



INDIA - EU Free Trade Agreement

**Redefining Global
Competitiveness
for India's Leather
& Footwear Industry.**

For India's leather and footwear industry, the India-European Union Free Trade Agreement (FTA) represents far more than a conventional trade pact, it marks a decisive shift in India's global competitive positioning. The sector, which combines traditional craftsmanship with large-scale industrial manufacturing, has long been constrained by tariff disadvantages in the European Union (EU), one of its most important export destinations.

European buyers source footwear and leather goods primarily from countries that offer a combination of price competitiveness, compliance assurance, and supply reliability. Until now, India faced import duties of up to 17 percent on many leather and footwear categories, while competing suppliers such as Bangladesh and Vietnam enjoyed preferential or zero-duty access.

The India-EU FTA fundamentally removes this asymmetry, opening a new phase of opportunity for Indian manufacturers and exporters.

Tariff Elimination: A Structural Cost Advantage

The most direct benefit of the FTA is the elimination of customs duties on Indian leather and footwear exports to the EU. This change has immediate implications for factory gate pricing, buyer negotiations, and long-term sourcing strategies.

For exporters, zero-duty access:

- Improves landed cost competitiveness in the EU;
- Enhances margins or allows sharper pricing;
- Makes Indian suppliers viable alternatives in price-sensitive categories.

For EU buyers, the FTA reduces sourcing risk by enabling diversification away from overdependence on a few countries, strengthening India's appeal as a stable, large-scale sourcing destination.

Export Growth Potential and Cluster Revival

The EU already accounts for a significant share of India's leather and footwear exports, and tariff elimination is expected to substantially increase order volumes over the medium term. Growth is likely to be concentrated across established production clusters, including:

- Agra and Kanpur** – finished footwear, leather uppers, and export-oriented units.
- Ambur, Vellore, Ranipet, and Chennai** – large-scale footwear manufacturing and component suppliers.
- Kolkata** – leather goods, handbags, and accessories.

For these clusters, the FTA provides renewed momentum for:

- Capacity expansion
- Machinery upgradation
- Improved compliance infrastructure
- Deeper integration with EU buying houses

Impact on Footwear Manufacturing and Value Addition

The FTA is expected to accelerate a gradual shift from basic, low-margin exports to higher value-added footwear and leather products. With tariffs no longer eroding competitiveness, Indian manufacturers can invest more confidently in:

- Design and product development
- Premium materials and finishing
- Private-label manufacturing for European brands

This transition is particularly important for footwear exporters seeking to move beyond price-driven competition and improve export realisation per pair.



MSMEs, Employment, and Supply Chain Depth

India's leather and footwear ecosystem is heavily Micro, Small and Medium Enterprise (MSME) driven, especially in cutting, stitching, finishing, and component manufacturing. Increased EU demand following tariff elimination is likely to generate positive spillover effects across the value chain, including:

- Higher capacity utilisation in small and medium units
- Increased subcontracting and vendor participation
- Expanded employment, particularly for skilled and semi-skilled workers

The FTA thus strengthens the sector's role as a key employment generator while supporting cluster-based industrial development.

