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The Europe–India Textile Corridor

Trade Flows and the Post-Agreement Structure of EU–India Trade

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Preface and Scope

This paper examines the Europe–India textile and fashion trade corridor: its flows, the policy framework governing it, and the effect of the EU–India free trade agreement on its structure. Italy, the European Union's largest fashion-manufacturing economy and India's leading European trade partner in the sector, is taken as the lead worked example throughout.

Historical and reported figures are drawn from official and public sources, which are cited. The paper is intended for institutional readers — trade-promotion organisations, industry associations, and the firms that work with them. Monetary figures are reported in the source currency.

A note on method. Trade flows are characterised from official statistics and industry data; the directional assessment is the firm's. Qualitative assessments represent the firm's considered judgement and are indicative.

Contents

1. Summary

1.1 The Europe–India textile and fashion corridor has long been constrained by tariffs and transaction costs. The EU–India free trade agreement, concluded on 27 January 2026, removes the central constraint, converting a corridor of episodic, duty-burdened trade into a duty-free channel operating in both directions.

1.2 The corridor is genuinely bidirectional: Indian apparel, leather, and craft flow to Europe; European machinery, premium fabric, and finished product flow to India. Italy is the leading European participant on both sides of this exchange, and an established institutional framework supports the corridor's deepening across the major European markets.

2. The Shape of the Corridor

2.1 India's textile and apparel trade with the European Union is substantial and runs in both directions. Within it, the India–Italy flow is the largest single national component: bilateral merchandise trade between India and Italy was approximately EUR 14.4 billion in 2024, of which Indian exports accounted for some EUR 9.0 billion.[1] The textile and fashion component is not separately reported, but its principal flows can be identified, and they run in both directions. Table 1 sets them out, with Italy as the lead example of the wider European pattern.

Table 1. Principal flows of the Europe–India textile and fashion corridor

Flow	Direction	Character
Apparel and textiles	India to Europe	Established; now duty-free
Leather and footwear	India to Europe	Established clusters; duty-free
Craft and artisanal goods	India to Europe	Differentiated; complements European design
Textile machinery	Europe to India	Rising sharply; India a fastest-growing market
Premium fabric and inputs	Europe to India	Feeds Indian premium production
Finished branded product	Europe to India	Growing with India's premium market

Source: Embassy of India, Rome (India–Italy bilateral data); Prologue Research.

3. The Policy Framework

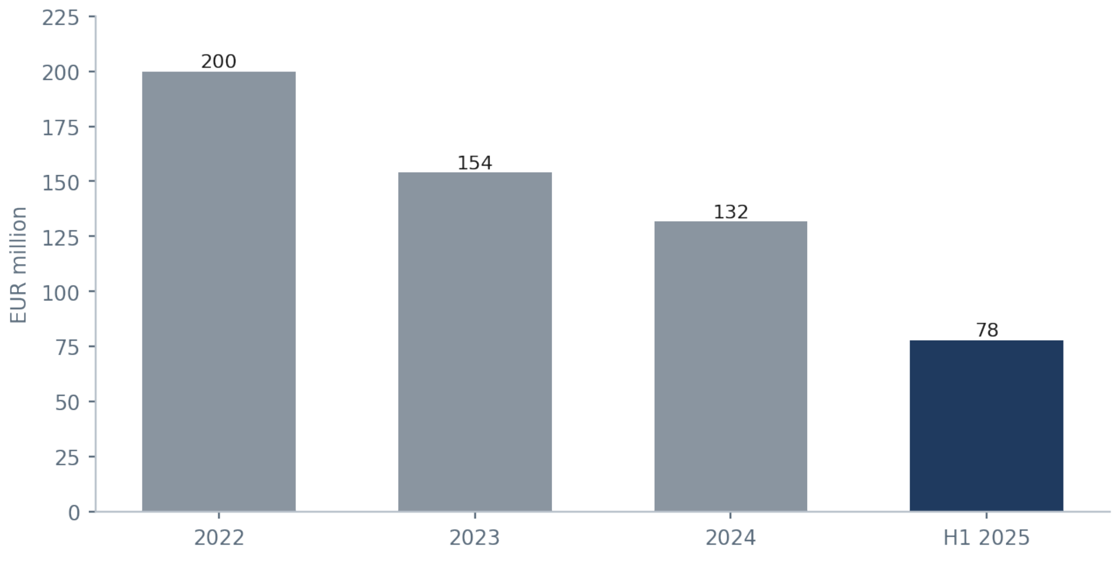
3.1 The corridor's defining development is the EU–India free trade agreement, concluded on 27 January 2026 after nearly two decades of negotiation.[2] It provides for the immediate elimination of duties across a large share of tariff lines, with textiles, leather, and footwear among the sectors receiving early liberalisation. India's textile and apparel exports to the European Union were around USD 7.6 billion in 2024–25, with Italy among the leading destinations.

3.2 The agreement's structural effect exceeds the simple cheapening of trade. By removing the duty differential between European-designed and Indian-manufactured product, it lowers the cost of arrangements combining the two. The corridor shifts in character from trade toward integration. Institutional frameworks — bilateral strategic action plans and dedicated market-support measures, of which the India–Italy Joint Strategic Action Plan for 2025–29 is a leading example — are already in place to support this across the major European markets.

4. The Machinery Flow as a Leading Indicator

4.1 The clearest indication of the corridor's direction is the machinery trade, and here Italy is the leading European supplier. Italy is the third-largest supplier of textile machinery to India overall, with exports of approximately EUR 132 million in 2024.[3] In the first half of 2025, these rose approximately 51 per cent year on year, making India one of the fastest-growing markets for the Italian machinery sector. Italy's share of India's textile-machinery imports, around 7 per cent, rose markedly between 2020 and 2023 — a pattern echoed across other European machinery exporters.

Figure 1. Italian textile machinery exports to India (EUR million) — lead European example



Note: Italian figures per ACIMIT. The 2025 figure covers the first half of the year.

4.2 This flow is significant as a leading indicator because machinery is an investment in future capacity: European equipment installed in Indian mills raises the quality and environmental performance of Indian output, strengthening India as a supplier to and collaborator with European industry. The relationship is, in this respect, self-reinforcing, and it is actively supported by joint trade missions.

5. Outlook

5.1 With tariffs removed, the institutional framework in place, and leading-indicator flows already rising, the corridor is positioned to deepen. Its future lies not in more of the same trade but in a qualitative shift toward integration: co-production, embedded technology, and two-way market access. The binding constraint is no longer policy but connection and coordination — an institutional task, and one the relevant institutions are already engaged in across the European markets.

[1] Embassy of India, Rome — India–Italy bilateral trade statistics, 2024 (cited as the lead European national flow).
[2] European Commission and Government of India — joint statement on conclusion of EU–India free trade negotiations, 27 January 2026.
[3] Association of Italian Textile Machinery Manufacturers (ACIMIT) — export data, 2024 and first half 2025.

This paper has been prepared by Prologue. Reported figures are stated as published by the cited public and official sources; flow and outlook assessments are the firm's considered judgement and are indicative. Correspondence: business@prologuet.com.