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Trade deal: Trump may cut tariffs on textiles to zero. But there's a catch

A clause of zero tariffs on Bangladesh textile exports to the US in the trade deal left the Indian textile industry. However, Piyush Goyal has now given an important clarification. We explain the issue to you.



Dosti back on rack? PM Narendra Modi and US President Donald Trump at the White House

A day after the Trump administration [revised its US-India trade deal factsheet](#), walking back on certain terms, more concessions are likely in store for New Delhi. Union Minister Piyush Goyal, on Thursday, in a big reveal, said India would also receive textile-related [trade benefits similar to those extended to Bangladesh](#) by the US. The minister, who has been at the forefront of trade negotiations with the US, suggested that, like Bangladesh, Indian textiles are also expected to get zero-tariff access to the US on garments made using American cotton once the final deal is signed.

The revelation by Goyal will come as a shot in the arm for India's textile and apparel exporters after the [US-Bangladesh trade deal](#) posed fresh challenges to the sensitive industry. In essence, the US seems to be slowly removing the trade deal irritants as it resets its overall bilateral ties with India.

Goyal's clarification came amid the political sparring over the trade deal after Congress MP Rahul Gandhi said the agreement was a "wholesale surrender" to Trump.

TRADE DEAL: WHAT PIYUSH GOYAL SAID?

Hitting out at the Leader of the Opposition, Goyal said, "He spread another lie in the Parliament that Bangladesh has got more benefits from the trade (deal) than India."

"Just as Bangladesh has a facility that if raw material is purchased from America, then if you process it and make cloth and export it, then it will be available at zero reciprocal tariff. India also has the same facility, and India will also get it," the Commerce Minister said.

Goyal said that while this clause might not be in the interim trade deal framework, released by the countries last week, it would feature in the final agreement.

"Right now, our framework agreement is being made. When the interim agreement is finalised, then you will get to see this in the fine print," he emphasised.

Now, as per the latest pact, India has already offered duty concessions for imports of US extra-long staple cotton. However, unlike Bangladesh, India has so far not secured zero-duty access for finished garments made using US cotton.

But, on the other hand, the move may stand to hurt Indian cotton exporters.

INDIA-US TRADE DEAL

India USA

RECIPROCAL TARIFFS SLASHED TO 18%

GAINS FOR INDIAN EXPORTS

- Textile & Apparel
- Leather & Footwear
- Plastic & Rubber
- Certain machinery
- Organic Chemicals
- Home Decor
- Artisanal Products

WHAT DOES IT MEAN FOR INDIA'S TEXTILES SECTOR?

If India eventually manages to reach such an agreement with the US, it will come as a welcome relief for India's labour-intensive textile sector. Notably, the US is the top market for India's textile exports, and 30% of all textile and apparel shipments from the country reach American shores.

Last week, the textile exporters rejoiced after India and the US reached a trade deal, with Trump reducing tariffs to 18% from a crippling 50%. Crucially, it gave India a tariff advantage over its competitors like Bangladesh, Pakistan (19%), Vietnam (20%) and China (30%).

The gains vanished days later after Bangladesh struck a trade deal with the US, which cut duties on exports to 19% from 20%. However, what pinched India was the zero-duty clause on Bangladeshi garment exports made with US cotton.

Under it, Bangladeshi garments and apparel made using American cotton will face zero duties. Thus, if Indian textiles face 18% tariff, it loses the competitive advantage as Bangladeshi garments will be cheaper for US consumers.

THE COTTON CLAUSE

Moreover, to get zero-tariff access to the US, Bangladesh would have to make more garments using American cotton. Thus, it will have to import more of this cotton and reduce dependence on its present suppliers.

Presently, India accounts for Bangladesh's top three importers of cotton. Now, as part of the trade deal with the US, Bangladesh is likely to shift even more towards American cotton. It will put pressure on Indian cotton traders.

Now, if India does manage to get such a concession from the Trump administration, like Bangladesh, it will go a long way in easing concerns within the domestic textile industry.

It comes even as the Trump administration revised its factsheet on the India-US trade deal. The White House dropped the claim that India would reduce tariffs on "certain pulses" and changed the wording relating to the \$500 billion purchase proposal. Moreover, the mention of India "removing" its digital services tax or Google tax was dropped altogether.

Are more such trade concessions and sweeteners from Trump in store before the mid-March signing of the formal deal? The next few weeks will give an indication. Thanks for your attention to this article!