

RETAIL

# What the US-India Trade Deal Could Mean for Fashion's Supply Chains

BY JESSICA BINNS

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Photo: Ashish Shah

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When US President Donald Trump and Indian Prime Minister Narendra Modi announced a new trade framework this week, the fashion industry took note. The agreement, unveiled on Truth Social following a call on February 2, promises to lower the effective tariff burden on Indian exports to the US from punitive levels that had reached as high as 50% to a reported 18%, pending formal implementation.

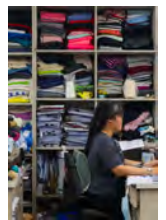
For fashion brands and retailers grappling with a prolonged period of tariff volatility, geopolitical risk, and supply chain fragmentation, the move has the potential to recalibrate sourcing economics almost overnight. India, long viewed as a promising but underutilized manufacturing base, could once again become viable within the “China-plus” diversification strategies that stalled under last year’s tariff shock.

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BY JESSICA BINNS



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Still, uncertainty looms. The agreement has been announced as a framework rather than a ratified free trade deal, with critical details — including final tariff rates, effective dates, and scope — unconfirmed.

“It’s too early to celebrate the social media-announced US-India trade relations,” says Steve Lamar, president and CEO of the American Apparel & Footwear Association

## India as part of a “China plus three or four” strategy

Despite structural challenges, India has steadily expanded its footprint in the US apparel market. In the first 11 months of 2025, the country accounted for 6.5% of US apparel imports by value, up from 5.7% in 2022, according to US International Trade Commission data. Footwear remains a smaller category, with India supplying less than 2% of US imports.

India's growth has been concentrated in apparel rather than footwear, particularly cotton-based products. Men's cotton knit tops, women's blouses, babywear, and home textiles are among the largest categories shipped to the US. India is now the third largest supplier of men's cotton knit tops to the US market, behind Vietnam and Bangladesh.

India's appeal as a sourcing destination extends beyond tariffs, and industry data suggests the country was already gaining ground before last year's disruption. According to the US Fashion Industry Association's 2025 Fashion Industry Benchmarking study, 77% of surveyed US fashion brands and retailers reported sourcing from India in 2025, with another 60% planning to expand sourcing through 2027.

That momentum hit a speed bump when US tariffs on Indian goods exceeded 50%. Between September and November, India's apparel exports to the US declined 16.25% year-on-year, underscoring how quickly punitive duties can suppress order flow, says Dr. A. Sakthivel, chair of India's Apparel Export Promotion Council (AEPC).

If the announced tariff reduction to an effective rate of 18% is implemented, Dr. Sakthivel expects a sharp rebound. India's apparel shipments to the US reached approximately \$5.33 billion in fiscal 2025, accounting for roughly a third of the country's total apparel exports. He believes lower duties could unlock as much as \$3 billion in additional annual business, particularly in cotton-heavy categories such as T-shirts, shirts, babywear, and innerwear.

proportion than imports from China or Vietnam. That vertical depth — spanning fiber, yarn, fabric, and garment manufacturing — reduces exposure to upstream volatility.



A worker weaves a traditional Banarasi sari on a handloom at a workshop in Ajmer. Photo: Getty Images

“India is one of few countries that can offer scale, variety, and fiber depth at the same time,” says Vincent Quan, professor in fashion business management at New York’s Fashion Institute of Technology (FIT). “It’s unlikely to replace any single sourcing hub outright, but it is increasingly important as part of a diversified portfolio.”

The long-established “China plus one” strategy is rapidly evolving into “China plus three or four”, as the diversification imperative applies to every sourcing hub — not just China — says Rita McGrath, management professor at Columbia Business School.

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Infrastructure bottlenecks, port congestion, inland transport costs, and audit fatigue remain persistent challenges.

“Logistics in India have been a challenge, with customers experiencing more friction than in other Asian sourcing hubs,” notes Margaret Bishop, assistant professor and textile supply chain management expert at Parsons School of Design. Apparel sourcing decisions today are shaped by a broader set of considerations than cost alone, including speed to market, flexibility, and compliance, adds Dr Sheng Lu, director of the department of fashion and apparel studies at the University of Delaware.

For brands, the risk is less about missing an opportunity than misreading its longevity. The past year has underscored how quickly trade conditions can shift — and how easily announced deals can be amended or reversed. “Tariffs are used as political pressure instruments,” says Achim Berg, founder of industry think tank FashionSights. “It’s very volatile, very hard to predict, and not necessarily driven by economic considerations alone.”

That volatility has a chilling effect on long-term investment. Brands are increasingly reluctant to make large, fixed commitments to new sourcing countries without confidence in policy stability. Instead, flexibility has become the dominant strategy.

## A broader geopolitical evolution

The US-India agreement fits within a wider pattern of bilateral, transactional trade negotiations reshaping global supply chains. Multilateral agreements involving the US are largely off the table, while existing deals are increasingly viewed as subject to change.

“This reflects a fundamental shift in how the US approaches trade with emerging manufacturing markets,” says Greg Husisian, partner at Foley & Lardner. “Tolerance for trade deficits is no longer seen as advancing broader foreign policy goals.”

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India's growing role as a trade partner offers clues about how competitive advantage is shifting globally. It is, as McGrath describes it, a textbook example of "transient advantage" — shaped by a narrow window of relative positioning rather than long-term supremacy.

The newly announced 18% tariff places US duties on Indian garments marginally below those applied to Bangladesh and Sri Lanka, both at 20%. At the same time, India now enjoys preferential or improving access to three of the world's largest apparel markets — the US, the EU and the UK — an alignment few sourcing countries can currently match. That advantage is amplified by instability elsewhere: Bangladesh, India's closest competitor in low-cost apparel, is grappling with daily power outages, political unrest, and factory closures that have disrupted production and shaken buyer confidence.

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BY SUJATA ASSOMULL



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What matters most, McGrath argues, is not any single data point, but how sourcing decisions are now being made. The criteria that once dominated supplier selection — price, quality, and volume — no longer operate in isolation. "What customers are looking for is flexibility and the capacity to respond in the moment to a shifting competitive environment," she says. "That's the nature of competitive advantage today: it's contextual, contingent, and constantly moving."

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brands will gain improved access to a wider array of premium raw materials from India, including exotic leathers, precious gems, and artisanal textiles. For fast fashion players, the opportunity is narrower but still meaningful, opening selective avenues for supply chain diversification. Different brands, McGrath notes, will place very different bets depending on their strategic positioning and tolerance for risk.

India's moment, then, is real but conditional. The tariff reset could unlock deferred orders and restore momentum, particularly in cotton staples and mid-volume categories. Yet, without binding commitments and predictable policy, the opportunity remains contingent for now.

In the near term, most brands are expected to adopt a wait-and-see approach, holding off on major sourcing shifts until details are finalised. Over the longer term, India is unlikely to displace China or Vietnam outright — but it may solidify its position as a core pillar within increasingly diversified sourcing portfolios.

“I don't think India will become a top three US supplier in the next five years,” says Lu. “But it is well positioned to continue growing its market share.”

McGrath advises brands considering deeper sourcing operations in India to build relationships, not just contracts. “Indian manufacturers are rebuilding trust after a brutal 2025,” she says. “Many exporters absorbed losses over the last six months to retain US customers. Those who invest in genuine partnerships — sharing demand forecasts, collaborating on capacity planning, maintaining orders through volatility — will get preferential treatment when capacity tightens.”

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