIYUSH GOYAL**
> Commerce and Industry Minister

And I cannot but mention infrastructure spending — once again there has been a 10 per cent growth. Expenditure of ₹12,20,000 crore in infrastructure and the multiplied impact of that will give a boost to India’s growth story.

Will it be possible to quantify the export boost for the labour-intensive sectors because of these measures?

Boost will come when people exploit the available opportunity. But I have no doubt that our business and industry are ready. They are also very excited with all the free trade agreements that we have entered into, which will open up a plethora of opportunities in the developed world. And my sense is that we are moving rapidly towards the $2 trillion export target.

Of course, we lost two-and-a-half years due to Covid. So, may be, by about 2032-33, we can expect to have $1 trillion of merchandise exports and $1 trillion of services exports, given all the various measures in this Budget and which otherwise we are doing through international trading arrangements, FTAs, reduction in compliance burden, simplification of businesses.

Could you explain the one-time measures proposed to facilitate sale from SEZ units to the domestic market?

Basically, existing units in SEZs will be allowed to sell a certain proportion of their production (predominance will continue for exports) in the domestic tariff area, with a rebate on the duty that they have to pay.

The idea is to allow them to replace some of the imports that come in from abroad (such as those at concessional duties from ASEAN nations with which India has an FTA). This will provide SEZ units an opportunity to use their excess capacity in India to service the domestic market.

We will also, at the same time, keep in mind that domestic manufacturers, should not suffer, so that there is an equalisation of benefits.

How will the domestic sale limits and eligibility of sectors be determined under the one-time SEZ rules relaxation?

That will be determined sectorally by the Finance Ministry. So, broadly, all the existing units will be eligible. But we may keep some sectors out of it.

For example, petrol and diesel refineries may not be included in that for domestic sales. Some of the measures that have been announced could be implemented through rule making, while some may need legal changes.

The Budget mentions schemes for promoting the leather and footwear sector. Will it be on the lines of the PLI scheme? And what about the allocation?

Allocation is not a problem. By the time you come out with the scheme and people invest, you may not need the money in the current year. But yes, we are examining the possibilities of supporting our leather and footwear through a DPIIT scheme. What form it will take, we will know only when the contours of the scheme are made.

Business Line 02.02.2026

Fibre scheme to strengthen self-reliance in textile sector

STRONGER FABRIC. Tech upgrades in clusters, textile parks to boost productivity

T E Raja Simhan
Chennai

The Budget has introduced a five-year 'Mission for Cotton Productivity', while also proposing a 'National Fibre Scheme'. These are efforts to spur *atmanirbharta* (self-reliance) in the textile industry, sources said.

For the labour-intensive textile sector, Finance Minister Nirmala Sitharaman proposed an integrated programme with five sub-parts — the National Fibre Scheme for self-reliance in natural fibres such as silk, wool and jute, man-made fibres and new-age fibres.

THREADING LIVELIHOODS. The textile industry is the second largest employment provider, next only to agriculture, accounting for more than 105 million jobs REUTERS

TECH UPGRADATION

She also announced the Textile Expansion and Employment Scheme to modernise traditional clusters with capital support for machinery, technology upgradation and common testing and certification centres.

A national handloom and handicraft programme will integrate and strengthen existing schemes and ensure targeted support for weavers and artisans.

She announced the setting up of mega textile parks in challenge mode. They can also focus on bringing value addition to technical textiles.

She proposed to launch the Mahatma Gandhi Gram Swaraj initiative to strengthen khadi, handloom and handicrafts and a dedicated initiative for sports goods to promote manufacturing, research and innovation in equipment design as well as material sciences. The textile industry is the second largest employment provider, next only to agriculture, at over 105 million jobs, especially in rural areas and among women.

The Centre had set a target of increasing the textile business size from \$179 billion to \$350 billion, and exports from \$38 billion to \$100 billion by 2030, attracting new investments to the tune of \$100 billion and create new jobs for around 20 million people, apart from sustaining existing jobs.

Rajeev Gupta, Joint Managing Director, RSWM Ltd, a leading yarn manufacturer based in Rajasthan, said that the National Fibre Scheme is significant in strengthening self-reliance across natural, man-made and new-age fibres, while mitigating supply-chain vulnerabilities amid global disruptions.

Competitiveness in textiles begins with raw material security and competitive pricing.

The Budget's proposal for a National Fibre Mission, covering the full fibre spectrum, will ensure supply stability, price competitiveness, and stronger global positioning of finished textile and apparel products, said Prabhu Dhamodharan, Convenor, Indian Texpreneurs Federation (ITF), Coimbatore.

The Budget's push for technology upgrades in clusters and mission-mode mega textile parks will enable faster scaling, higher productivity, and globally competitive supply chains, he said.

COTTON MISSION

According to Durai Palanisamy, Chairman, The Southern India Mills' Association, the National Fibre Scheme will strengthen availability of raw materials including man-made fibres and new age fibres. The Centre had already allocated ₹5,900 crore under "Mission for Cotton Productivity", which covers new-age fibres, he said.

A Sakthivel, Chairman, Apparel Export Promotion Council (AEPC), said the National Fibre Scheme is a significant step towards self-reliance across natural fibres such as silk, wool and jute, man-made fibres and new-age fibres.

This integrated approach will help India build a robust raw material base and reduce import dependence while supporting innovation. The Mahatma Gandhi Gram Swaraj Initiative will energise khadi, handloom, and handicrafts, promoting inclusive growth and rural livelihoods, he said.

With inputs from Vishwanath Kulkarni in Bengaluru

Business Standard 02.02.2026

Services sector put in the front seat

Budget targets 10% global services share by 2047

GULVEEN AULAKH
New Delhi, 1 February

With the aim of capturing a 10 per cent share of global services exports by 2047, Finance Minister Nirmala Sitharaman put a renewed emphasis on the services sector, pushing it to the forefront of the growth strategy.

In her Budget speech, Sitharaman announced a high-powered standing committee on education, employment and enterprise. The committee's mandate will be to identify future sectors of growth and job creation in an economy where artificial intelligence (AI) is expected to become a mainstay, and to recommend measures to stay ahead of global shifts. The prominence given to services points to the government's acknowledgement that manufacturing alone will not suffice to generate jobs for the growing youth workforce.

TAX COLLECTED AT SOURCE ON OVERSEAS TOUR PACKAGES REDUCED TO 2 PER CENT FROM 5 PER CENT

The proposed committee is expected to undertake a wide-ranging, ministry-level exercise. According to the indicative terms of reference outlined in the Budget, it will identify sector-specific gaps as well as cross-sectoral policy and regulatory challenges. Its responsibilities will include standards- setting and accreditation, along with recommending measures to unlock employment potential across services.

The committee will also examine opportunities for services exports and assess the impact of emerging technologies on jobs and skill requirements. It will propose specific measures to embed AI into education curricula from the school level onwards and to upgrade State Councils of Educational Research and Training for teacher training.

Upskilling and reskilling of technology professionals and engineers in AI and emerging technologies will be another key focus area. The panel will also suggest measures for AI-enabled matching of workers, jobs and training opportunities. Other areas under consideration include making informal work more visible and verifiable, preparing it for future demands, and identifying ways to attract skilled diaspora and foreign talent to India. These measures, Sitharaman said, will focus on the services sector as a core driver of Viksit Bharat. "This will make us a global leader in services, with a 10 per cent global share by 2047," she said.

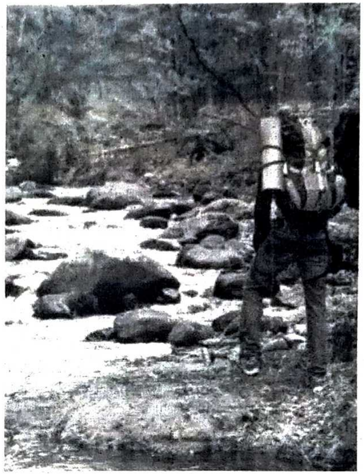
Industry leaders welcomed the intent, while flagging execution as critical. "Success will depend on execution," said Ashwin Damera, co-founder and chief executive officer of ed-tech firm Eruditus. "If industry is meaningfully integrated into curriculum design and institutions are held accountable for placement outcomes, this can materially improve employability and align education with workforce needs."

The Budget also proposed a tax holiday until 2047 for foreign cloud service providers using Indian data centres, subject to conditions such as servicing domestic customers through Indian resellers. In addition, software, IT-enabled services, knowledge process outsourcing and contract research and development will be clubbed under a single IT services category to simplify taxation.

Analysts at brokerage DBS pointed to the continuation of safe harbour provisions, which they said would improve compliance ease and reduce disputes for service providers. Exemptions on global income for non-resident experts would also benefit the sector, they added.

"The Budget places strong emphasis on employment generation and human capital development. Initiatives covering education, skilling, healthcare, tourism, creative industries and services will help create quality jobs across the economy," said Chandrajit Banerjee, director general at the Confederation of Indian Industry. "The focus on emerging sectors reflects a long-term vision for building a future-ready workforce."

Tourism received particular attention as a major employment generator and source of foreign exchange. Sitharaman proposed creating the country's first National Institute of Hospitality by upgrading the National Council for Hotel Management and Catering Technology in Noida. Culture and tourism minister Gajendra Singh Shekhawat said the government was already working on the institute's curriculum, aimed at strengthening professional training and aligning hospitality education with global standards.



"The renewed emphasis on the services sector, coupled with the recognition of tourism's potential to generate employment, boost foreign exchange earnings and expand local economies, is particularly encouraging," said KB Kachru, president of the Hotel Association of India and chairman, South Asia, Radisson Hotel Group. "It is expected to boost hotel viability, diversify India's offerings and enhance global competitiveness."

The finance minister also announced a pilot scheme to upgrade 10,000 tourist guides across 20 destinations through a standardised 12-week hybrid training programme, in collaboration with an Indian Institute of Management. Tax collected at source (TCS) on overseas tour packages was reduced to 2 per cent from 5 per cent.

"The rationalisation of TCS on overseas tour packages is a welcome step that addresses the upfront liquidity impact on Indian outbound travellers," said Rajesh Magow, co-founder and group CEO, MakeMyTrip.

To promote adventure and eco-tourism, Sitharaman announced the creation of hiking and trekking trails, turtle trails near nesting sites along the coasts of Odisha, Kerala and Karnataka, and bird-watching trails near Pulicat Lake on the border of Andhra Pradesh and Tamil Nadu. Heritage and cultural tourism also featured prominently, with proposals to develop 15 archaeological sites, including Lothal, Dholavira, Rakhigarhi, Adichanallur, Sarnath, Hastinapur and Leh Palace, into experiential cultural destinations.

Excavated landscapes would be opened to the public through curated walkways, while immersive storytelling technologies would be introduced to support conservation labs, interpretation centres and trained guides, she said.

"The Budget's renewed focus on tourism is a strong vote of confidence in an industry that creates livelihoods at scale," said Anil Chadha, managing director of ITC Hotels. "It supports local entrepreneurs, artisans and communities across the tourism value chain."

In the Northeastern region, Sitharaman proposed a scheme for developing Buddhist circuits across Arunachal Pradesh, Sikkim, Assam, Manipur, Mizoram and Tripura, covering temple and monastery preservation, connectivity, interpretation centres and pilgrim amenities. She also announced the development of an integrated East Coast Industrial Corridor with a node at Durgapur and the creation of five tourism destinations across the five Purvodaya states.

In healthcare, she proposed training 100,000 allied health professionals through new and upgraded institutes across the public and private sectors. An additional 150,000 multi-skilled caregivers would be trained to support geriatric and allied care services.