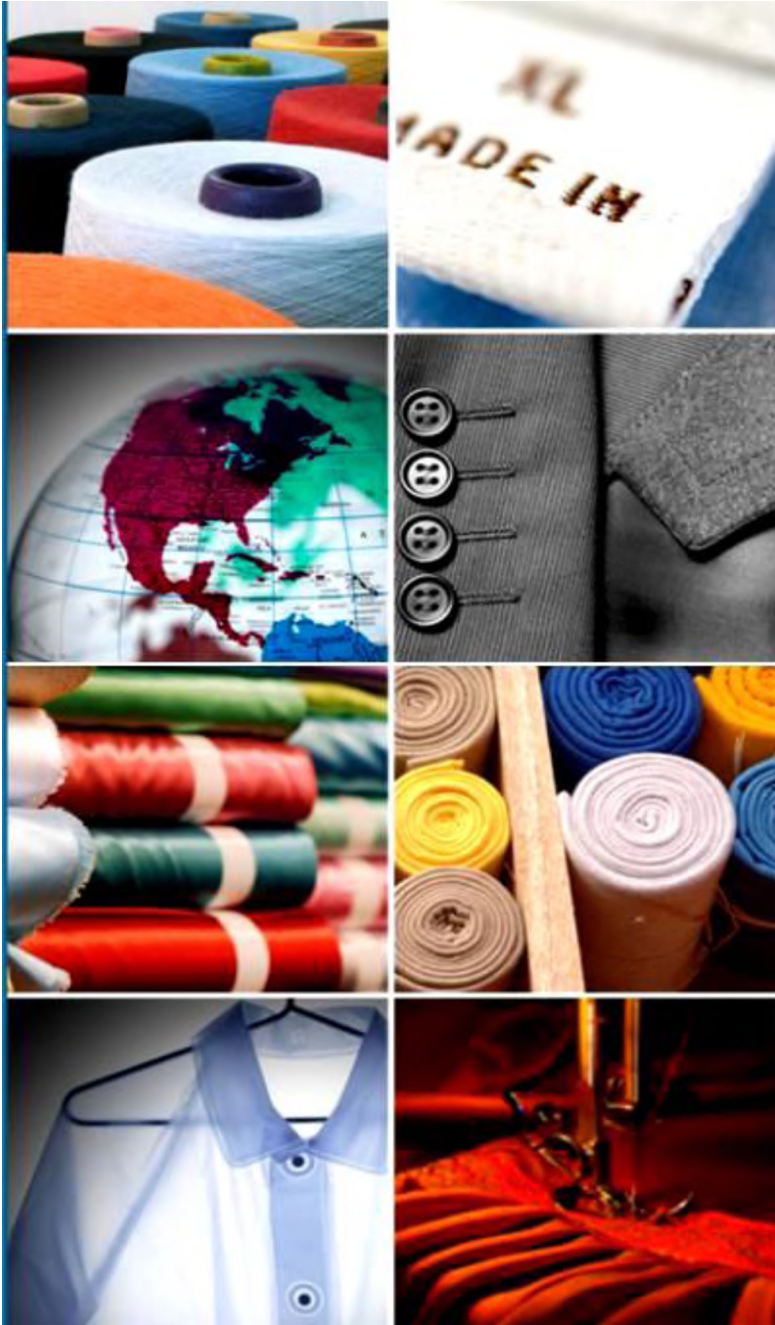


Ministry of Textiles



“Study on Enhancing Export
Competitiveness in Textile
Sector”

FINAL REPORT V4.0

14th December, 2016



ICRA Management Consulting Services Limited

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List of Abbreviations

S.No	Abbreviation	Definition
1	AA	Advanced Authorisation
2	AIR	All India Rate
3	ASCM	Agreement on Subsidies and Countervailing Measures
4	ATUFS	Amended Technology Upgradation Fund Scheme
5	BTP	Bio-Technology Parks
6	CAGR	Compound Annual Growth Rate
7	CBEC	Central Board of Excise and Customs
8	DDB	Duty Draw Back
9	DTA	Domestic Tariff Area
10	DFIA	Duty Free Import Authorisation Scheme
11	DGFT	Directorate General of Foreign Trade
12	EHTP	Electronic Hardware Technology Park
13	EoU	Export Oriented Unit
14	EPC	Export Promotion Council
15	EPCG	Export Promotion Capital Goods Scheme
16	EPZ	Export Promotion Zone
17	FTA	Free Trade Agreement
18	FTWZ	Free Trade and Warehousing Zones
19	FTP	Foreign Trade Policy
20	FOR	Freight on road and rails
21	GATT	General Agreement on Tariffs and Trade
22	HBP	Handbook of Procedures
23	ITC	Indian Trade Classification
24	LDC	Least Developed Country
25	MoT	Ministry of Textiles
26	NFE	Net Foreign Exchange
27	RRTUFS	Revised, Restructured – Technological Upgradation Fund Scheme
28	SEZ	Special Economic Zone
29	SITP	Scheme for Integrated Textile Parks
30	SION	Standard Input-Output Norm
31	STP	Software Technology Park
32	WTO	World Trade Organisation

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1. EXECUTIVE SUMMARY

Indian Textile & Apparel (T&A) exports were valued at US\$ 38 billion in 2014-15. The sectoral exports had a compounded annual growth rate of (CAGR) of 10 percent during the period, 2010-15. Indian textile exports have been steadily gaining ground on the world trade by increasing its share from 2.9 percent in 2004 to 5 percent in 2014. The key markets for India's textile exports are Europe with 27 percent share, US and Canada (20 percent), Middle-East & West Africa (14 percent), South and South-East Asia (14 percent) and Eastern Asia (11 percent). As of 2014 India had a global share of 9 percent exports in yarn, 14 percent in fibres, 14 percent in made-ups (14 percent), 3.4 percent in apparels (3.4 percent) and 3.7 percent in fabrics. This means that India has achieved export competitiveness in textiles as per the World Trade Organisation's (WTO) Agreement on Subsidies and Countervailing Measures (ASCM).

ASCM disciplines the use of subsidies and regulates the actions WTO-member countries can take to counter the effects of subsidies provided by another member country. Under ASCM, a developing country which has achieved export competitiveness, defined as 3.25 percent share in world trade, for a product must gradually phase out the export subsidies.

After the request made by the USA, WTO computed India's export competitiveness with regard to Textile products (Section XI) and it was communicated to India in 2010 that Indian T&A industry has achieved export competitiveness. It is in this regard Ministry of Textiles has mandated IMaCS to review the current support provided to the T&A industry and assess their compatibility with ASCM and recommend the policy modifications.

IMaCS approached this study in three distinct phases, with the objective of analysing existing subsidies in the context of WTO-ASCM and examining new or modulated forms of subsidies which are prohibited in nature. In the first phase, IMaCS analysed various existing subsidies that are directly or indirectly available to the Textile industry. Consequently, IMaCS identified schemes which must be phased out and those schemes which may be continued. As part of the study, IMaCS also analysed similar policies of several competing countries.

ASCM applies to subsidies provided to an enterprise or industry or group of enterprises or industries. In the context of export competitiveness¹, for a subsidy to exist – three conditions must satisfy together, i.e., there must be a financial contribution, by a government or public body and benefit to an enterprise or industry or group of enterprises or industries. If any of the three elements is missing, it is not a subsidy under ASCM.

A subsidy must have a financial contribution by the Government in terms of either a transfer of funds or grants, forgoing Government revenue in terms of tax credits or incentives or when the government provides goods and services, payments for purchases other than the general infrastructure. A subsidy is prohibited if it is contingent on exports and export performance or is meant for local content promotion specifically aimed at import substitution. In case the subsidy is not export contingent but is specific, i.e., targeted at a certain enterprise, a certain industry or a particular geography and is not uniform across all, then it is actionable as per ASCM. A non-specific subsidy is one that is widely available and hence does not fall under the purview of ASCM.

ASCM Article 27 provides for differential treatment of developing countries based on recognition that subsidies may play an important role in economic development programmes of developing country Members. As such, developing countries referred to in Annex VII are not subject to prohibition of subsidies contingent upon export provision. It includes India. However, a developing country member listed in Annex VII of ASCM which has reached export competitiveness for a product must phase out its export subsidies for such product(s) over a period of eight years.

In 2010, USA questioned India's export competitiveness status at WTO. Post assertion that India had achieved competitiveness, the country must phase out its export subsidies for textiles in eight years, i.e., by 2018.

An assessment of various subsidies and government schemes that benefit the textile and apparel industry with respect to ASCM requirements indicates that currently India offers two export contingent subsidies including MEIS, and EPCG schemes and they must phased out by 2018. Key schemes of the Ministry of Textiles such as ATUFS, TMTT, ISDS and SITP are not export contingent.

¹ Agricultural subsidy is a separately dealt with in the WTO Agreement on Agriculture and has not been considered for this study

Merchandise exports from India scheme (MEIS) (FTP-2015-20) is an export subsidy as far as India's textile section is concerned. Stated objective of scheme is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs involved and to provide exporters a level playing field. The scheme provides 2-5 percent duty scrips on total value of textile exports, that is, MEIS is an incentive that is export contingent and hence it has to be phased-out by 2018.

Export promotion of capital goods (EPCG) (FTP-2015-20) Scheme allows import of capital goods for pre-production, production and post-production at Zero customs duty. Import under EPCG Scheme is subject to an export obligation equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation. The revenue foregone by the Government by way of Zero customs duty under the scheme is contingent upon on export performance and thus qualifies as an export subsidy and hence the scheme has to be phased out.

Export oriented Unit (EoU) (FTP-2015-20): Units undertaking to export their entire production of goods and services, except permissible sales in Domestic Tariff Area (DTA)), may be set up under the scheme. The units may sell goods up to 50 percent of FOB value of exports, subject to fulfilment of positive Net Foreign Exchange (NFE) to DTA, on payment of concessional duties. The permission to sell in the DTA confers benefit to a firm/group of firms by way of concessional duties. Further this is contingent on exports, thus it can be deemed as prohibited subsidy. The scheme may be suitably modified by removing the permission to sell in the domestic market at concessional duties and then continued.

Advance Authorisation and Duty Free Import Authorisation (AA & DFIA; FTP-2015-20): Objective of the scheme is to ensure that import taxes or indirect taxes are not exported. Scheme allows duty free import of inputs to be physically incorporated in export product (with normal allowance for wastage). As per Annex I and II of ASCM, a drawback or remission scheme will convey a subsidy when there is reason of over-rebate or excess drawback of indirect taxes (such as excise duty) or import charges (such as custom duty) on inputs consumed in the production of the exported product. The scheme may be continued by ensuring a reasonable verification system to be in place and excess benefit is not passed on to the authorisation holder.

Duty Drawback (FTP-2015-20): Objective of the scheme is import taxes or indirect taxes are not exported. The admissible duty drawback amount is paid to exporters by depositing it into their

nominated bank account. As per Annex I, II and III of ASCM, a drawback or remission scheme will convey a subsidy when there is reason of over-rebate or excess drawback of indirect taxes (such as excise duty) or import charges (such as custom duty) on inputs consumed in the production of the exported product. The scheme may be continued by ensuring no excess drawback of indirect taxes/ duties is passed on to the exporter.

Amended Technology Upgradation Scheme (ATUFS) provides capital linked investment subsidy to textile industry for specified machinery. The scheme does not provide any export subsidies. However the scheme offers benefits specific to textile industry which are countervailable under Article 5 of ASCM. The scheme may be continued as deemed necessary.

Scheme for Integrated Textile Parks (SITP) provides support for infrastructure development. The support is not export contingent, so is not a prohibited subsidy. The scheme may be continued as deemed necessary.

Integrated Skill Development Scheme (ISDS) provides grants towards training in textile sector. The benefits provided are in line with National Skill Mission which is applicable across industries. The support is not export contingent. Thus the scheme may be continued.

Apparel Park/Incubation Support: The scheme provides support for infrastructure development. The support is not export contingent, so is not a prohibited subsidy. The scheme may be continued as deemed necessary.

The study also covers assessment of seven competing countries in terms of the following: profile of textile trade, textile specific policies and various internal and external factors of competitiveness such as labour cost, power cost, export cost, effect of FTA, etc. The seven countries are Bangladesh, Cambodia, China, Myanmar, Pakistan, Turkey, and Vietnam. While China has advantage of scale in manufacturing, Turkey, Bangladesh, Pakistan, Vietnam and Myanmar have advantage of access to markets at lower tariff rates. Further countries such as Myanmar, Bangladesh, Pakistan, Cambodia and Vietnam have additional advantage of lower labour costs.

POLICY RECOMMENDATIONS

The recommendations have been formulated with respect to phasing out of prohibited subsidies as well as providing new policy interventions to address the competitiveness of the industry.

I. Phasing out of Prohibited Subsidies

Since the export subsidies have to be phased out only for products falling under Section XI- Textiles and Textile articles of HSN, the schemes such as MEIS, EPCG may be retained and may be excluded only for products falling under the Section XI. However excluding only textiles from these schemes will be disadvantageous to the sector relative to other sectors. This will adversely impact the investments into the sector.

So two options of phasing out of prohibited subsidies emerge which are as mentioned below;

- Gradually reduce the subsidy /support under each of the schemes which are to be phased out,
- Gradually exclude products under Section XI from the schemes to be phased out, starting from products with low significance to products with high significance.

While excluding textile products from export subsidy schemes is imminent, provision of any benefits specific to textile units/industry to offset the loss arising from such exclusion may be deemed as specific subsidy under Article 2 of ASCM. Only the "specific" subsidies are subject to the SCM Agreement disciplines. Thus any policy intervention for development purposes must be widely available across the economy/industries for them to be non-specific.

ASCM provides guidelines on the extent of subsidy provision below which the CVD investigation on a developing country is terminated. As per Article 27.10(a);

“Any countervailing duty investigation of a product originating in a *developing country* member shall be terminated as soon as the authorities concerned determine that the overall level of subsidies granted upon the product in question does not exceed **2 per cent** of its value calculated on a per unit basis.”

So the specific subsidies with respect to textile industry may be limited to such an extent that the ad valorem impact on value of exported commodities does not exceed 2 per cent.

One of the schemes for textile industry Technology Upgradation Fund Scheme (TUFS) and its amended versions have helped Indian textile industry immensely in upgrading the technology and increasing the capacity. With declining labour intensity of production and increasing automation of production processes, the incentivising the creation of jobs will have to be prioritised. Further to improve the cost competitiveness the policy support may be focused towards reducing the factor costs such as capital, power, labour and transaction costs and promotion of innovation and R&D.

The support to be provided is being classified under the following heads:

- Capital Equipment
- Employment generation and training
- Working capital
- Infrastructure development for R&D, sustainable environment, zero defect manufacturing, use of renewable energy

The policy options for textile and apparel industry in India are listed below;

1. Support for Capital Equipment

MoT provides support for new investments through ATUFS which is a capital subsidy. The scheme has been popular and has helped in building capacity and competitiveness the textile sector through upgradation of the technology. Despite the investments sub-sectors especially the weaving and processing sectors remain the bottleneck in the textile value chain with high number of handlooms /shuttle powerlooms/ manual dyeing practices in the sector. It is an imperative for the industry to modernise and continuously upgrade the machinery.

a. Technology Upgradation Fund Scheme

The textile industry views faster technology adoption as a key requirement to accelerate the pace of manufacturing and be globally competitive. While machinery imports is a way out, considering the efforts of the government to boost domestic manufacturing under Make in India, ATUFS may be strengthened in a way that technology import and indigenous development have a level playing field. The overall support under the scheme may be limited 2 percent of ad valorem exports as per Article 27.10 of ASCM.

b. Textile Technology Development and Acquisition

India is self sufficient in machinery for the spinning segment. However, the country is dependent on machinery imports for weaving, processing, and garment manufacturing and technical textiles. In order to give a fillip to indigenous manufacturing of textile machinery, an investment fund can be established to facilitate the acquisition of suitable technologies and also development of technologies through contract, in-house development or through joint route of contract and in-house.

A technical committee may be set up to evaluate such an acquisition proposals from the industry players and suitable grant/equity may be provided subject to achievement of defined outcomes, commercialisation and matching investments in manufacturing.

2. Employment Generation Incentives

Skill development is a vital intervention to leverage the demographic dividend of India. This has been a thrust area of the government of India which has formulated a vision to create 100 million new jobs by 2022. Textile industry is among the most labour intensive industries and has significant potential to create jobs. Sub-sectors within the textile industry have different industry structure and hence varying degrees of employment generation. Further, capital required to generate sales is higher for Textiles than for Apparel. Employment generated per Rs. crore of fixed capital investment in apparel is over six times than that of textiles. It indicates higher employment generation in apparel sector.

Policy interventions may be focused towards achieving following objectives:

- Creating more jobs in textile industry to boost production, competitiveness and exports
- Facilities that provide more opportunities for employment women in textile centres and clusters
- Training/ retraining of unskilled/semi-skilled workers
- Creation of capacities in semi-urban/ rural centres away from urban centres to achieve cost effectiveness

It is recommended that the incentives may be provided to industries and entrepreneurs for setting up of new units which will be linked to the minimum wages and the number of people employed.

Some of the options for the policy support for new units are as follows:

- Wage support for employment of new employees for specific duration on reimbursement basis
- Re-imburement of portion of social benefits provided to new employees for a specific duration/regions
- Transport allowance to the new units for ferrying employees within a specified range for a specified period
- Employee settlement allowance for accommodation up to a specified period of say one month for the new employees to find suitable permanent accommodation. This may be linked to clusters.

a. Promotion of employment of women

Textile industry is one of the largest employers of women. Out of a total estimated employment of 35 million people in the industry an estimated 20 million are women. However, even in key manufacturing

centres facilities for enablers for greater employment of women are missing. Incentives for their training for specialisation, accommodation, day-care for children, basic sanitation and clean drinking water supply, healthcare, security, transportation and such other facilities may go a long way in improving their participation and productivity.

b. Transport subsidies

Transport subsidies for labour intensive Textile/Apparel units are being provided by State government of Andhra Pradesh, which is limited to first two years of operations of units providing direct employment to at least 1000 people in backward districts of Rayalaseema and North Coastal Andhra. The incentive will be subject to a maximum of Rs. 500 per employee per month or Rs. 3 lakh per year whichever is less, reimbursed on an annual basis. Similar scheme may be introduced across textile industry subject to careful evaluation of labour sources and/or radius limits. Hostel facilities may also be incentivised in lieu of transportation.

c. Promotion of employment and investments in rural areas

To promote the development of capacities in the rural areas textile and apparel industry may be aligned Government of India's RURBAN Mission considering the labour intensity the employment incentives be provided in 300 planned smart villages for setting up of an apparel manufacturing unit with at least 100 sewing machines. As the mission aims at skill and entrepreneurship development, the textile and apparel related training under ISDS may also be extended to units' within the village clusters. The same may be extended to other backward districts as well.

The overall ad valorem impact of all the specific subsidies may be maintained under 2 percent on the exports of textile products under Section XI as per the Article 27.10 of ASCM. Further Hiring subsidies may be made applicable across all industries under Make in India.

3. Working Capital support

a. Providing interest subvention towards working capital

Interest subvention on working capital may be extended to textile products as a whole. The rate of subvention may be rationalised with interest subvention on export credit. As per the annual survey of Industries data of 2013-14, which covers over 28,000 textiles and apparel manufacturing units the combined working capital amounts to Rs. 64,931 crore (including margin money) and a 3 percent interest subvention annually would result in an outgo of Rs. 1950 crore per year. As per CITI estimates the support for working capital will amount to Rs. 412 crore (Refer Appendix 2 for notes from CITI) annually.

While this support is not a prohibited subsidy under ASCM, it is specific to textile industry. To address the same the support under the scheme may be limited to such an extent that overall ad valorem impact of all the specific subsidies remains under 2 percent on the exports of textile products under Section XI as per the Article 27.10 of ASCM.

4. Others proposals:

- a. **Providing additional capital subsidy for setting up of renewable energy plants** for captive consumption for textile units which would eventually reduce the product cost on sustained basis.
- b. **Research and development incentives:** To promote R&D in the industry, incentives may be provided for setting up of R&D Centres which will have infrastructure/manpower as per pre-determined criteria. The R&D Centre and projects may be certified periodically by a selected research institution /agency. Incentives may be provided in the form of infrastructure and equipment cost, manpower cost or running cost. This will help industry in improving research capability, design and product development capability at the firm level.
- c. **Connectivity focus:** Coming back to the need for increasing productivity of the unorganised sector, Governments must realise the need for having close knit and digitally as well as physically well connected manufacturing clusters that accommodate both the organised and unorganised sectors of an industry. The connectivity perspective must be viewed as reaching across the country and not just within a local region of the State. This would help develop an efficient domestic as well as export market. Incentivising development of industry-supported common pooled infrastructure based on rational sharing of available resources can be developed. The incentive can be in the form of say, 1:10 or 1:15, that is, if the industry contributes Rs 1 towards the total cost of the infrastructure or resource, the government may provide Rs 10 or Rs 15.
- d. **Incentives for equipment/organisations to conform to 100 percent environment norms/ ZED (ZERO EFFECT ZERO DEFECT)** may also be incentivised under cluster development projects. ZED provides exposure towards best manufacturing practices which would improve the competitiveness of the organisation. ZED is more imperative

for textile sector where most of the units are SMEs. ZED standards may be defined for each segment of textiles with the help of Quality Council of India (QCI). Incentives may be linked to organisations achieving excellence in following best practices.

- e. **Incentives can also be tied to providing requisite and regular information.** Reporting of data is an imperative that most industries avoid addressing for various reasons. This may be incentivised for a defined period so that industries start to share important data points as per defined MIS systems, e.g., labour management information system (LMIS). These incentives may be discontinued over a period of time.
- f. **Some other initiatives that can be incentivised are:** local area development or community development under individual or pooled funding, release of un-used or under-utilised land for infrastructure development at rates that follow a well-defined formula² with provision for periodic revision. Production subsidies that support both domestic and export manufacturing are usually not subject to WTO discipline as long as they uniformly apply to all industries. Infrastructure development incentives are also not challenged under ASCM. Some of the most common areas for providing incentives include: education; R&D and innovation; green measures such as rain water harvesting, installation and use of renewable power, and maintenance of fragile ecosystem on campus or in the community, waste-water treatment technology adoption. Incentivising education initiatives with individual or pooled resources may prove useful in expanding or strengthening the education base. Other areas could include: development of market linkage with pooled resources (e.g., via LMIS), development of incubation centres (although China has been challenged or misusing this incubation incentive).
- g. **Some of the other State incentives** could be in the form of higher electricity duty exemption for manufacturing; fuel subsidy and tax refund on commencement of production both or organised and unorganised sector subject to condition such as mandatory filing of tax returns irrespective of income thresholds and information sharing, and opening of bank accounts, etc.; stamp duty exemption on acquisition of or pooling of land; and tax rebate on attracting foreign direct investment either as an individual company or as a cluster. For States to provide incentives to its exporters and domestic industry, a key concern to be sorted out is one related to flow of funds from

² The formula definition could take into account economic factors such as access to markets and raw materials, agri/ non-agri, existing level of infrastructure versus that required, extent of pooled land available versus required, availability of skilled labour versus required, etc.

the Central Government to State in a way that state incentives can be apportioned between revenue from export and domestic sale. This again refers to need for collecting required quality of standardised data from the beneficiary industry against an assurance of complete security.

- h.** Rationalise incentives that are not prohibited or actionable under WTO, but poorly used because of structural deficiencies: Incentives under the Central Government's Foreign Trade Policy directly address the needs of the export-import industry operating from any State. They may directly support exports (known as export subsidies) or may support manufacturing that depends on imports for exports. As mentioned earlier, *concerns such as inadequately defined SION list* or procedural delays related to handling of multiple documentation and such others *result in inadequate utilisation of these incentives although they may not be prohibited under ASCM*. While prohibited subsidies such as MEIS or EPCG may have to be removed by 2018, the other existing incentives under the Foreign Trade Policy warrants a re-look in order to increase their use by a wider set of manufacturer and merchant exporters. Duty scrips under MEIS and EPCG, together, account for estimated 15-20 percent of FOB value. By expanding the scope of SION list (including Trimmings and Embellishments) so that most freely importable products are included for exemption or remission irrespective of the product, the FTP may incentivise many more export manufacturer and merchant exporters than today. Simplification of documentation and training of exporters, down to the job worker level, on EDI filing and related norms, may go a long way in removing procedural burdens.
- i.** **Documentation and process for Brand rates may be rationalised** in a way to promote their use in place of AIR rates that have attracted investigations because of their non-transparent nature of determination.
- j.** **Contribution to Central Government Schemes may also be incentivised** for making available manpower/ management, e-commerce, skills, state-of-art technology, and facilities for Government's development schemes such as Digital India, Skill India, and Rurban (smart village) scheme based on well-defined services that can be offered by the industry and be eligible for receiving incentives.
- k.** Lastly, bilateral negotiations and FTAs must be concluded as swiftly as possible or alternatives must be explored to ensure that exports are not disrupted.

As long as a subsidy is widely available and not contingent to exports or incentivising import substitution, it is unlikely to be taken up for investigations by the WTO. Also, if the total value of subsidy per unit is less than 2 percent of overall exports, then it is not to be taken up for investigations by the WTO. However, this is easier said than done. With different taxation norms and incentives provided by different states, compiling and maintaining an all-India database may well prove to be a humungous task and also prone to discrepancies related to methods of data collection. In essence, all States may have to move towards a consensus on incentives that affect outcomes at WTO negotiations. This will not only help the export industry but also the States dealing with WTO issues. In short, subsidy provided should be production linked, widespread across industries and regions, and consistent across states. Production linked incentives that are widespread across industries are neither actionable nor prohibited.

2. BACKGROUND

Indian Textile & Apparel (T&A) exports were valued at US\$ 38 billion in 2014-15 and the sectoral exports' has witnessed a compounded annual growth rate of (CAGR) of 10% during 2010-2015. Indian textile exports have been steadily gaining ground on the world trade by increasing its share from 2.9% in 2004 to 5% in 2014. Under Agreement on Subsidies and Countervailing measures(ASCM) a country which has achieved export competitiveness (world trade share of 3.25%) for a product have to gradually phase out the export subsidies over a period of eight years. After the request made by the USA, WTO computed India's export competitiveness with regard to Textile sector (Section XI) and it was communicated to India in 2010 that Indian T&A industry has achieved export competitiveness. It is in this regard Ministry of Textiles has mandated IMaCS to review the current support provided to the T&A industry and assess the compatibility with ASCM and recommend the way forward on supporting the industry.

2.1. SCOPE OF WORK

The scope of work was to conduct a study on enhancing export competitiveness in textile sector of India.

2.2. TERMS OF REFERENCE

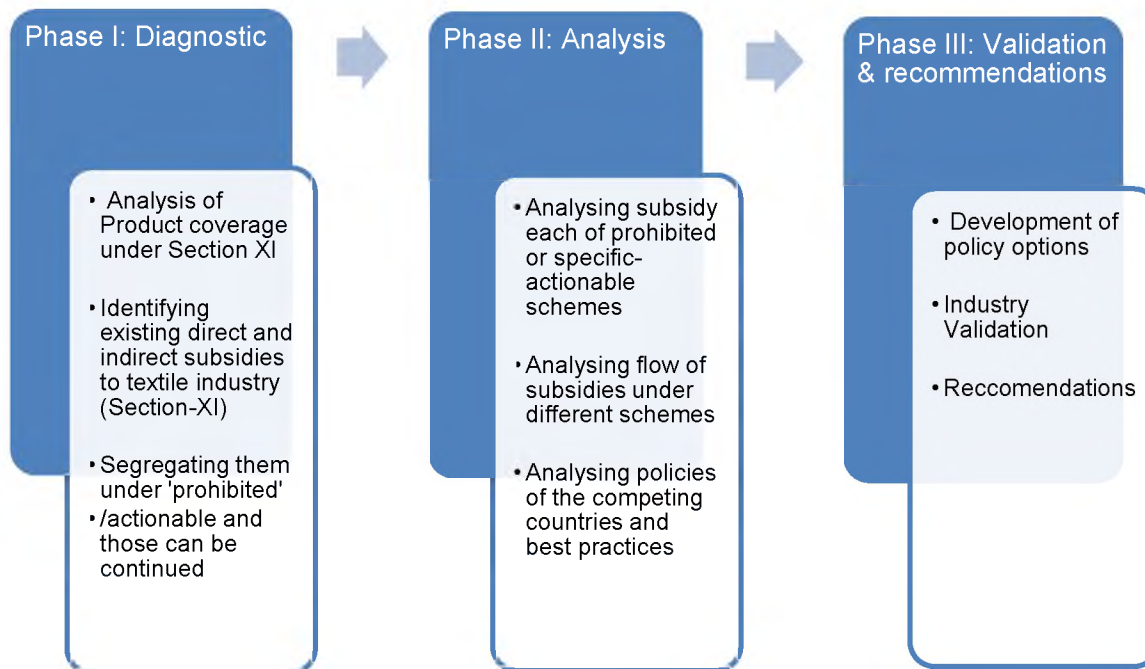
The Terms of Reference corresponding to the scope of work are as follows:

1. To analyse the present subsidies and schemes in the context of their eligibility under WTO agreement
2. To examine product groups of Section XI-Textiles and Textiles Articles of ITC HS Code Classification and report on them in the context of competitive criteria of Agreement on Subsidies and Countervailing Measures (ASCM), WTO
3. To recommend a road map on phasing out of subsidies
4. To recommend how the subsidy loss can be routed back to its non objectionable terms
5. To draft export incentive schemes that are WTO compliant
6. To examine good practices including zero defect manufacturing in competing countries and their customization in India
7. To develop recommendations to for improving productivity, quality and quantity of textile exports
8. To review existing textile subsidy programme and policies to support the sector

2.3. APPROACH

IMaCS approached this study in three distinct phases, with the objective of analysing existing subsidies in the context of WTO-ASCM and examining new or modulated forms of subsidies which are non-specific or specific-actionable in nature. The phase wise approach is shown in Exhibit 1.

Exhibit 1: IMaCS' approach to assignment



2.3.1. Phase-I: Diagnostics

The objective of this phase is to identify the existing subsidies and incentives schemes under the Foreign Trade Policy, 2015 and which are that are directly or in-directly available to the textile and clothing industry under Section XI of ITC HS Code. The next step is to segregate these subsidies and/or incentives into 1) prohibited and those which can be continued as the case may be under WTO-SCM discipline. The third step would be to see which products may be affected under the specific prohibited category after phasing out.

1. Module 1: Product coverage under Section XI

Products of the textile industry are covered under Section XI. The key product segments which would be analysed are as follows:

S.no.	Product Segment	Chapter – HS code (4 Digit)
1	Fibre	5001-03,5101-05,5201-03,5301-03,5305,5501-07
2	Yarn	5004-05, 5106-10,5204-07,5306-08,5401-06,5508-11,5604-06,5609
3	Fabric	5111-5113, 5208-5212, 5309-11, 5407-08,5512-16,5801-04,5806,5809, 5901-03 , 6001-6006
4	Apparel	6101 to 6117 and 6201 to 6217
5	Made ups	6301-04
6	Others	5601-03,5607-08,5701-05,5805,5807-08,5810-11,5905-11,6305-10

Export trends from India was analysed for the section XI covering volume and growth

2. Module 2: Identifying existing direct and indirect subsidies to textile industry (Section-XI)

Under this module, we have studied the relevant incentive and subsidy schemes for the textile and clothing industry under the policy to ascertain the basis for their existence or non-existence from 2018 onwards.

The existing policy schemes to be studied in this module are as follow:

- MEIS(Merchandise Exports from India Scheme)
- Duty Exemption / Remission Schemes
- DFIA(Duty Free Import Authorisation Scheme)
- EPCG(Export Promotion Capital Goods)
- EoUs/ SEZs
- Deemed exports

The existing schemes of Ministry of Textiles shall also be studied:

- Scheme for Integrated Textiles Park (SITP)
- Amended Technology Up gradation Fund Scheme (ATUFS)
- Technology Mission on Technical Textiles (TMTT)

3. Module 3: Identifying the schemes which needs to be phased out/modified/continued

In this module, we shall further analyse the existing policies mentioned above to segregate them into various categories under ASCM. This will help separate the ones to be mandatorily discontinued after 2017 and those that can be continued.

The aim will be to get a sense of modulation required in the two categories to or the extent of new schemes to be introduced given that certain subsidies will have to be discontinued.

2.3.2. Phase-II: Analysis

The objective of this phase is to assess the monetary impact of phasing out certain prohibited subsidies and for which product categories under Section-XI:

4. Module 1: Analysing subsidies for each of prohibited or specific-actionable schemes

In this module, we shall examine the key product categories that may be affected by the discontinuation of any prohibited subsidy. The assessment shall include an analysis of subsidy available to the product category and the likely impact. *We shall seek to estimate the maximum amount of modulation required to replace a prohibited subsidy.*

5. Module 2: Analysing flow of subsidies under different schemes

Under this module, we have analysed how the benefits flow under different specific schemes to gain an understanding of how, if in any way possible, they can be modulated out of the 'specificity' aspect under ASCM.

This will help identify schemes that need modulation and at what level of specificity and to what extent.

6. Module 3: Analysing policies of the competing countries and best practices

We have studied the textile and clothing industry of the following countries:

- China
- Turkey
- Bangladesh

- Pakistan
- Vietnam

This helped us gain insights into the subsidies available to their T&C industry

2.3.3. Phase-III: Validation and Recommendations

The objective of this phase was to validate the findings of the study with industry stakeholders and subject matter experts in the Government, in order to fine tune the recommendations.

7. Module 1: Development of policy options:

Based on the industry inputs/ policy options were developed towards enhancing competitiveness.

Proposed new areas to study for enhancing competitiveness are as follows:

- Environment sector incentives and technology up-gradation
- Skill development and employment generation
- Manufacturing shift towards smaller cities
- Women empowerment and panchayat level interventions
- Reduction of transaction cost through use of efficient infrastructure or technology
- Input costs
- Quality and productivity improvement
- Capital investment subsidy etc.
- Employment Creation

8. Module 2: Industry validation

Inputs from the stakeholders were collected towards validating the policy options to be pursued.

9. Module 3: Making recommendations

Based on the assessment and inferences drawn, recommendations were made on existing and new policy interventions.

2.4. METHODOLOGY

IMaCS has carried out this study through a mix of primary survey and secondary (desk) research.

2.4.1. Primary survey

IMaCS team had approached over 60 stakeholders and held interactions with industry stakeholders via different modes such as face-to-face interview, unstructured questionnaires on telephone/ email based on discussion guide³. The below is the list of stakeholders IMaCS has had discussions with.

Name	Designation	Organisation
Mr. Tony Uppal	Managing Director	Pee Empro Exports (P) LTD
Mr. Gurbir Singh Madan	Managing Director	MTC - Faridabad
Mrs. Rajnish Jain	Stat. Advisor	DGFT
Mr. Rajesh Mandawewala	Managing Director	Welspun
Mr. Premal Udani	Managing Director	Kaytee Corporation
Mr. Tapan Majumdar	Director	Ministry of Commerce
Mr. Manickam Ramaswamy	CMD	Loyal Textiles
Mr. Balaraju	Joint Textile Commissioner	Office of textile commissioner
Ms. Jayadubey	Director	Ministry of Textiles
Mr. Puneet Kumar	Secretary General	AEPC
Mr. Vijay Mathur	Additional Secretary General	AEPC
Mr. Anil Kumar	Executive Director	SRTEPC
Mr. Anil Rajavanshi	Sr. Exec. Vice President	Reliance Industries Limited

³ Please see section 8 for a proposed discussion guide coverage

Name	Designation	Organisation
Mr. Rajagopal	Executive Director	TEXPROCIL
Mr. Shiv Kumar Gupta	Executive Director	CEPC
Mr. Dk Nair & Mr. Binoy Job	Secretary General	CITI
Mr. Kuldeep Wattal	Chairman	CEPC

2.4.2. Secondary/ Desk research

IMaCS reviewed and analysed information available in the public domain which was considered reliable. They include government websites, WTO and related websites, industry association websites, export councils' website, research reports of reliable agencies/ individuals/ experts, DGCI&S/DGFT, UN-Comtrade, European Commission trade website, OTEXA, or such other reports, databases among other sources.

3. OVERVIEW OF EXPORT COMPETITIVENESS OF INDIAN TEXTILE INDUSTRY

3.1.OVERVIEW OF ASCM

WTO came into being upon its entry into force on January 1, 1995 and replaced the GATT system. The Uruguay round extended the range of trade negotiations, leading to 1) major reductions in tariffs (of about 40%) and agricultural subsidies, 2) an agreement to allow full access for textiles and clothing from developing countries, and 3) an extension of intellectual property rights.

The GATT treatment of subsidies (Articles VI and XVI) had historically been controversial and the discipline weak because of policy differences between the United States and the EC. A Subsidies Code was agreed upon in the Tokyo Round, but it skirted around important issues. The Uruguay Round Agreement on Subsidies and Countervailing Measures (ASCM) has generally been hailed as a major improvement over previous regimes, because it provides for the first time a definition of ‘subsidy’, lays down detailed standards for the conduct of countervailing duty investigations and provides a workable multilateral discipline over subsidies⁴.

The WTO Agreement on Subsidies and Countervailing Measures disciplines the use of subsidies, and it regulates the actions countries can take to counter the effects of subsidies. Under the agreement, a country can use the WTO’s dispute-settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects. Or the country can launch its own investigation and ultimately charge extra duty (“countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

Exhibit 2: Anti-dumping vs. countervailing action

Difference between Antidumping Action and Countervailing Action
<p>Dumping is an action by a company, while with subsidies it is an act of the government or a government agency, either by paying subsidies directly or by requiring companies to subsidize certain customers.</p>
<p>WTO being an organization of countries and their governments, it does not deal with companies directly and cannot regulate companies’ actions such as dumping. Therefore the Anti-Dumping Agreement only concerns the actions governments may take against dumping.</p>
<p>With subsidies, governments act on both sides: they subsidize and they act against each-others’ subsidies. Therefore the subsidies agreement disciplines both the subsidies and the reactions.</p>

⁴ Source: http://unctad.org/en/docs/edmmisc232add15_en.pdf

WTO-ASCM covers the following two key topics and is relevant to trade in goods:

- Multilateral disciplines regulating the provision of subsidies
- Use of countervailing measures to offset injury caused by subsidised imports

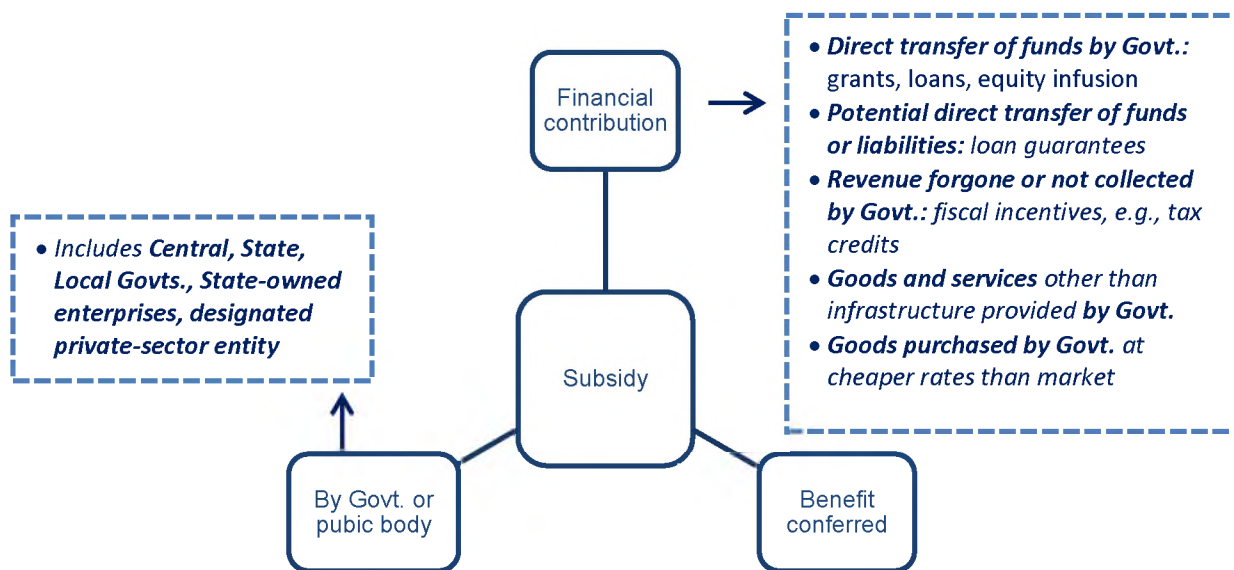
3.2.EXPORT COMPETITIVENESS UNDER ASCM

WTO-ASCM applies to subsidies provided to an enterprise or industry or group of enterprises or industries. In the context of export competitiveness⁵, the following ASCM Articles assume significance:

3.2.1. Definition of subsidy under ASCM

Subsidy and the essential features of a subsidy to qualify for regulation under ASCM are indicated in Exhibit 3.

Exhibit 3: Three essential elements for subsidy to exist



For a subsidy to exist – three conditions must satisfy together, i.e., there must be a financial contribution, by a government or public body and benefit to an enterprise or industry or group of enterprises or industries. If any of the three elements is missing, it is not a subsidy under ASCM. Subsidy is deemed to exist if (ASCM Article 1):

⁵ Agricultural subsidy is a separately dealt with in the WTO Agreement on Agriculture and has not been considered for this study

- There is a **financial contribution** by a **government** or any public body within the territory of a Member where:
 - A **government** practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees);
 - **government** revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits)⁶;
 - a **government** provides goods or services other than general infrastructure, or purchases goods;
 - a **government** makes payments to a funding mechanism, or entrusts or directs a **private body** to carry out one or more of the type of functions illustrated above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;
- or

There is any form of income or price support in the sense of Article XVI of GATT 1994

AND

A **benefit** is thereby conferred.

Financial contribution refers to financial provisions that charge on public account. However, where a subsidy is widely available within an economy, such a distortion in allocation of resources is presumed not to occur, i.e., **widely available subsidy may not be counted as financial contribution akin to subsidy under ASCM.**

Benefit is defined as advantage to recipient (not cost to government) as compared to the advantage/disadvantage available from market to the recipient. In order to calculate benefit to the recipient, any method used by the investigating authority must be provided for in the national legislation or implementing regulations of the Member. The following guidelines will apply (ASCM Article 14):

- Government provision of **equity capital is not considered as conferring a benefit, unless inconsistent** with the usual investment practice of private investors

⁶ In accordance with the provisions of Article XVI of GATT 1994 (Note to Article XVI) and the provisions of Annexes I through III of this Agreement, the exemption of an exported product from duties or taxes borne by the like product when destined for domestic consumption, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy.

- **loan by a government is not be considered as conferring a benefit, unless there is a difference** between the amount that the firm receiving the loan pays on the government loan and the amount the firm would pay on a comparable commercial loan obtained from the market. **The difference between the two amounts is the benefit.**
- **A loan guarantee by a government is not considered as conferring a benefit, unless there is a difference** between the amount that the firm receiving the guarantee pays on a loan guaranteed by the government and the amount that the firm would pay on a comparable commercial loan absent the government guarantee. The benefit is the difference between these two amounts adjusted for any differences in fees.
- The **provision of goods or services or purchase of goods by a government is not considered as conferring a benefit unless the provision** is made at more than adequate remuneration and the purchases are made at lower rates than market. The **adequacy of remuneration** is determined in relation to prevailing market conditions for the good or service – including price, quality, availability, marketability, transportation and other conditions of purchase or sale.

3.2.2. The concept of specificity

Specificity determines whether the subsidy in question is subject to action under multilateral disciplines and countervailing measures. These are indicated in Exhibit 4.

Exhibit 4: Types of specificity

Specificity under ASCM regulation	
Enterprise specificity	A government targets a particular company or companies for subsidisation
Industry specificity	A government targets a particular sector or sectors for subsidisation
Regional specificity	A government targets producers in specified parts of its territory for subsidisation
Prohibited subsidy	Is also a specific subsidy where a government targets exports goods or goods using domestic inputs for subsidisation

Specificity determines whether the subsidy is specific to an enterprise or industry or group of enterprises or industries. Subsidy that distorts the allocation of resources within an economy may be subject to discipline for specificity under ASCM. Where a subsidy is widely available within an economy, such a distortion in allocation of resources is presumed not to occur, i.e., **widely available subsidy is non-specific and hence not under the purview of ASCM discipline.**

Where a subsidy is explicitly limited to a sector or region, either by the granting authority, or by legislation, it is *de jure* specific. Specificity also includes instances of: 1) use of a subsidy programme by a limited number of certain enterprises, 2) predominant use by certain enterprises, 3) grant of disproportionately large amount of subsidy to certain enterprises, 4) manner in which discretion is exercised by granting authority in the decision to grant subsidy. These are also known as *de-facto* specific.

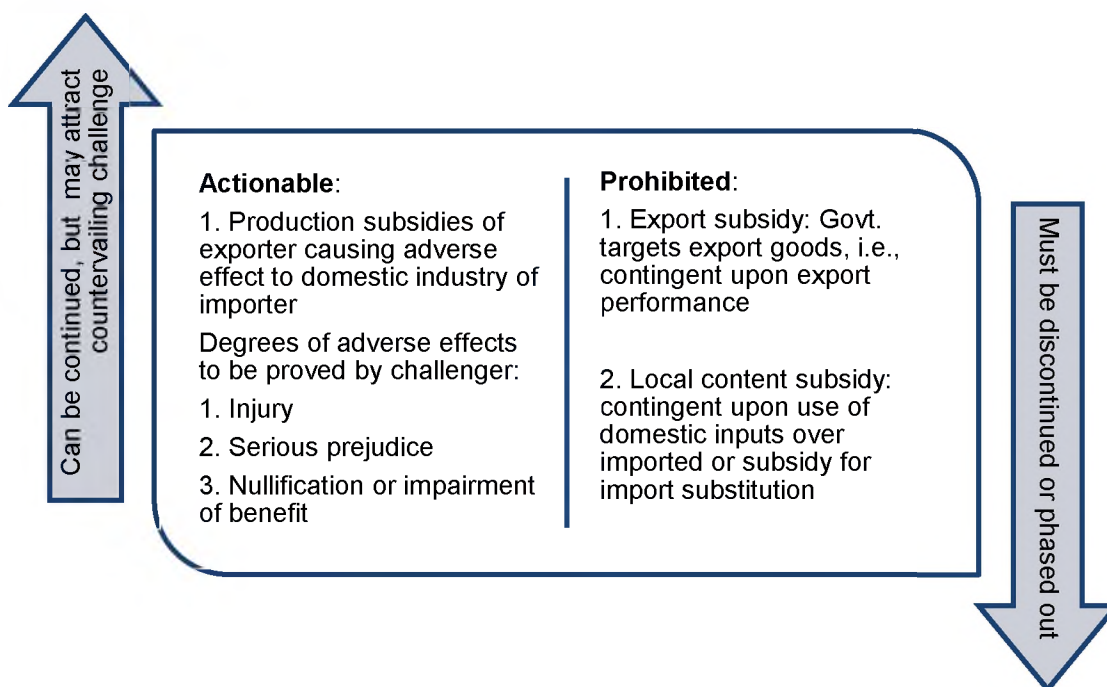
3.2.3. What does not fall under specificity? (ASCM Article 2):

A subsidy is not specific provided that eligibility is automatic and, criteria and conditions are strictly adhered to. Objective criteria or conditions mean conditions which are neutral, do not favour certain enterprises/industries over others, are economic in nature, and are horizontal in application.

3.2.4. Prohibited and Actionable subsidies

The concepts of prohibited and actionable subsidies, which determine whether the subsidy in question is to be withdrawn or removed or phased out all together or continue to exist but be subject to countervailing challenge from a member country. (ASCM Articles 3 and 5)

Exhibit 5: Two types of subsidies - Actionable and Prohibited



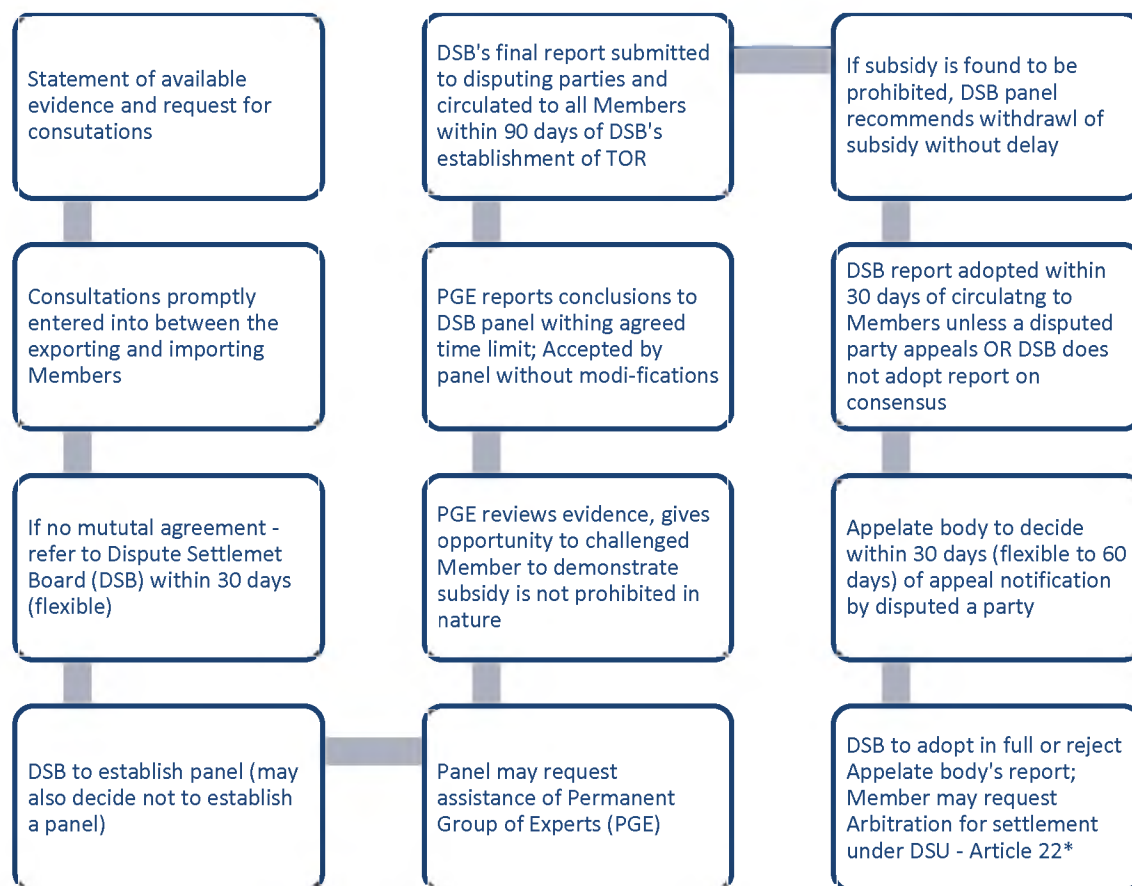
Prohibited subsidies can be challenged under multilateral track. Annex 1 of ASCM lists export subsidies as follows. Any other subsidy is **not** prohibited.

Exhibit 6: Prohibited export subsidies

Illustrative list of Export Subsidies under ASCM Annex I
Provision by governments of direct subsidies to a firm or an industry contingent upon export performance.
Currency retention schemes or any similar practices which involve a bonus on exports.
Internal transport and freight charges on export shipments , provided or mandated by governments, on terms more favourable than for domestic shipments
Direct or indirect provision by governments or their agencies through government-mandated schemes, of imported or domestic products or services for use in the production of exported goods, on terms or conditions more favourable than for provision of like or directly competitive products or services for use in the production of goods for domestic consumption, if (in the case of products) such terms or conditions are more favourable than those commercially available on world markets to their exporters.
Full or partial exemption, remission or deferral specifically related to exports, of direct taxes or social welfare charges paid or payable by industrial or commercial enterprises.
Allowance of special deductions directly related to exports or export performance, over and above those granted in respect to production for domestic consumption, in the calculation of the base on which direct taxes are charged.
In respect of production and distribution of exported products, exemption or remission of indirect taxes in excess of those levied in respect of the production and distribution of like products when sold for domestic consumption.
Exemption, remission or deferral of prior-stage cumulative indirect taxes on goods or services used in the production of exported products in excess of the exemption, remission or deferral of like prior-stage cumulative indirect taxes on goods or services used in the production of like products when sold for domestic consumption; provided, however, that prior-stage cumulative indirect taxes may be exempted, remitted or deferred on exported products even when not exempted, remitted or deferred on like products when sold for domestic consumption, if the prior-stage cumulative indirect taxes are levied on inputs that are consumed in the production of the exported product (making normal allowance for waste). This item is to be interpreted in accordance with the guidelines on consumption of inputs in the production process contained in Annex II.
Remission or drawback of import charges in excess of those levied on imported inputs that are consumed in the production of the exported product (making normal allowance for waste); provided, however, that in particular cases a firm may use a quantity of home market inputs equal to, and having the same quality and characteristics as, the imported inputs as a substitute for them in order to benefit from this provision if the import and the corresponding export operations both occur within a reasonable time period, not to exceed two years. This item is to be interpreted in accordance with the guidelines on consumption of inputs in the production process contained in Annex II and the guidelines in the determination of substitution drawback systems as export subsidies contained in Annex III.
Provision by governments (or special institutions controlled by governments) of export credit guarantee or insurance programmes , of insurance or guarantee programmes against increases in the cost of exported products or of exchange risk programmes, at premium rates which are inadequate to cover the long-term operating costs and losses of the programmes.
Grant by governments (or designated authority) of export credits at rates below those which they actually have to pay for the funds so employed (or would have to pay if they borrowed on international capital markets in order to obtain funds of the same maturity and other credit terms and denominated in the same currency as the export credit), or the payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining credits, in so far as they are used to secure a material advantage in the field of export credit terms. <i>However, if a Member is a party to an international undertaking on official export credits to which at least 12 original Members to this Agreement are parties as of 1 January 1979 (or a successor undertaking which has been adopted by those original Members), or if in practice a Member applies the interest rates provisions of the relevant undertaking, an export credit practice which is in conformity with those provisions shall not be considered an export subsidy prohibited by ASCM.</i>
Any other charge on the public account constituting an export subsidy in the sense of Article XVI of GATT 1994.

Remedies for challenged prohibited subsidies follow a process defined under ASCM Article 4, and are depicted as follows:

Exhibit 7: Remedy process for prohibited subsidy challenge



*ASCM Article 22 refers to Public Notice and Explanation of Determinations

Actionable subsidies can be challenged under national track. Subsidy is actionable by a challenging Member(s) to a subsidy-imposing Member(s) if it is specific and it causes: 1) an injury or 2) serious prejudice or 3) nullification and impairment.

For established actionable subsidies, provisional measures and countervailing duty may be imposed **to the extent of** benefit or subsidy available for a specific period on the product. It is mostly imposed after the decision is passed (ASCM Article 20). However, retroactive countervailing duties may be applied in exceptional cases.

The countervailing duty levied is calculated as subsidisation per unit of subsidised and exported product. The duty may remain in force as long as and to the extent it is necessary to counteract subsidisation which is causing injury and subject to review on request by interested party after submitting positive information to substantiate need for review. The maximum time for levy of such duty is five years from

the time of imposition subject to evidence that the said subsidy shall not continue to provide injury after five years.

Provisional duty (ASCM Article 17) may be imposed in the form of bond or cash deposits that is equal to provisionally calculated amount of subsidisation. Provisional measures or duties may be suspended or terminated if via a voluntary undertaking (ASCM Article 18), the Government of the exporting (and challenged) Member agrees to eliminate or limit the subsidy or takes other measures to that effect. The duties may also be suspended or terminated if the exporter agrees to revise prices to the extent of eliminating the subsidy and to the satisfaction of the investigating authorities. The price rise may be less than the subsidy if it removes injury to the domestic industry of the challenger. For the undertaking to be given, the importing (or challenging) Member must have made preliminary affirmative determination of subsidisation and injury, and received exporting Member's consent. Undertakings may not be acceptable always.

Post acceptance of undertaking, the investigation will still be carried out if either Member so desires. The undertaking lapses automatically if the determination of subsidisation or injury is negative. Price undertakings may be suggested by authorities of importing Member, but the exporter is not forced to enter into such undertakings and that will not prejudice the case, although, authorities are free to determine that the threat of injury is more likely to be realised if subsidised imports continue. Any violation of undertaking provisional measures may be applied.

Domestic industry (ASCM Article 16), i.e., importer's local industry, comprises domestic producers⁷ of 'like products' or those whose collective output of the products constitutes a major proportion of the

⁷ 16.2 In exceptional circumstances, the territory of a Member's production may be divided into two or more competitive markets and the producers within each market may be regarded as a separate industry if (a) the producers within such market sell all or almost all of their production of the product in that market, and (b) the demand in that market is not to any substantial degree supplied by producers located elsewhere in the territory. In such circumstances, injury may be found to exist even where a major portion of the total domestic industry is not injured, provided there is a concentration of subsidized imports into such an isolated market and provided further that the subsidized imports are causing injury to the producers of all or almost all of the production within such market.

16.3 When the domestic industry has been interpreted as referring to the producers in a certain area, i.e., as in 16.2, countervailing duties shall be levied only on the products in question consigned for final consumption to that area. When the constitutional law of the importing Member does not permit the levying of countervailing duties on such a basis, the importing Member may levy the countervailing duties without limitation only if (a) the exporters shall have been given an opportunity to cease exporting at subsidized prices to the area concerned or otherwise give assurances pursuant to Article 18, and adequate assurances in this regard have not been promptly given, and (b) such duties cannot be levied only on products of specific producers which supply the area in question.

16.4 Where two or more countries have reached under the provisions of paragraph 8(a) of Article XXIV of GATT 1994 such a level of integration that they have the characteristics of a single, unified market, the industry in the entire area of integration shall be taken to be the domestic industry referred to in paragraphs 16.1 and 16.2.

total domestic production of those products, except where they are related to exporter or importer of the subsidised product.

3.2.5. Special & differential treatment – developing country

ASCM Article 27 provides for differential treatment of developing countries based on recognition that subsidies may play an important role in economic development programmes of developing country Members. As such, developing countries referred to in Annex VII are not subject to prohibition of subsidies contingent upon export provision. **It includes India**⁸. Prohibition of subsidy on import substitution does not apply to developing countries for a period of five years from date of entry into WTO agreement. It does not apply to LDCs for eight years. All subsidies would effectively fall under actionable category. Also, challenges on the basis of presumption of serious prejudice and Nullification or impairment may require demonstration of sufficient and positive evidence.

For those developing countries which are not covered under Annex VII, prohibition of export-performance contingent subsidy does not apply for a period of eight years from date of entry to WTO agreement, although the country may seek extension. They must phase out the subsidies within these eight years and must not increase the level of export subsidies. If a Member has entered into WTO agreement at a time when it was not granting export subsidies, 1986 is to be considered as the base year for calculating the level of existing export subsidies.

A developing country member which has reached export competitiveness in any given product must phase out its export subsidies for such product(s) over two year for non-Annex VII countries and over eight years for Annex VII countries including India. Export competitiveness exists if the Member's exports of the product have reached at least, 3.25% in world trade for two consecutive calendar years. A product is defined as a section heading of the Harmonised System Nomenclature. Existence of export competitiveness may be determined on the basis of a) notification by the developing country Member or b) computation by WTO Secretariat at the request of any Member.

3.2.6. Notification and surveillance rules

Notifications of subsidies must be submitted not later than 30 June of each year and conform to the provisions of paragraphs as follows (key provisions):

⁸ Annex VII includes countries with lower than US\$ 1,000 GNP per capita per annum – as Least-developed countries (LDC) and countries with GNP per capita of US\$ 1,000 per annum or more – Bolivia, Cameroon, Congo, Cote d'Ivoire, Dominican Republic, Egypt, Ghana, Guatemala, Guyana, India, Indonesia, Kenya, Morocco, Nicaragua, Nigeria, Pakistan, Philippines, Senegal, Sri Lanka and Zimbabwe

- a) Notify any subsidy as defined in paragraph 1 of Article 1, which is specific within the meaning of Article 2, granted or maintained within Member's territory.
- b) Content of notifications should be sufficiently specific to enable other Members to evaluate the trade effects and to understand the operation of notified subsidy programmes. Notifications to contain the following information:
 - Form of a subsidy (i.e. grant, loan, tax concession, etc.);
 - subsidy per unit or, in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year);
 - policy objective and/or purpose of a subsidy;
 - duration of a subsidy and/or any other time-limits attached to it;
 - Statistical data permitting an assessment of the trade effects of a subsidy.
- c) If subsidies are granted to specific products or sectors, the notifications should be organized by product or sector.
- d) Members recognize that notification of a measure does not prejudice either its legal status under GATT 1994 or this Agreement, the effects under this Agreement, or the nature of the measure itself.
- e) Any Member may, at any time, make a written request for information on the nature and extent of any subsidy granted or maintained by another Member or for an explanation of the reasons for which a specific measure has been considered as not subject to the requirement of notification.
- f) Any Member which considers that any measure of another Member having the effects of a subsidy has not been notified in accordance with the provisions of paragraph 1 of Article XVI of GATT 1994 and this Article may bring the matter to the attention of such other Member. If the alleged subsidy is not thereafter notified promptly, such Member may itself bring the alleged subsidy in question to the notice of the SCM Committee.
- g) Members must report without delay to the Committee all preliminary or final actions taken with respect to countervailing duties. Such reports shall be available in the Secretariat for inspection by other Members.
- h) Members must also submit, on a semi-annual basis, reports on any countervailing duty actions taken within the preceding six months. The semi-annual reports shall be submitted on an agreed standard form.

- i) Each Member must notify the Committee a) which of its authorities are competent to initiate and conduct investigations referred to in Article 11 and b) its domestic procedures governing the initiation and conduct of such investigations.

The Committee must examine new and full notifications submitted under paragraph 1 of Article XVI of GATT 1994 and paragraph 1 of Article 25 of ASCM at special sessions held every third year. Notifications submitted in the intervening years (updating notifications) are to be examined at each regular meeting of the Committee.

3.2.7. Other rules

As per ASCM Article 11.4, a CVD investigation shall not be initiated pursuant to paragraph 1 unless the authorities have determined, on the basis of an examination of the degree of support for, or opposition to, the application expressed by domestic producers of the like product, that the application has been made by or on behalf of the domestic industry. The application shall be considered to have been made "by or on behalf of the domestic industry" if it is supported by those domestic producers whose collective output constitutes more than 50% of the total production of the like product produced by that portion of the domestic industry expressing either support for or opposition to the application. However, no investigation shall be initiated when domestic producers expressly supporting the application account for less than 25% of total production of the like product produced by the domestic industry.

As per ASCM article 27.10, any countervailing duty investigation of a product originating in a developing country Member shall be terminated as soon as the authorities concerned determine that:

- *The overall level of subsidies granted upon the product in question does not exceed 2% of its value calculated on a per unit basis; or*
- the volume of the subsidized imports represents less than 4% of the total imports of the like product in the importing Member, unless imports from developing country Members whose individual shares of total imports represent less than 4% collectively account for more than 9% of the total imports of the like product in the importing Member.

As per ASCM Article 27.11, for those developing country Members within the scope of paragraph 27.2(b) which have eliminated export subsidies prior to the expiry of the period of eight years from the date of entry into force of the WTO Agreement, and for those developing country Members referred to in

Annex VII, the number in 27.10 (a) shall be 3% rather than 2%. This provision shall apply from the date that the elimination of export subsidies is notified to the Committee, and for so long as export subsidies are not granted by the notifying developing country Member. This provision shall expire eight years from the date of entry into force of the WTO Agreement. This provision may not apply in respect of Indian textile products given that the end of eight year period may be this year because of India having reached export competitiveness.

3.3.IMPERATIVES OF EXPORT COMPETITIVENESS

As mentioned earlier, a developing country member which has reached export competitiveness in any given product must phase out its export subsidies for such product(s) over eight years for Annex VII countries, which includes India. Export competitiveness exists if the Member's exports of the product have reached at least, 3.25% in world trade for two consecutive calendar years. A product is defined as a section heading of the HS Nomenclature. Existence of export competitiveness may be determined on the basis of a) notification by the developing country Member or b) computation by WTO Secretariat at the request of any Member.

Exhibit 8: Is India a developing country under Annex VII (b)?

Is India Annex VII (b) country? – Clarity and implications

India continues to be on Annex VII(b) for the purpose of SCM considerations, thus enjoys along with other Annex VII(b) developing countries – exemption from prohibition of export performance linked subsidy – as stipulated under ASCM Article 27 (27.2 (a))

In paragraph 10.1 of the Doha Ministerial Decision on Implementation-Related Issues and Concerns⁹, Ministers:

"Agree[d] that Annex VII (b) to the Agreement on Subsidies and Countervailing Measures includes the Members that are listed therein until their **GNP per capita reaches US\$ 1,000 in constant 1990 dollars for three consecutive years**. This decision will enter into effect upon the adoption by the Committee on Subsidies and Countervailing Measures of an appropriate methodology for calculating constant 1990 dollars. If, however, the Committee on Subsidies and Countervailing Measures does not reach a consensus agreement on an appropriate methodology by 1 January 2003, the methodology proposed by the Chairman of the Committee set forth in G/SCM/38, Appendix 2 shall be applied. A Member shall not leave Annex VII(b) so long as its GNP per capita in current dollars has not reached US\$ 1,000 based upon the most recent data from the World Bank."

Pursuant to this paragraph, as of 1 January 2003, the methodology set forth in document G/SCM/38, Appendix 2 applies.

Since then the Secretariat circulated annual notes updating the GNP per capita figures for the Members listed in Annex VII (b) based on that methodology.

⁹ Document reference: WT/MIN/(01), para. 10.1

Is India Annex VII (b) country? – Clarity and implications

The most recent version, G/SCM/110/Add.12, was circulated in July 2015¹⁰, according to which the GNI per capita at constant 1990 US\$ for India is listed as: 966, 993, and 1,051 for the years 2011, 2012, and 2013, respectively. Thus for the first time, India's GNI per capita has exceeded US\$ 1,000 in 2013. So, we may assume that by 2015 India may have registered for three consecutive years, GNI per capita of over US\$ 1,000. Thus, India may be out of Annex VII (b) after 2015, subject to notification by WTO.

In any case, **for those products which have reached export competitiveness under ASCM, the export subsidies must be phased out within eight years from reaching/ declaring it**, whether or not it is Annex VII (b) developing country. **Since India's textile sector reached export competitiveness in 2007 and that was declared by the WTO Secretariat in 2010, the eight year period ends in 2018.**

¹⁰ https://docs.wto.org/dol2fe/Pages/FE_Search/.../133110/.../110A12.pdf

3.3.1. Concern about India's textile export competitiveness

The Committee on Subsidies and Countervailing Measures ("Committee") held a regular meeting on 28 October 2014. One of the agenda adopted was related to 'Elimination of export subsidies for textiles and apparel by India pursuant to Article 27.5 of the ASCM – Item requested by the United States'¹¹.

The US recalled, as it had at previous meetings, that in **March 2010 the Secretariat had released its calculations on export competitiveness of Indian textile and apparel products** and shortly thereafter, a revision. According to the calculations, **India had reached export competitiveness no later than 2007. Therefore, India had an obligation – at least since 2007 – to gradually phase out export subsidies provided to numerous products in the textile and apparel sector. The eight year phase-out period should have been completed by the end of 2014, such that as of 1 January 2015 – less than three months away - all export subsidies to India's textile sector should have been terminated. India had taken little or no concrete action toward phasing out export subsidies to its textile sector**, however. **India had claimed repeatedly** that certain programmes might have been terminated and that others were not specific subsidies. **India also had argued that the Committee needed to consider and resolve all legal questions before India began any action to meet its obligations. The US questioned whether this was the proper role of the Committee and feared the systemic implications** if all Members were to take a similar position with respect to any of their WTO obligations that might conceivably be subject to more than one legal interpretation. The US welcomed further dialogue with India on these issues in the context of their continued bilateral engagement. Unfortunately, numerous US requests to set up a video conference had yet to result in a substantive discussion.

India recalled its previous statements, and expressed its commitment to meeting its obligations under the Agreement, and to be constructively engaged to develop clarity on the obligations under Articles 27.5 and 27.6, in particular the definition of 'product' and when the eight year phase-out period would begin. India was not raising the issue of interpretation of obligations in general. Instead, it was essential for implementation to clarify the definition of 'product', the coverage of tariff lines, and where and when export competitiveness was reached.

¹¹ Source: WTO

India also recalled that most of the **schemes questioned were in the nature of remission or refund of duties on inputs used in exported goods**. They were not export subsidy schemes and some of them had been discontinued since 2011. India remained available to engage in further discussions on this matter both at the multilateral and bilateral level. It had offered a date for a video conference, but had not heard from the US.

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In August 2015, after several rounds of discussions, the US renewed the Generalised System of Preferences (**GSP**) from August 2013, retrospectively and **up to December 2017**. However, among the 3,000 products listed under the GSP, **apparel is not included**.¹² It is apparent that the US challenge is directed more towards India's growing apparel industry than the other textile products.

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In many ways, March 2018 may be a culmination of end of several benefits enjoyed by India's textiles export industry.

3.3.2. Analysis of India's textile export competitiveness

There are several products under ITC (HS) codes at 4-digit level that have achieved export competitiveness. Overall, textiles exports have achieved export competitiveness. However, as of 2014, there are 94 out of 153 products under these HS codes which have not achieved competitiveness as per ASCM. There are a few, which may slip back into 'not-competitive' level in the coming years. An analysis of export trends of these products provided in subsequent sections.

¹² Source: http://www.business-standard.com/article/economy-policy/indian-exports-to-witness-10-jump-on-us-gsp-115080700015_1.html
For more on GSP: <http://www.eicindia.gov.in/knowledge-repository/Certification/Generalised-System-of-Preferences.aspx>

4. REVIEW OF PRODUCTS UNDER SECTION XI

Under this section, global and Indian export trends have been analysed for product categories under ITC (HS) codes at 4-digit level. For this purpose, the HS codes have been grouped by the category of products that belong to them, viz., fibre, yarn, fabric, apparel, made-ups and others.

Exhibit 9: Classification of HS codes in textile sub-sectors

S.no	Categorization	Chapter – HS code
1	Fibre	5001-03, 5101-05, 5201-03, 5301-03, 5305, 5501-07
2	Yarn	5004-05, 5106-10, 5204-07, 5306-08, 5401-06, 5508-11, 5604-06, 5609
3	Fabric	5111-5113, 5208-5212, 5309-11, 5407-08, 5512-16, 5801-04, 5806, 5809, 5901-03, 6001-6006
4	Apparel	6101-6117, 6201-6217
5	Made ups	6301-04
6	Others	5601-03, 5607-08, 5701-05, 5805, 5807-08, 5810-11, 5905-11, 6305-10

4.1.GLOBAL TEXTILE TRADE REVIEW

Global textile trade stood at US\$ 701¹³ billion in 2013-14 which has witnessed a CAGR of 6.8% during the last five years from 2009 to 2014. The growth of global textile trade over a span of 10 years has been indicated in the following exhibit. While the trade has witnessed a consistent growth during 2004-2008, there was a dip witnessed during 2009, due to global economic crisis. Since then the trade has recovered completely, however the trade volumes have been volatile owing to economic conditions.

Exhibit 10: Global textile trade

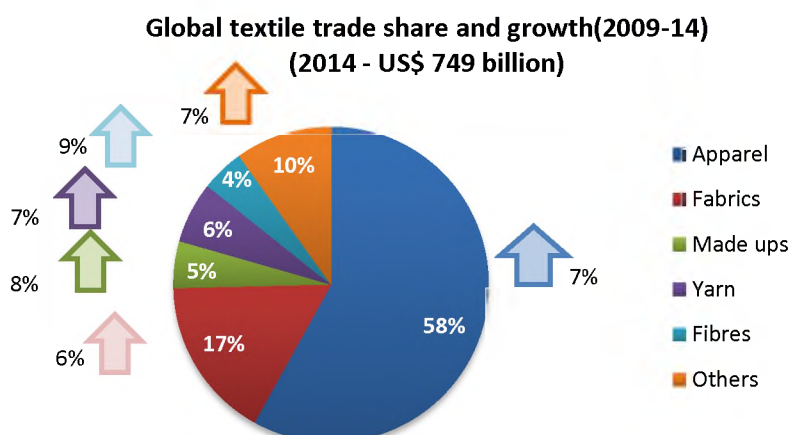


Source: DGFT, UN ComTrade, IMaCS analysis

¹³ Calculated using UN comtrade data and estimations of exports of Vietnam, Cambodia and Bangladesh from other sources

The sector wise split of world trade with sector wise growth has been show in the Exhibit 11.

Exhibit 11: Sub-sectoral global textile trade trends (2009-14)



Source: DGFT, UN ComTrade, IMaCS analysis

It can be observed from Exhibit 11 that apparel which account for the largest share of world trade at 58% is growing at 7% followed by fabrics and made ups which put together has a total share of 21% of world trade. During 2009 -14, the trade of fibres and made ups has witnessed the highest growth at 9% and 8% respectively

Europe which accounts for 41% of the total trade is the largest market for textile imports followed by US and Canada which together account for 15% of the total trade. The region wise imports across the major sectors of textile for 2014 have been indicated in Exhibit 12.

Exhibit 12: Region-wise[#] textile trade

Sl. No.	Sector	Total imports 2013-14 (in US\$ bn)	Europe	US & Canada	Eastern Asia	West Asia & Middle East	Australia & New Zealand	Other regions
1	Apparel	435	49%	18%	11%	6%	2%	14%
2	Fabrics	124	27%	5%	12%	7%	0%	49%
3	Made ups	36	41%	26%	7%	6%	2%	18%
4	Fibre	33	22%	3%	32%	7%	0%	36%
5	Yarn	47	31%	5%	25%	5%	1%	33%
6	Others	74	43%	17%	10%	6%	2%	23%
	All	749	41%	15%	13%	6%	1%	24%

Source: IMaCS analysis, UN Comtrade, # Share in world trade is based on imports reported by countries across the world

Apparel is the key driver for global textile trade accounting for 58% of total trade. High volume of apparel and made up imports by Europe, US and Canada (combined 40% of total trade), has made them the preferred destinations for apparel and made up exports. Eastern Asia is the largest importer of fibres and yarn mainly due to high imports as raw material from the key producing Nations- China, Taiwan and Korea.

A detailed analysis of global textile trade at HS code level has been included as annexure to the report. It indicates that only a few HS codes command more than 1% of the world trade.

In 2014, apparel products had the highest share in total textiles exports of India. Almost all of the products categories exported, had more than 10% (5-year CAGR) growth in 2014, except some of the apparel products. Some products grew at between 20% and 111%.

4.2. INDIAN TEXTILE EXPORTS REVIEW

Indian textile exports were valued at US\$ 38 billion in 2014-15 and it has witnessed a CAGR 10% during 2010-2015. Indian textile exports have been steadily gaining ground on the world exports market increasing its share from 2.9% in 2004 to 5.4% in 2015. The growth of Indian textile exports over a span of 10 years has been indicated in Exhibit 13.

Exhibit 13: Indian textile exports growth



Source: DGFT, UN ComTrade, IMaCS analysis

Indian textile export basket is constituted of mainly Apparel (45%), fabrics (13%) and yarn (16%). The sector wise split of world trade along with the growth of sectors has been show in the following exhibit.

Exhibit 14: Indian exports sub-segments of textiles

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-15	Share in Indian textile exports	Share in World trade (2014)
1	Apparel	17	6%	45%	3.4%
2	Fabrics	5	3%	13%	3.7%
3	Made ups	3	6%	9%	9.0%
4	Fibre	3	-4%	7%	13.8%
5	Yarn	6	4%	16%	14.3%
6	Others	4	7%	10%	4.6%
Total exports		38	5%	100%	5.0%

Source: IMaCS analysis, UN Comtrade, DGFT

As can be observed in Exhibit 14, India has achieved a significant share in the global export market in upstream products i.e. fibre and yarn. However, in case of valued added downstream products such as apparel and fabrics, India still accounts for only 4% of world trade, indicating a significant scope for value added exports. During the last five years, exports of apparel and other textile products like technical textiles, handlooms and handicrafts have witnessed double digit growth and indicate towards increasing demand for Indian apparel and handloom, handicraft and functional textiles products.

4.2.1. Key markets for Indian textile exports

The spread of Indian exports to major markets across the world is indicated in Exhibit 15.

Exhibit 15: Destination-wise textile exports from India



Source: IMaCS analysis, UN ComTrade

While Europe, US and Canada are key markets for Indian exports, India also has a significant presence in the export market of South East Asia and Middle East & West Asia catering to 13% and 7% of the entire import requirement of the regions respectively.

India enjoys a comfortable position in high value added products of the Apparel and made up market in the Middle East. It is also a major raw material supplier for textile manufacturing units in South and South East Asia. Amongst the developed economies, India has made significant break-through when it comes to the made up market of US and Canada.

4.2.2. Export competitiveness at HS code level

Export competitiveness exists if the Member's exports of the product have reached at least, **3.25% in world trade for two consecutive calendar years**. A **product is defined as a section heading** of the Harmonised System Nomenclature (i.e., Section XI for Textile). While it is important to understand competitiveness at HSCode level (4 digit) to understand the implications. Under this section a detailed analysis of Indian textile exports at HS code level is shown as annexure to the report.

An analysis of global and Indian textile export trend by HS codes indicates that in 2014 there were several yarn, fabric and fibre exports from India that had shares of over 10% in world exports although the share of total global exports in these products was less than 1%. Some fibre, yarn and fabric exports from India (at 4-digit HS code level) commanded between 30% and 75% share in world exports. The shares of Indian apparel product categories in world exports varied between 2% and 17%.

An analysis of global and Indian textile export trend by HS codes indicates that in 2014 there were several fibre products that had negative growth despite global trend of high growth. With a few exceptions, most other products grew at a higher rate than global 5-year CAGR. In some products though, the global negative growth was more amplified as reflected in much greater negative growth than the world.

4.2.3. Export Competitiveness at Fibre level

India is a major producer of cotton in the work market, but provides limited supply of manmade fibres which is dominated by China catering to over 67% of global demand. An assessment of India's export competitiveness of at fibre level for the last five years is exhibited as follows.

Exhibit 16: Fibre exports from India

Sl. No.	Fibre	Exports - 2013-14 (US\$ million)	CAGR 2010-14	Share in Indian fibre exports (2014)	Share in World trade (2014)
1	Cotton	3,637	15%	81%	26.4%
2	Silk	17	24%	0.4%	3.6%
3	Synthetic	598	13%	13%	5.9%
4	Wool	54	9%	1.2%	0.8%
6	Others	158	26%	4%	12.9%
	Total exports	4,464	15%	100%	14%

Source: IMaCS analysis, UN Comtrade, DGFT

India commands a significant share in the world market when it comes to fibre export particularly Cotton, where India supplies around 27% of global demand by value. India has reached export competitiveness level of 3.25% of world trade in fibre exports of cotton, silk, synthetic fibres and other fibres like Jute, coir, etc.

A detailed HS code wise assessment of trade of textile products from India with respect to world has been included under *APPENDIX 8* of the report.

5. REVIEW OF EXISTING SCHEMES SUPPORTING TEXTILES EXPORTS

As mentioned earlier, it must be noted that India is still a ‘developing country under Annex VII (b)’ list of ASCM and hence enjoys the benefit of exemption on prohibition of export contingent subsidies that have provided under the Foreign Trade Policy, 2015-20. It is imminent though, that in near future India may ‘graduate out’ of the Annex VII (b) list because the country’s per capita GNI has started to exceed the US\$ 1,000 (as per World Bank’s economy data) in 2013. So currently India’s export subsidies remain actionable (i.e., countervail-able or potentially attractive to CVD investigations by a Member) and not prohibited.

Coming to export competitiveness of textile sector, as analysed above, 94 out of 153 product categories under Section XI (at 4-digit level) are still below the competitiveness threshold because their world share in last two years (2013 and 2014) was less than 3.25%. However, Section XI as a whole has become export competitive because for 59 of the 153 products, their share in world textile exports has been over 3.25% in these two years. This essentially means that for textile products, export subsidies must be phased out in eight years since the sector became export competitive, which is since 2010 – as computed by the WTO Secretariat on request of Members such as the US and Turkey.

5.1.1. Schemes under Foreign Trade Policy, 2015-20

The following information analyses the export promotion schemes under the Foreign Trade Policy, 2015-20 (FTP), in order to arrive at subsidisation as applied under WTO-ASCM. Please note that the information specific to sectors other than Textiles, which may have been provided for in the FTP, may not have been included in the analysis. The brief of key export promotion schemes of India are discussed in exhibits below:

5.1.1.1. Merchandise Exports from India Scheme (MEIS)

Exhibit 17: Exports from India schemes of FTP, 2015-20: MEIS

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Merchandise Exports from India Scheme (MEIS)	Reward	Duty Credit Scrips	<ul style="list-style-type: none"> - FTP-Appendix 3A, 3B - ITC(HS)-2012, Schedule 2 - ASCM-Annex I, Annex VII - HBP
Key scheme features			

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Merchandise Exports from India Scheme (MEIS)	Reward	Duty Credit Scrips	- FTP-Appendix 3A, 3B - ITC(HS)-2012, Schedule 2 - ASCM-Annex I, Annex VII - HBP
<ul style="list-style-type: none"> Duty credit scrips granted as rewards under MEIS Duty credit scrips and goods imported or procured domestically, using the scrips are freely transferable¹⁴ Available for notified goods / products to notified markets (36 countries) as per Appendix 3B¹⁵ Rates of rewards linked to realised FOB value of exports in free foreign exchange or that given on shipping bill Validity of Duty Scrips - 18 months from date of issue Scrips can be used for: i) payment of custom duties for import of inputs (except Appendix-3A items, none in textiles) ii) payment of excise duties iii) payment of service tax iv) payment of custom duties for EO defaults v) payment of composition and application fees under FTP Rewards can be claimed by supporting manufacturer or company which has realised exports proceeds as per e-BRC or FIRC Export made on re-export basis not included under this scheme Not eligible categories: i) EoU/ EHTP/ BTP/ STP availing direct tax benefits; ii) DTA to SEZ supplies; iii) Import for export goods; iv) transshipment goods - not originating in India; v) deemed exports; vi) SEZ/ EoU/ EHTP/ BPT/ FTWZ products exported through DTA; vii) prohibited or restricted items; viii) service exports; red sanders beach sand; ix) export products subject to minimum export price or export duty; x) precious metals and xi) precious or semi-precious stone products; xii) ores and concentrates; xiii) cereals; xiv) sugar; xv) crude oil; xvi) milk and milk products; xvii) meat and meat products; xviii) products using precious metals or stones; xix) exports by FTWZ 			
Textile specific scheme provisions			
<ul style="list-style-type: none"> Duty Scrips available at 2% of exports (FOB) value realised or as per shipping bill for Several products under Section XI (4-digit level) Exceptions include handloom, handicrafts, coir and jute for which it is higher at 3-5% 			
Status of scheme with respect to Textiles from 2018 onwards under ASCM – Prohibited subsidy			
<ul style="list-style-type: none"> Stated objective of scheme is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs involved and to provide exporters a level playing field. The reward provided under the scheme is contingent upon on export performance and thus qualifies as an export subsidy as per article 3.1 under ASCM So the scheme has to be phased out. 			

For most textile products, Duty Credit Scrips under MEIS are available for exports of products to the following countries only.

Exhibit 18: Countries covered under MEIS

Countries Covered Under MEIS			
(1) Austria*	(10) Finland*	(19) Luxembourg*	(28) Sweden*
(2) Belgium*	(11) France*	(20) Malta*	(29) UK*
(3) Bulgaria*	(12) Germany*	(21) Netherlands*	(30) USA*

¹⁴ If one buys a duty credit scrip with a face value of Rs 100 at say Rs 80, s/he can use that scrip to pay duty of Rs 100 on his/her imported goods. So, s/he pays Rs 80 to the seller of the scrip but saves on duty of Rs 100, with a gain of Rs 20. S/he can also use it to regularise defaults in export obligation under schemes covered in Duty Remission/ Exemption and EPGC schemes of the Foreign Trade Policy. Further, s/he can take Cenvat Credit of the CVD and SAD component, even if duty is not collected by Customs.

¹⁵ <http://dgft.gov.in/Exim/2000/PN/PN15/pn0215.pdf>; Amendment: <http://dgft.gov.in/Exim/2000/PN/PN15/PN.e28-2015-16.pdf>; http://dgft.gov.in/Exim/2000/PN/PN15/PN_27-14.7.2015.pdf

Countries Covered Under MEIS			
(4) Canada*	(13) Greece*	(22) Poland*	(31) Norway*
(5) Croatia*	(14) Hungary*	(23) Portugal*	(32) Switzerland*
(6) Cyprus*	(15) Ireland*	(24) Romania*	(33) Iceland*
(7) Czech Republic*	(16) Italy*	(25) Slovak Republic*	(34) Liechtenstein*
(8) Denmark*	(17) Latvia*	(26) Slovenia*	(35) Japan^
(9) Estonia*	(18) Lithuania*	(27) Spain*	(36) Bangladesh, (37) Sri Lanka#

*Group A Countries; ^ From Group B; # From Group C

This implies that rewards are not available for exports to the other countries including China, South Korea, Turkey and Vietnam, which are the key importers of manmade fibre yarn and, woven and knitted fabrics of all fibres¹⁶. Cotton yarn is not included under MEIS-reward scheme¹⁷. Further, Handloom products exports have 5%-reward in all three groups of countries (A, B, C) but only for fabrics and made-ups, not garments. Jute products have 5%-reward for exports to countries in all three groups of countries. For garments 2% reward is available for all the countries listed above. Among other select products, seven lines of technical textile products find support under MEIS. Manmade fibre receives no support, which was earlier supported under the focus schemes.

5.1.1.2. Duty exemption and remission schemes

This consists of two instruments namely Advance Authorisation and Duty Free Import Authorisation. The details are captured in the following exhibit.

Exhibit 19: Exports from India schemes of FTP, 2015-20: AA & DFIA

Scheme name	Scheme type	Instruments	HBP, FTP Appendix /ASCM Annex references
Duty Exemption/ Remission Scheme	Exemption	Advance Authorisation (AA)	- SION norms & General Notes for Textiles (product code J): HBP
		Duty Free Import Authorisation (DFIA)	- FTP-Appendix 4C-4E
Key scheme features			
<ul style="list-style-type: none"> Objective of the scheme is to ensure that import taxes or indirect taxes are not exported Scheme allows duty free import of inputs to be physically incorporated in export product (with normal allowance for wastage). Duty-free imports of fuel, oil, catalyst which are used or consumed in the process of production of export are also allowed. Exporter may avail of the scheme in two ways: i) as Advance Authorisation (AA), i.e., seek the exemption prior to exporting or ii) as Duty Free Import Authorisation (DFIA), i.e., seek the exemption after exporting the product and paying duties on raw materials imported Advance Authorisation is allowed for inputs in relation to the resultant product on the basis of Standard Input-Output Norms (SION)¹⁸ as notified in FTP-Hand Book of Procedures or self-declaration (subject to conditions related to certain products, wastage norms, duty free material imports, and clubbing) 			

¹⁶ Source: Article by Textile Times, CITI, March-April 2015

¹⁷ Cotton yarn has been moved out of 'Restricted' list but not been considered under MEIS

¹⁸ Example of SION Norms for 'Golf Gloves' made of knitted/ crocheted/ woven/ non-woven fabrics under textile products: <http://dgft.gov.in/Exim/2000/PN/PN15/pn222015.pdf>

Scheme name	Scheme type	Instruments	HBP, FTP Appendix /ASCM Annex references
Duty Exemption/ Remission Scheme	Exemption	Advance Authorisation (AA) Duty Free Import Authorisation (DFIA)	- SION norms & General Notes for Textiles (product code J); HBP - FTP-Appendix 4C-4E
<ul style="list-style-type: none"> For textiles among other 20 Norms, SION includes a list of 22 Trimmings and Embellishments for which AA is available Advance Authorisation can be issued to either manufacturer or merchant exporter tied to supporting manufacturer Norms committee in DGFT sets/ fixes new norms based on data provided by exporters or EPC (NC-5 for Textiles 50-67); nc5@dgft.nic.in; It is mandatory for industry/ manufacturers/ EPC to provide production and consumption data, etc., for past three years for fixation of SION; CBEC may also provide data Eligibility: Exporters with export performance in at least two preceding financial years is entitled for AA for annual requirement 			
<ul style="list-style-type: none"> Entitlement: CIF value of imports allowed up to 300% of the FOB¹⁹ value of physical exports and/or FOR²⁰ value of deemed exports in preceding financial year or Rs 1 crore, whichever is higher EO fulfilment period under AA is 18 months; Validity of import under AA is 12 months Domestic sourcing allowed to AA holder on procuring Advance Release Order (ARO), Invalidation Letter and Back-to-Back L/C Duties exempted under AA include Basic Custom Duty, Additional Custom Duty, Education Cess, Anti-dumping Duty, Safeguard Duty/ Transition Product Specific Safeguard Duty Drawback available as per Central Excise authority for duty-paid imported or indigenous inputs Actual User Condition²¹ applicable to AA Import of mandatory spares which are required to be exported/ supplied with the resultant product, is permitted duty free to the extent of 10% of CIF value of Authorisation. Export Obligation (EO): Minimum value addition²² to be achieved under AA is 15%. It could be less or more for certain categories of products (Appendix 4C&D) Minimum value addition under DFIA is 20%; DFIA not allowed for export of products with inputs requiring 'Actual User' condition in SION AA holder is required to maintain true and proper account of consumption and utilisation of duty free/ imported/ domestically procured inputs against each Authorisation as required in Appendix 4-I and verified by required authority. 			
Textile specific scheme provisions <ul style="list-style-type: none"> SION covers a separate list of norms for Textiles under 'General Notes for Textiles' (Product Code: J) It also provides a representative list of Trimmings and Embellishments for use in garments which are allowed to be imported to the extent of 5% of CIF value of licence. 			
Status of scheme with respect to Textiles from 2018 onwards under ASCM – Not a subsidy <ul style="list-style-type: none"> Objective of the scheme is to ensure that import taxes or indirect taxes are not exported Scheme allows duty free import of inputs to be physically incorporated in export product As per Annex I and II of ASCM, a drawback or remission scheme will convey a subsidy when there is reason of over-rebate or excess drawback of indirect taxes (such as excise duty) or import charges (such as custom duty) on inputs consumed in the production of the exported product The scheme may be continued by ensuring a reasonable verification system to be in place and excess benefit is not 			

¹⁹ Higher entitlement is possible on furnishing 100% Bank Guarantee

²⁰ Freight on road and rails

²¹ Actual User (Industrial) means a person who utilises imported goods for manufacturing in his own industrial unit or manufacturing for his own use in another unit including a jobbing unit. While goods imported duty free under AA can be sent to a job-worker without any permission, the AA holder must follow the procedure for job-work laid down under the relevant Central Excise notification. It is also a good practice to get the name of the job-worker as supporting manufacturer in the advance authorisation.

²² Value addition=(A-B)/B, where A= FOB value of export realised and/ or FOR value of supply received; B=CIF value of inputs covered by Authorisation, plus value of other input used on which benefit of DBK is claimed or intended to be claimed

Scheme name	Scheme type	Instruments	HBP, FTP Appendix /ASCM Annex references
Duty Exemption/ Remission Scheme	Exemption	Advance Authorisation (AA)	- SION norms & General Notes for Textiles (product code J): HBP
		Duty Free Import Authorisation (DFIA)	- FTP-Appendix 4C-4E
passed on to the authorisation holder.			

5.1.1.3. Duty drawback scheme

Exhibit 20: Exports from India schemes of FTP, 2015-20: Duty drawback scheme

Scheme name	Scheme type	Instrument	HBP, FTP Appendix /ASCM Annex references
Duty Exemption/ Remission	Remission	Duty Drawback (DBK)*	- FTP, CBEC - EPCs
Key scheme features			
<ul style="list-style-type: none"> Objective of the scheme is import taxes or indirect taxes are not exported Relief of Customs and Central Excise Duties borne on the inputs used in the manufacture of export product is allowed to Exporters The admissible duty drawback amount is paid to exporters by depositing it into their nominated bank account. An exporter can opt for either All Industry Rate (AIR) of Duty Drawback Scheme or Brand Rate of Duty Drawback Scheme. Major portion of Duty Drawback is paid through AIR duty. Brand rate of duty drawback is granted where the export product does not have any AIR or duty drawback rate, or where the AIR duty drawback rate notified is considered by the exporter insufficient to compensate for the Customs/Central Excise duties suffered on inputs used in the manufacture of export products. For goods having an AIR, the brand rate facility to particular exporters is available only if it is established that the compensation by AIR is less than 80% of the actual duties suffered in the manufacture of the export goods. To use Brand Rates, the exporter has to produce documents/proof of actual quantity of inputs utilized in the manufacture of export product along with evidence of payment of duties thereon. The exporter has to make an application to the Directorate of Drawback in prescribed format within 60 days from the date of export of goods. The application must be submitted to Directorate of Drawback. The Central Excise Authorities conduct verification and send report to Drawback Directorate which issues a drawback Brand Rate stating its validity. Where the goods are not put into use after import, maximum 98% of duty drawback is admissible. In cases where the goods are put into use in India after import (and prior to its export), duty drawback is granted on a sliding scale basis depending upon the extent of use of the goods. No duty drawback is available if the goods are put into use for a period exceeding 36 months after import. Application for duty drawback is required to be made within 3 months from the date of export of goods. Duty Drawback facilities on re-export of duty paid goods is also available whereby part of the customs duty paid at the time of import is remitted on re-export of the goods. The duty drawback claim scrutiny, sanction and payment in 23 Custom Houses is now done through the Electronic Data Interchange (EDI) System. The system facilitates credit/disbursal of drawback within 72 hours from the date of shipment and electronic filing of Export General Manifest (EGM) in respect of related aircraft/vessel, directly to the exporter's, accounts in the specified bank branches. No drawback is admissible if the market price is less than the amount of drawback claimed or drawback amount is less than a prescribed minimum. Though prior repatriation of export realisation is not pre-requisite, if sale proceeds are not received within the stipulated 			

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Duty Exemption/ Remission	Remission	Duty Drawback (DBK)*	- FTP, CBEC - EPCs

period, the drawback paid will be recoverable by the Government as per procedure laid down in drawback.

Status of scheme with respect to Textiles from 2018 onwards under ASCM –Not a subsidy

- Objective of the scheme is import taxes or indirect taxes are not exported
- The admissible duty drawback amount is paid to exporters by depositing it into their nominated bank account.
- As per Annex I, II and III of ASCM, a drawback or remission scheme will convey a subsidy when there is reason of over-rebate or excess drawback of indirect taxes (such as excise duty) or import charges (such as custom duty) on inputs consumed in the production of the exported product.
- The scheme may be continued and it has to ensure that no excess drawback of indirect taxes/ duties is passed on to the exporter.

*Administered by Department of Revenue, Ministry of Finance

In order to safeguard government revenue but also be fair to exporters, reasonable duty drawback caps have been imposed in respect of many export products having rates on FOB basis. These caps essentially reflect the average duty incidence suffered on the inputs used in the manufacture of the particular goods exported by several exporters with different prices and they are fixed on the basis of data supplied by the export promotion councils and collected by Directorate from other sources. THE CBEC notification prescribes per unit caps for textile products between Rs 8 and Rs 745 when CENVAT facility is not availed. It is between Rs 3.6 and Rs 651.9 per unit when CENVAT facility is availed.

5.1.1.4. Export Promotion Capital Goods Scheme

Exhibit 21: Exports from India schemes of FTP, 2015-20: EPCG

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Export Promotion Capital Goods (EPCG)	Exemption	Authorisation / Duty Credit Scrip(s)	- HPB, FTP Appendix E

Key scheme features

- Objective of the scheme is to facilitate import of capital goods for producing quality goods and services to enhance India's export competitiveness
- EPCG Scheme allows import of capital goods for pre-production, production and post-production **at Zero customs duty**.
- Alternatively, Authorisation holder may also procure Capital Goods from indigenous sources and such capital goods may be eligible for deemed exports benefit
- Capital goods as defined in FTP
- Import under EPCG Scheme is subject to an export obligation equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation.
- Authorisation validity for import is 18 months from the date of issue. Revalidation not permitted.
- Any CVD paid in cash on imports under EPCG is not taken for computation of net duty saved, provided CENVAT is not availed.
- Second hand capital goods not permitted to be imported under EPCG Scheme.

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Export Promotion Capital Goods (EPCG)	Exemption	Authorisation / Duty Credit Scrip(s)	- HPB, FTP Appendix E
<ul style="list-style-type: none"> ▪ Scheme does not allow for imports of any Capital Goods (including Captive plants and Power Generator Sets of any kind) for: Export of electrical energy (power); Supply of electrical energy (power) under deemed exports; Use of power (energy) in their own unit, and Supply/export of electricity transmission services ▪ Scheme is available to manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers. Also DGFT/ State Industrial Infrastructure Corporation designated in a Town of Export Excellence (TEE) ▪ Authorisation holder is required to submit Bank Guarantee (BG) equivalent to the duty saved. • Import of capital goods is subject to Actual User condition till export obligation is completed. 			
<ul style="list-style-type: none"> ▪ Export Obligation (EO, 6 times of duty saved in 6 years)²³ to be fulfilled by export of goods manufactured or services rendered by Authorisation holder or goods manufactured by supporting manufacturer (Export contingent) ▪ EO to be over and above, average exports achieved in the preceding three licensing years for same and similar products ▪ For Capital Goods sourced indigenously, specific EO shall be 25% less than the EO stipulated for imported goods ▪ Shipments under Advance Authorisation, DFIA, Drawback scheme or reward schemes would also count for fulfilment of EO under EPCG Scheme. ▪ Export must be physical export. However, deemed export is also be counted towards fulfilment of EO. ▪ EO can also be fulfilled by the supply of ITA-I items to DTA, provided realization is in free foreign exchange. ▪ Royalty payments received in freely convertible currency and foreign exchange received for R&D services is also counted. ▪ Payment received in rupee terms for notified Services (Appendix) are also counted. • EPCG authorisation holder is allowed to source capital goods from a domestic manufacturer. The domestic manufacturer would be eligible for deemed export benefit under FTP. • Domestic sourcing is also being permitted from EOUs and these supplies shall be counted for purpose of fulfilment of positive NFE by said EOU. • In case of direct imports, EO to be reckoned with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional CD saved on FOR value. • Where Authorisation holder fulfils 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorisation redeemed by RA concerned. (Export contingent; Benefit Conferred; May attract CVD initiations if widely practiced by exporters or non-transparent obligation/ period setting) • For exporters of listed Green Technology Products, Specific EO is 75% of normally applicable EO. • For units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir, specific EO shall be 25% of normally applicable EO (Indicates Regional Specificity). • Post Export EPCG Duty Credit Scrip(s) are available to exporters who intend to import capital goods on full payment of applicable duties in cash and choose to opt for this scheme. • Basic Customs duty paid on Capital Goods is to be remitted in the form of freely transferable duty credit scrip(s), similar MEIS; Specific EO shall be 85% of the applicable specific EO under the EPCG Scheme. However, average EO shall remain unchanged. Duty remission shall be in proportion to the EO fulfilled. All consistent provisions for utilization of scrips issued under MEIS are also applicable to Post Export EPCG Duty Credit Scrip(s). 			
Status of scheme with respect to Textiles from 2018 onwards under ASCM – Prohibited Subsidy			
<ul style="list-style-type: none"> • The benefit under the scheme is contingent on exports and hence falls under prohibited category of subsidy. • The scheme has to be phased out 			
Textile specific scheme provisions			
<ul style="list-style-type: none"> • Exempted products for – “EO to be over and above, the average level of exports achieved by the applicant in the preceding three licensing years for the same and similar products within the overall EO period including extended period, if any” – 			

²³ In recent years, exporters have increasingly found it difficult to meet their EO under EPGC

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Export Promotion Capital Goods (EPCG)	Exemption	Authorisation / Duty Credit Scrip(s)	- HPB, FTP Appendix E
<p>include Handicrafts and Handloom</p> <ul style="list-style-type: none"> EPCG Scheme allows import of capital goods for pre-production, production and post-production at Zero customs duty. Import under EPCG Scheme is subject to an export obligation equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation. The revenue foregone by the Government by way of Zero customs duty under the scheme is contingent upon on export performance and thus qualifies as an export subsidy as per article 3.1 under ASCM The scheme may have to be phased out by 2018 			

5.1.1.5. EOUs, EHTP, STP and BTP schemes

Exhibit 22: Exports from India schemes of FTP, 2015-20: EoU/ EHTP/ STP/ BTP

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
EoU/ EHTP/ STP/ BTP ²⁴	Export promotion	Common infrastructure and facilities	- HBP Chapter 6, Appendix 6B FTP
<p>Key scheme features</p> <ul style="list-style-type: none"> Objectives of schemes are to promote exports, enhance foreign exchange earnings, and attract investment for export production and employment generation. Units undertaking to export their entire production of goods and services (except permissible sales in DTA), may be set up under the scheme. An EOU / EHTP / STP / BTP unit may export all kinds of goods and services except prohibited in ITC-HS or not-permitted. Procurement and supply of export promotion material such as brochure / literature, pamphlets, hoardings, catalogues, posters etc., is allowed up to a maximum value limit of 1.5% of FOB value of previous years' exports. An EOU / EHTP / STP / BTP unit may import and / or procure, from DTA or bonded warehouses in DTA / international exhibition held in India, duty free, all types of permitted goods, including capital goods, required for its activities. Units are permitted to import goods including capital goods required for approved activity, free of cost or on loan / lease from clients. Import of capital goods is to be done on a self-certification basis Goods imported by a unit must have actual user condition and be utilized for export production. State Trading regime shall not apply to EOU manufacturing units, except Chrome Ore / Chrome concentrate. EOU / EHTP / STP / BTP units are allowed to import / procure from DTA, without payment of duty, certain specified goods for creating a central facility. Software EOU / DTA units may use such facility for export of software. Procurement and export of spares / components, up to 5% of FOB value of exports, may be allowed to same consignee / buyer of the export article, subject to the condition that it shall not count for net foreign exchange (NFE) and direct tax benefits. The Board of Approval (BOA) may allow for consolidation of listed goods related to manufactured articles and export thereof to be imported / procured from DTA by EOU without payment of duty, to the extent of 5% FOB value of such manufactured articles exported by the unit in preceding financial year. The value of procured / imported goods will not be 			

²⁴ (a) Units undertaking to export their entire production of goods and services (except permissible sales in DTA), may be set up under the Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme or Bio-Technology Park (BTP) Scheme for manufacture of goods, including repair, re-making, reconditioning, re-engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. Trading units are not covered under these schemes.

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
EOU/ EHTP/ STP/ BTP ²⁴	Export promotion	Common infrastructure and facilities	- HBP Chapter 6, Appendix 6B FTP

taken into account for calculation of NFE and DTA sale entitlement. They are not allowed to be sold in DTA.

- Second hand capital goods, without any age limit, may also be imported duty free.
- An EOU / EHTP / STP / BTP unit is allowed (subject to conditions) to source capital goods from a domestic / foreign leasing company without payment of customs / excise duty or sell capital goods and lease back the same from a Non Banking Financial Company (NBFC).
- An EOU / EHTP / STP / BTP unit should generally be a positive net foreign exchange earner (with some exceptions) as calculated cumulatively in blocks of five years²⁵, starting from commencement of production.
- On approval, a Letter of Permission (LoP) / Letter of Intent (LoI) is issued by Development Commissioner (DC) / designated with an initial validity of 2 years to enable the Unit to construct the plant & install the machinery and commence production.
- Projects having a minimum investment of Rs. 1 crore in plant and machinery can be considered for establishment as EOUs (with some exceptions including Handicrafts where the threshold may be lower).
- BOA may consider applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an investment of Rs. 50 crore and above in plant and machinery or exporting Rs. 50 crore and above annually.
- Units may sell goods up to 50% of FOB value of exports, subject to fulfilment of positive NFE to DTA, on payment of concessional duties.
- Units manufacturing and exporting more than one product can sell any of these products (with some exceptions) into DTA, up to 90% of FOB value of export of the specific products, subject to the condition that total DTA sale does not exceed the overall entitlement of 50% of FOB value of exports for the unit, as stipulated above.
- Sales made to a unit in SEZ shall also be taken into account for purpose of arriving at FOB value of export by EOU provided payment for such sales are made from Foreign Currency Account of SEZ unit.
- Scrap / waste / remnants arising out of production process or in connection therewith is allowed to be sold in DTA, as per SION notified under Duty Exemption Scheme, on payment of concessional **duties** as applicable, within overall ceiling of 50% of FOB value of exports.
- In case of DTA sale of goods manufactured by EOU / EHTP / STP / BTP, where basic duty and CVD is nil, such goods may be considered as non-excisable for payment of duty.
- In case of new EOUs, advance DTA sale will be allowed not exceeding 50% of its estimated exports for first year.
- Units in Textile and Granite sectors have an option to sell goods into DTA on payment of an amount equal to aggregate of duties of excise leviable, subject to the condition that they have not used duty paid imported inputs in excess of 3% of the FOB value of exports of the preceding year and they have achieved positive NFE. Once this option is exercised, the unit will not be allowed to import any duty free inputs for any purpose.
- Procurement of spares / components, up to 2% of the value of manufactured articles, cleared into DTA, during the preceding year, may be allowed for supply to the same consignee / buyer for the purpose of after-sale-service. The same can be cleared in DTA on payment of applicable duty but such clearances shall be within the overall entitlement of the unit for DTA sale at concessional rate of duty.
- Following supplies (except marble which is not inter-unit) effected from EOU / EHTP / STP / BTP units will be counted for fulfilment of positive NFE:
 - Supplies effected in DTA to holders of Advance Authorisation / Advance Authorisation for annual requirement / DFIA under duty exemption / remission scheme / EPCG scheme. Except EOUs where basic customs duty and CVD is nil or exempted otherwise, to holders of Advance Authorisation / Advance Authorization for annual requirement.
 - Supplies effected in DTA against foreign exchange remittance received from overseas.
 - Supplies to other EOU / EHTP / STP / BTP / SEZ units as permitted under FTP.
 - Supplies made to designated bonded warehouses where payment is received in foreign exchange.
 - Supplies of goods and services to such organizations which are entitled for duty free import of such items in terms

²⁵ BOA may extend the period depending on market conditions

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
EoU/ EHTP/ STP/ BTP ²⁴	Export promotion	Common infrastructure and facilities	- HBP Chapter 6, Appendix 6B FTP
<p>of general exemption notification issued by Ministry of Finance (MoF).</p> <ul style="list-style-type: none"> - Supplies of Information Technology Agreement (ITA-1) items and notified zero duty telecom / electronics items. - Supplies of items like tags, labels, printed bags, stickers, belts, buttons or hangers to DTA unit for export. - Supply of LPG produced in an EOU refinery to Public Sector domestic oil companies for being supplied to household domestic consumers at subsidized prices. <ul style="list-style-type: none"> • An EOU / EHTP / STP / BTP unit may export goods manufactured / software developed by it through another exporter or any other EOU / EHTP / STP / SEZ unit subject to conditions. • Supplies from DTA to EOU / EHTP / STP / BTP units will be regarded as “deemed exports” • For claiming deemed export duty drawback, they shall get brand rates fixed by DC wherever All Industry Rates of Drawback are not available. • Suppliers of precious and semi-precious stones, synthetic stones and processed pearls from DTA to EOU shall be eligible for grant of Replenishment Authorisations at rates and for items mentioned in HBP. • In addition, EOU / EHTP / STP / BTP units shall be entitled to (i) Reimbursement of Central Sales Tax (CST) on goods manufactured in India. Simple interest @ 6% per annum will be payable on delay in refund of CST, if the case is not settled within 30 days of receipt of complete application (ii) Exemption from payment of Central Excise Duty on goods procured from DTA on goods manufactured in India (iii) Reimbursement of duty paid on fuel procured from Domestic Oil Companies / Depots of Domestic Oil Public Sector Undertakings as per drawback rate notified by DGFT from time to time. Reimbursement of additional duty of excise levied on fuel under the Finance Acts would also be admissible. (iv) CENVAT Credit on service tax paid. • Other entitlements of EOU / EHTP / STP / BTP units are: Exemption from industrial licensing for manufacture of items reserved for SSI sector; Export proceeds will be realized within nine months; Units will be allowed to retain 100% of its export earnings in the EEFC account. • Unit will not be required to furnish bank guarantee at the time of import or going for job work in DTA, where: (i) the unit has turnover of Rs. 5 crore or above; (ii) the unit is in existence for at least three years; and (iii) the unit has achieved positive NFE / export obligation wherever applicable; (2) has not been issued a show cause notice; • 100% FDI investment permitted through automatic route similar to SEZ units. • Units must pay duty on the goods produced or manufactured and cleared into DTA on monthly basis in the manner prescribed in the Central Excise Rules. • Transfer of manufactured goods from one EOU / EHTP / STP / BTP unit to another EOU / EHTP / STP / BTP unit is allowed with prior intimation to concerned Development Commissioners • Capital goods may be transferred or given on loan to other EOU / EHTP / STP / BTP / SEZ units, with prior intimation to concerned DC and Customs authorities. • Goods supplied by one unit of EOU / EHTP / STP / BTP to another unit are to be treated as imported goods for second unit for payment of duty, on DTA sale by second unit. • In respect of a group of EOUs / EHTPs / STPs / BTP Units which source inputs centrally in order to obtain bulk discount and / or reduce cost of transportation and other logistics cost and / or to maintain effective supply chain, inter unit transfer of goods and services may be permitted on a case-to-case basis by the Unit Approval Committee. • In case inputs so sourced are imported and then transferred to another unit, then value of the goods so transferred shall be taken as inflow for the unit transferring these goods and as outflow for the unit receiving these goods, for the purpose of calculation of NFE. • EOU / EHTP / STP / BTP units may on the basis of annual permission from Customs authorities, sub - contract production processes to DTA through job work which may also involve change of form or nature of goods, through job work by units in DTA. • These units may sub - contract up to 50% of overall production of previous year in value terms in DTA with permission of Customs authorities. <ul style="list-style-type: none"> - EOU may, with annual permission from Customs authorities, undertake job work for export, on behalf of DTA 			

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
EoU/ EHTP/ STP/ BTP ²⁴	Export promotion	Common infrastructure and facilities	- HBP Chapter 6, Appendix 6B FTP

exporter, provided that goods are exported directly from EOU and export document shall jointly be in name of DTA / EOU. For such exports, DTA units will be entitled for refund of duty paid on inputs by way of brand rate of duty drawback.

- Duty free import of goods for execution of export order placed on EOU by foreign supplier on job work basis would be allowed subject to condition that no DTA clearance shall be allowed.
- Sub - contracting of both production and production processes may also be undertaken without any limit through other EOU / EHTP / STP / BTP / SEZ units, on the basis of records maintained in unit.
- EOU / EHTP / STP / BTP units may sub - contract part of production process abroad and send intermediate products abroad as mentioned in LoP.
- No permission would be required when goods are sought to be exported from sub - contractor premises abroad. When goods are sought to be brought back, prior intimation to concerned DC and Customs authorities shall be given.
- Scrap / waste / remnants generated through job work may either be cleared from job worker's premises on payment of applicable duty on transaction value or destroyed in presence of Customs / Central Excise authorities or returned to unit.
- In case an EOU / EHTP / STP / BTP unit is unable to utilize goods and services, imported or procured from DTA, it may be: (i) Transferred to another EOU / EHTP / STP / BTP / SEZ unit; or (ii) Disposed of in DTA with approval of Customs authorities on payment of applicable duties and submission of import authorization; or (iii) Exported.
- Such transfer from EOU / EHTP / STP / BTP unit to another such unit would be treated as import for receiving unit.
- Capital goods and spares that have become obsolete / surplus, may be exported, transferred to another EOU / EHTP / STP / BTP / SEZ unit or disposed of in DTA on payment of applicable duties.
- Benefit of depreciation, as applicable, will be available in case of disposal in DTA only when the unit has achieved positive NFE taking into consideration the depreciation allowed.
- No duty shall be payable in case capital goods, raw material, consumables, spares, goods manufactured, processed or packaged, and scrap / waste / remnants / rejects are destroyed within or outside the unit after intimation to Customs authorities
- Disposal of used packing material will be allowed on payment of duty on transaction value.

Textile specific scheme provisions/ limitations

- With respect to Polyester yarn, no job-work with EOU/DTA/SEZ unit is permitted. However, this is not applicable to units who intend to send the fabric (made out of polyester or texturised yarn within the unit) for job work to EOU/DTA/ SEZ unit for dyeing of the fabric.
- No existing or new polyester yarn unit is permitted export through third party and they have to export directly
- Activities pertaining to reprocessing of garments/ used clothing/ secondary textiles materials/ clipping/ rags/ industrial wipers/ shoddy wool/ yarn/ blankets/ shawls and other recyclable textiles materials will not be allowed under EoU schemes.
- In case of textile sector, disposal of left over material / fabrics up to 2% of CIF value or quantity of import, whichever is lower, on payment of duty on transaction value, may be allowed, subject to certification of Central Excise / Customs officers that these are leftover items.

Status of scheme with respect to Textiles from 2018 onwards under ASCM – Subsidy

- Units undertaking to export their entire production of goods and services, except permissible sales in Domestic Tariff Area(DTA)), may be set up under the scheme.
- Units may sell goods up to 50% of FOB value of exports, subject to fulfilment of positive NFE to DTA, on payment of concessional duties.
- The permission to sell in the DTA confers benefit to a firm/group of firms by way of concessional duties. Further this is contingent on exports, thus it can be deemed as prohibited subsidy

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
EoU/ EHTP/ STP/ BTP ²⁴	Export promotion	Common infrastructure and facilities	- HBP Chapter 6, Appendix 6B FTP
<ul style="list-style-type: none"> The scheme may be suitably modified by removing the permission to sell in the domestic market at concessional duties and then continued. 			

5.1.1.6. Deemed exports schemes

Exhibit 23: Exports from India schemes of FTP, 2015-20: Deemed Exports

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Deemed Exports			- HBP, Appendix 7A, FTP Chapter 7
Key scheme features			
<p>The objective is to provide a level-playing field to domestic manufacturers in certain specified cases, as may be decided by the Government from time to time.</p> <ul style="list-style-type: none"> “Deemed Exports” refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply by manufacturers of: (a) goods against Advance Authorisation / Advance Authorisation for annual requirement / DFIA; (b) goods to EOU / STP / EHTP / BTP; (c) capital goods against EPCG Authorisation; (d) marine freight containers by 100% EOU (subject to conditions) – fall under deemed exports Supply and installation by main/ sub-contractors under International Competitive Bidding of: goods for projects financed by multilateral or bilateral agencies; or goods approved by Ministry Of Finance/ Department of Revenue (e.g., mega power or nuclear power projects) – may also be regarded as deemed exports. Deemed exports shall be eligible for any of following benefits in respect of manufacture and supply of goods: AA/ AA for annual requirement/ DFIA; Deemed Export Drawback; and Refund of terminal excise duty (TED)²⁶ (if exemption is not available). Refund of terminal excise duty will be allowed provided recipient of goods does not avail CENVAT or those which are exempted ab-initio such as: i) ICB supplies; ii) intermediate goods supplied against invalidation letter made by one AA holder to another AA holder; iii) goods procured by EoU/ EHTP/ STP/ BTP unit from DTA unit; i) supply of goods to UN/ International organisation or project funded by it. Supplies will be eligible for deemed exports drawback when CENVAT credit/ rebate has not been availed on inputs and services by supplier of goods. All Industry Rate under column ‘A’ of Duty Drawback schedule shall apply. If CENVAT credit/ rebate has been availed, no drawback shall be admissible as per Column ‘B’ of DD schedule. However, basic custom duty can be claimed as Brand Rate of duty drawback based on submission of documentary evidence of actual duty paid. Third party supply is not eligible for deemed export exemption. There is provision for risk management and internal audit mechanism including reassessment of erroneous cases. 			
Status of scheme with respect to Textiles from 2018 onwards under ASCM – Not a Subsidy			
<ul style="list-style-type: none"> The objective is to provide a level-playing field to domestic manufacturers against the importations in certain specified cases. Supply by manufacturers of: (a) goods against Advance Authorisation / Advance Authorisation for annual requirement / DFIA; (b) goods to EOU / STP / EHTP / BTP; (c) capital goods against EPCG Authorisation; (d) marine freight containers by 100% EOU (subject to conditions) – fall under deemed exports. The support received is in line with other schemes such as Advanced Authorisation/DFIA/EoU/EPCG. Etc., beyond which the scheme does not confer, subsidies. 			

²⁶ No exemption/ refund against supply to DFIA as CVD is not exempted; Refund of terminal excise duty will be allowed provided recipient of goods does not avail CENVAT or those which are exempted ab-initio such as: i) ICB supplies; ii) intermediate goods supplied against invalidation letter made by one AA holder to another AA holder; iii) goods procured by EoU/ EHTP/ STP/ BTP unit from DTA unit; i) supply of goods to UN/ International organisation or project funded by it.

Scheme name	Scheme type	Instrument	HBP, FTP Appendix / ASCM Annex references
Deemed Exports			- HBP, Appendix 7A, FTP Chapter 7
<ul style="list-style-type: none"> So the scheme may be continued. 			

5.1.2. Schemes by Ministry of Textiles

5.1.2.1. ATUFS

Exhibit 24: Textile Ministry schemes: TUFS

Scheme name	Scheme type	Instruments
Amended Technology Up-gradation Fund Scheme (ATUFS)	Technology Up-gradation	Credit linked capital investment subsidy
Key scheme features		
<ul style="list-style-type: none"> Technology up-gradation means induction of state-of-the-art or near-state-of-the-art technology. Objective of the scheme is to leverage investments in technology up-gradation in the Textile sector to facilitate augmenting of investment, productivity, quality, employment. Capital Investment Subsidy (CIS) at a prescribed rate is provided for purchases of the benchmarked new machinery for each segment under this scheme. The segments such as Weaving Preparatory, Weaving, Knitting, Processing (fibres, yarn, fabrics, garments and madeups), Technical Textiles, Garment/Madeup Manufacturing, Handloom sector, Silk Sector and Jute sectors are eligible under ATUFS 		
Status of scheme with respect to Textiles from 2018 onwards under ASCM – Not a prohibited subsidy		
<ul style="list-style-type: none"> ATUFS is a textile industry specific subsidy schemes under which Capital Investment Subsidy (CIS) at a prescribed rate is provided for purchases of the benchmarked new machinery The support provided is neither export contingent nor import substitution incentive, hence not prohibited subsidy. However the scheme offers benefits specific to textile industry which are countervailable under Article 5 of ASCM The scheme may be continued as deemed necessary 		

5.1.2.2. TMTT Scheme

Exhibit 25: Textile Ministry schemes: TMTT

Scheme name	Scheme type	Instruments
Technology Mission on Technical Textiles (TMTT) Scheme	Infrastructure Development and Business Support	Grant
Key scheme features		
<ul style="list-style-type: none"> Objective of the schemes is to remove the impediments hampering the production of technical textiles in the country to meet growing demand in the domestic and export market, Ministry of Textiles has launched the Scheme of Technology Mission on Technical Textiles (TMTT) with two mini missions for a period of five years (from 2010-11 to 2014-15) with a fund outlay of Rs. 200 crore. Mini Mission – <ul style="list-style-type: none"> Setting up of Centre of Excellence in the field of non-woven, composites, indutech and sportech (Rs 100 crore allocation) Up-gradation of COEs covered in SGDTT scheme for development of prototypes, incubation centres, and provision for 		

Scheme name	Scheme type	Instruments
Technology Mission on Technical Textiles (TMTT) Scheme	Infrastructure Development and Business Support	Grant
appointment of experts (Rs 56 crore allocation) <ul style="list-style-type: none"> • Mini Mission –II <ul style="list-style-type: none"> - Business start-up support (Rs 3 crore allocation) - Organising workshop (Rs 5 crore allocation) - Social compliance through standardisation regulatory measures (Rs 5 crore allocation) - Market development support to bulk and institutional buyers (Rs 15 crore allocation) - Market development support for export assistance (Rs 5 crore allocation) - Fund support for contract research (Rs 11 crore allocation) 		
Status of scheme with respect to Textiles from 2018 onwards under ASCM – not a prohibited subsidy <ul style="list-style-type: none"> • The scheme does not provide any export contingent subsidies and can be continued as deemed necessary. 		

5.1.2.3. SITP

Exhibit 26: Textile Ministry schemes – SITP

Scheme name	Scheme type	Instruments
Scheme for Integrated Textile Parks (SITP)	Infrastructure Development	Grant or Equity
Key scheme features <ul style="list-style-type: none"> • Objective of the Scheme is to provide the industry with State of the art world-class infrastructure facilities for setting up their textile units. • The scheme aims to facilitate textile units to meet international environmental and social standards • SITP schemes to create new parks of international standards at potential growth centres. This scheme envisages engaging of a panel of professional agencies for project identification and execution. • Each Integrated Textile Park (ITP) to have 50 units. The number of entrepreneurs and the resultant investments in each ITP could vary from project to project. • Aggregate investment in land, factory buildings and plant and machinery by the entrepreneurs in an ITP must be at least twice the cost of common infrastructure proposed for the Park. • The new ITPs being set up under the Scheme may be excluded from the SEZs. • The scheme targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support. • The project cost will cover common infrastructure and buildings for production/support activities (including textiles engineering, accessories, packaging), depending on the needs of the ITP. • There will be flexibility in setting up ITPs to suit the local requirements. • An ITP will have the following (illustrative) components: <ul style="list-style-type: none"> - (a) Group A - Land. - (b) Group B – Common Infrastructure like compound wall, roads, drainage, water supply, electricity supply including captive power plant, effluent treatment, telecommunication lines etc. (c) Group C – Buildings for common facilities like testing laboratory (including equipment), design centre (including equipment), training centre (including equipment), trade centre/display centre, warehousing facility/ raw material depot, one packaging unit, crèche, canteen, workers’ hostel, offices of service providers, labour rest and recreation facilities, marketing support system (backward / forward linkages) etc. - (d) Group D – Factory buildings for production purposes. - (e) Group E- Plant and machinery. 		

Scheme name	Scheme type	Instruments
Scheme for Integrated Textile Parks (SITP)	Infrastructure Development	Grant or Equity
<ul style="list-style-type: none"> - (f) Group F - Work space for textile units and workers' hostel which may be made available on rental/hire purchase basis. • The total Project Cost for the purpose of this Scheme includes the cost on account of components of ITP, as listed under Groups B, C, D and F above, provided the ownership of the factory buildings vests with the SPV. (Land is not included as it is to be facilitated by the State government) • The Technical fee is not covered in the project cost. • The SPV will, however, have the option of seeking financial support from Government of India for components under Groups B, C and F only, if factory buildings are individually owned. • The Parks with Processing Unit should necessary have a Common Effluent Treatment Plant (CETP). • The role of the State Government is: <ul style="list-style-type: none"> - Providing all the requisite clearances, wherever needed, for setting up the ITP and providing the necessary assistance for Power, Water and other utilities to the ITP - Assist in identification and procurement of suitable land. - The State Government agencies like Infrastructure/Industrial Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants. - Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the units located in the ITP. - Dovetailing of other related schemes for overall effectiveness and efficiency of the project. • Total project cost shall be funded through a mix of Equity/Grant – from the Ministry of Textiles, State Government, State Industrial Development Corporation, Industry, Project Management Consultant and Loan – from Banks/ Financial Institutions. • The Government of India's (GOI) support under the Scheme by way of Grant or Equity will be limited to 40% of the project cost subject to a ceiling of Rs. 40 crore for parks. • GOI support under the Scheme will be generally in the form of grant to the SPV unless specifically decided by the PAC to be equity. • However, the combined equity stake of GOI/State Government/State Industrial Development Corporation, if any, would not exceed 49%. • GOI support will be provided @90% of the project cost subject to a ceiling of Rs. 40 crore for first two projects in the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Sikkim and Jammu & Kashmir. • Any interest payable to GOI will be adjusted in the grant payable. • Delay in the implementation of the project would reduce the grant amount by an additional 1% for every 1 month of delay. • In the event of project implementation getting delays beyond 12 months, then the PAC could consider closure of the project at the current level of grant assistance and cancel the balance undrawn grant amount. • In the event the park is cancelled by PAC for any reason whatsoever then the SPV shall immediately return the Government assistance together with the interest accrued thereon, if any. Payment of penal interest by the SPV @ 10% or as decided by the Project Approval Committee (PAC) on case to case basis to be returned by the SPV. • User charges would be fixed for various facilities and services by SPV. There will be full recovery of Operational & Maintenance (O&M) costs through user charges. • The recovery by way of lease rentals shall accrue to the SPV for plough back for future expansion. • Budget provision of not exceeding Rs.2 crore per annum shall be made for administrative expenditure, evaluation, studies, research, seminars, information dissemination, publicity, and for putting in an IT enabled monitoring mechanism, etc. • There is provision for payment to PMC. • Land for Textile Parks shall be purchased / arranged by the SPV. The registered value of land would be taken as part of the Industry's equity/share in the project. 		

Scheme name	Scheme type	Instruments
Scheme for Integrated Textile Parks (SITP)	Infrastructure Development	Grant or Equity

- **The GOI grant shall not be used for procurement of land.**

Additional grant for apparel manufacturing units

- In order to provide a fillip to the apparel manufacturing industry and generate additional employment, particularly for women, the Union Budget 2013-14 provided for an additional grant up to Rs 10 crore per park, for apparel manufacturing units within the parks up to Rs 50 crore during the 12th Five Year Plan period.
- The assistance would be available to the Special Purpose Vehicle (SPV) companies of the approved textile parks under SITP which have operationalised 25% of the approved units till 31st March, 2013.
- This grant shall be available for setting up of only additional infrastructure required for apparel and ancillary units, as permissible under the current guidelines of SITP (**except for procurement of land**) in the Park.

The eligible components of the project include:

- Factory Buildings for apparel manufacturing units
- Common facilities like crèches, working women hostel, canteen etc. Common Infrastructure for only the additional facilities created would be sanctioned.
- The SPVs should leverage the common infrastructure already created in the park and the grant shall be available for setting up additional manufacturing units which would capitalize on the existing infrastructure.
- SPVs would be encouraged to build some extra area under production for providing plug and play infrastructure to be given on rental/hire purchase model to be approved by PAC on a case to case basis.
- The SPVs should set up a minimum of 3 apparel manufacturing units including ancillary units in the Park.
- The proposed apparel manufacturing units may be set up within the existing park and /or by way of acquiring additional land in contiguity with the existing park.
- The assistance of GoI would be limited to 40% of the proposed project cost, not exceeding Rs 10 crores for each park.
- Thus SPVs intending to avail Rs 10 crores of grant assistance would need to invest Rs 15 crores (through equity/loans/other sources) in the ratio of 40:60.
- SPVs to upfront bring in 10% of their proposed contribution in escrow account.
- The eligible SPVs wishing to avail this additional grant are required to submit project proposal through empanelled PMCs, for consideration by the Ministry of Textiles.

Incubation scheme

- The objective is to create a holistic ecosystem for first generation entrepreneurs and start-ups to boost entrepreneurship in the textiles sector by systematically addressing issues of lack of infrastructure and ecosystem linkages.
- To establish three incubation centres in the 12th Five Year Plan period to provide integrated workspace and linkages based ecosystem for entrepreneurs by assisting with infrastructure and capacity building services.
- The incubation period shall be eligibility based and support shall be provided for three years.
- Infrastructure support will be given in the form of plug and play factory building of not more than 15,000 sq. ft for each incubatee and plant and machinery comprising minimum 100 stitching machines and ancillary equipment.
- Capacity building and support as well as market linkage support shall be in the form of training under ISDS of 200 workers for three months, training on entrepreneurship development for one month, participation/ visits to three domestic exhibitions and one international fair, and training on product design and services.
- Financial support will be provided in the form of grant.

Status of scheme with respect to Textiles from 2018 onwards under ASCM – not a prohibited subsidy

- Neither Central nor State government provides land at concessional rates
- The scheme does not provide any export subsidies and can be continued as deemed necessary

Exhibit 27: Textile Ministry schemes – ISDS

Scheme name	Scheme type	Instruments
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Integrated Skill Development Scheme (ISDS) for the Textiles and Handicrafts sector including Jute and Handicrafts	Skill Development	Grant
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Key scheme features

- Objective of the Scheme is to address the trained manpower needs of textiles and related segments including Handicrafts, Handlooms, Sericulture, Jute, Technical Textiles etc, by developing a cohesive and integrated framework of training based on the industry needs. Enhancing employability of trained manpower derived from residents of target areas.
- The scheme envisages three Components:
 - Component I for Institutions /TRAs under MoT
 - Component II for private bodies in PPP mode
 - Component III for State Government Agencies
- It is to operate Projects within the XII Plan Outlay of Rs. 1900 crores with a physical target of 15 lakh persons during the Plan period 2012-2017. The physical & financial targets also include the targets committed in the pilot phase.
- The Scheme envisages concurrent evaluation of performance. A Project Management Unit will be set up under the scheme for scheme implementation and monitoring.
- The Resource Support Agencies (RSA) to be established as an independent body and formation of regional branches/ sub-committees will be deliberated for effective functioning of these academies/ RSA.
- The Academies/ RSA to report to Sector Skills Council on a regular basis and perform the following functions: 1. Smooth functioning and implementation of the ISDS
- Identification and finalization of skill development needs in consultation with SSCs and RRSAs
- Since dedicated resource will be required for functioning of Academies/ RSA, Implementation agencies will not be designated as Academies/ RSA. The Resource Support Agencies (RSA) (now called the Academies of Excellence) will be based on specific sub-sectors of Textiles such as Spinning, Weaving and Knitting, Chemical Processing, Technical Textiles, Handicrafts and Apparels. They would provide the pedagogic inputs on quality control to the Skill programme and work under the overall guidance of the Industry led SSCs.
- The financing model for the RSAs would include financing under:
 - Capital for creation and maintenance of physical infrastructure
 - Administrative costs for manpower, office equipment, training of trainers and costs related to their activities including promotion of the scheme
 - Research grants for creating expertise in the area allocated to them
 - Costs for administering Government grants to implementing agencies under the overall control of the Ministry of Textiles.
- No funds would be given for civil works and civil infrastructure.
- The PMU will be the overall monitoring body for the ISDS under the direct administrative control of MoT. PMU will manage skills and labour Market Information System (LMIS) Portal which would be created and maintained by a specialized IT consultant.
- The maximum government assistance available shall be restricted to Rs. 10,000/- per trainee. The payment would be linked to both data uploaded on the MIS portal and achievement of the prescribed percentage of employment in the Labour MIS.
- Placement and tracking (at least for 6 months) shall be mandatory under the scheme with provisions for placement in the organized sector and the informal sector or self-employment. The implementing agencies should track the trainees for a minimum period to assess the impact of training: (i) Textiles & apparel (75% placements); (ii) Handlooms, Handicrafts and Silk; 75% in organised sector/unorganised/ informal or self-employment.
- There is no land required under this project. The land for road construction will be acquired by the concerned bodies, and the same is outside the purview of this project.
- Under components I & III, ISDS proposes to upgrade the training facilities in the Powerloom and Weaver's Service Centres, Textile Research Associations (TRAs); Apparel Training and Design Centres (ATDCs); Indian Institutes of Handloom Technology (IIHTs); Research and Training institutes under the Central Silk Board for Sericulture; Institute for Jute Technology (IJT); Centres of Excellence for Technical Textiles, institutes that have institutional tie-ups under the schemes set up for training in Handicrafts etc and State Government Agencies

Scheme name	Scheme type	Instruments
Integrated Skill Development Scheme (ISDS) for the Textiles and Handicrafts sector including Jute and Handicrafts	Skill Development	Grant
<ul style="list-style-type: none"> The programme aims to address the shortage of trained manpower and to tap the huge employment potential of the sector to achieve the aim of inclusive growth through economic empowerment. As far as may be feasible, for each of the sector (in the Textiles value added chain) projects would be sanctioned in proportion to the identified skill gap in the sector. One of the key outcomes of the programme is the number of trainees who are successfully engaged in the related occupations after the training. The IA would take all steps to partner with industry and obtain the commitment of Industrial units for employment of the successfully trained candidates. 		
Status of scheme with respect to Textiles from 2018 onwards under ASCM – not a prohibited subsidy		
The scheme does not provide any export subsidies and scheme is in line with National Skill Development Mission under which the skill development is being carried out across sectors. The scheme may be continued as deemed necessary.		

In the context of the analyses presented above, it is important to assess: the amount of actual subsidy utilised during the period of the last Foreign Trade Policy (2009-14) and under each scheme. This would help in determining the actual amount of ‘benefit’ on account of each scheme as percentage of total exports, whether it is overall 2% or more or less? How much is prohibited and how much is actionable? And appropriate policy decisions can be made based on this assessment as recommended later. The summary of analysis of various schemes are mentioned under Exhibit 28.

Exhibit 28: Summary of scheme analysis – Prohibited subsidy or not?

Scheme name	Prohibited subsidy or not?	Remarks
MEIS (FTP-2015-20)	Yes	Export contingent; Must be phased out
AA & DFIA (FTP-2015-20)	No	‘Reasonable’ verification needs to be demonstrated to conclude that excess rebate is not being passed over to beneficiary. Deficiencies to be addressed. To be continued
Duty Drawback (FTP-2015-20)	No	Challenged at WTO because of non-transparent method of AIR determination. Deficiencies to be addressed. To be continued
EPCG (FTP-2015-20)	Yes	Export contingent; Must be phased out
EoU (FTP-2015-20)	Yes (To be modified wrt to DTA sales at concessional duty)	Must be modified with respect to differential custom duty on sale from export unit to DTA, else prohibited
Deemed Exports (FTP-2015-20)	No	To be continued
ATUFS (MoT)	No	Can be continued as deemed necessary
TMTT (MoT)	No	Can be continued as deemed necessary
ISDS (MoT)	No	Can be continued as deemed necessary
SITP (MoT)/Apparel Park/ Incubation Centre	No	Can be continued as deemed necessary

Source: iMaCS Analysis

6. PEER COUNTRY COMPETITIVENESS ASSESSMENT

In this section, we have summarised the competitiveness of the key competing countries of India and their presence in global textile trade. The countries considered for this assessment are – China, Turkey, Vietnam, Bangladesh, Pakistan and Myanmar. A detailed note on the exports and different internal and external factors of competitiveness for each of these of countries has further been elaborated under Annexure 8 and summary is presented in the below mentioned sections.

6.1.EXPORT TRENDS IN TEXTILES AND CLOTHING

The trends in exports from each of the competing countries are detailed under this section.

China

China is the world leader in global textile and apparel trade with US\$ 274 billion worth of exports under chapter XI of the HS code in 2015. It has witnessed a steady growth of 9.5% CAGR during 2010 to 2014, while the global textile trade grew at 4.7% CAGR.

Exhibit 29: China's textile export growth



Source: UN ComTrade, IMaCS analysis

Exhibit 30: Chinese textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-14	Share in Chinese textile exports (2015)	Share in Global exports (2014)
1	Apparels	162	9%	59%	40%
2	Fabrics	61	11%	22%	49%
3	Made ups	16.6	9%	6%	52%
4	Fibre	3	8%	1%	10%
5	Yarn	10.8	6%	4%	25%
6	Others	20	10%	7%	27%
Total exports		273	9.6%	100%	38.4%

Source: IMaCS analysis, UN ComTrade

Turkey

Turkish textile and apparel exports was valued at US\$ 26 billion for 2015, growing at 7.8% CAGR during 2010 to 2014 as compared to the global textile trade growth of 4.7% during the same period. Turkey has achieved export competitiveness in the sector and currently accounts for 3.7% of the global textile trade in 2015.

Exhibit 31: Global textile exports from Turkey



Source: UN ComTrade, IMAcS analysis

Exhibit 32: Turkish textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ bn)	CAGR 2010-14	Share in Domestic textile exports (2015)	Share in Global exports (2014)
1	Apparels	14.8	7%	57%	3.7%
2	Fabrics	4.6	7%	18%	4.3%
3	Made ups	1.45	4%	6%	4.7%
4	Fibre	0.3	7%	1%	1.0%
5	Yarn	1.7	9%	7%	4.0%
6	Others	3.1	15%	12%	4.8%
Total exports		26	7.8%	100%	3.9%

Source: IMAcS analysis, UN ComTrade

Bangladesh

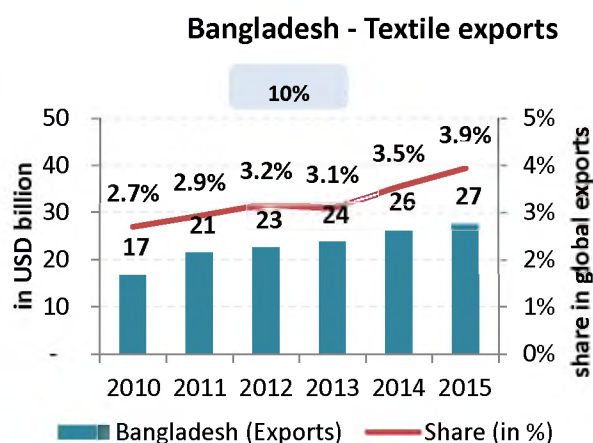
Textile and apparel exports from Bangladesh have been valued at US\$ 27²⁷ billion for 2015, growing at 10% CAGR from 2010 to 2015. Bangladesh has achieved competitiveness in the sector in 2014 when its share in global trade has crossed 3.25% in 2014 and in 2015 contiguously. Unlike India, Bangladesh has presence only in the apparel sector which makes up for 93% of total textile exports

Exhibit 33: Exports of Textiles from Bangladesh chapter wise

Bangladesh exports as per Export Promotion Bureau of Bangladesh (in USD)					
HS Chapters	code	2011-12 (June - July)	2012-13 (June - July)	2013-14 (June - July)	2014-15 (June - July)
50		13,387	179,551	416,094	42,883
51		612,007	161,248	393,283	1,077,778
52		113,000,649	124,959,764	115,601,055	107,041,705
53		782,121,682	793,189,377	714,442,459	729,083,164
54		25,631,087	31,600,690	33,917,014	38,482,000
55		31,140,828	46,763,727	40,382,088	28,377,382
56		24,617,842	23,090,314	28,362,773	30,565,828
57		6,225,303	8,460,165	11,680,742	18,897,358
58		96,980,903	89,577,802	73,741,489	47,357,341
59		10,926,066	10,929,528	11,268,781	13,122,336
60		30,857,018	24,012,152	23,751,527	46,509,515
61		9,486,390,307	10,475,875,322	12,049,814,458	12,426,788,978
62		9,603,336,331	11,039,849,085	12,442,066,968	13,064,606,144
63		1,091,329,290	1,028,944,355	902,581,377	943,792,708
Total		21,303,182,699	23,697,593,081	26,448,420,107	27,495,745,119
Source link	http://epb.portal.gov.bd/site/files/9efa4995-2501-4c9e-8ca6-8b8f7208c3a0/Statistic				

²⁷ As per Bangladesh – Export Promotion Beau rue for July 2014 to June 2015

Exhibit 34: Global textile exports from Bangladesh



Source: UN ComTrade, Export Promotion Bureau of Bangladesh, IMAcS analysis
 *Data for 2011, 2013, 2014, and 2015 are from July-June
 Data for 2012 is estimated

Exhibit 35: Bangladesh- textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-15	Sectoral share in textile exports (2014)	Share in Global exports (2014)
1	Apparels	25.5	11%	93%	5.6%
2	Fabrics	0.2	-3%	0.9%	0.2%
3	Made ups	0.5	6%	2%	1.5%
4	Fibre	0.1	-16%	0.5%	0.5%
5	Yarn	0.6	2%	2.3%	1.3%
6	Others	0.5	6%	1.7%	0.5%
Total exports		27.5	10%	100%	3.5%

Source: IMAcS analysis, UN ComTrade, Export Promotion Bureau of Bangladesh

Cambodia

Cambodia is the low cost garmenting centre with most of investment in the sector from garmenting players of China and Hong Kong. Textile and apparel exports from Cambodia have been valued at US\$ 5.7²⁸ billion for 2014, growing at 17% CAGR during 2010 to 2014. Cambodia has a share of 0.8% in global textile trade. Over 98% of the textile export from Cambodia is comprised of garments and apparels. Apparel export witnessed a growth of CAGR 17% per annum during 2010 to 2014. The key export market for Cambodia is Europe (42%) and US and Canada (44%).

²⁸ Source: Garment Manufacturers' Association in Cambodia - <http://www.gmac-cambodia.org/imp-exp/garment.php>, UN ComTrade – Imports from Cambodia, IMAcS analysis

Exhibit 36: Global textile exports from Cambodia



Source: UN ComTrade, <http://www.gmac-cambodia.org/imp-exp/garment.php>, IMAcS analysis

Exhibit 37: Cambodia- textile export sector wise

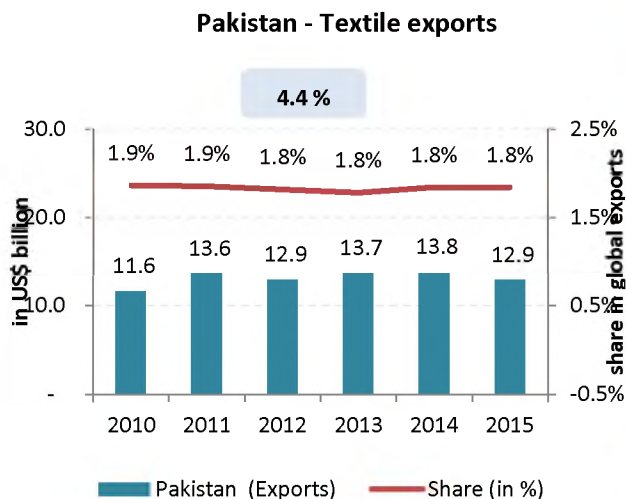
Sl. No.	Sector	Exports 2013-14 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2013)	Share in Global exports (2014)
1	Apparels	5.6	17%	98%	1.3%
2	Fabrics	0.05	65%	0.8%	0.04%
3	Made ups	0.04	37%	0.6%	0.1%
4	Fibre	-	-	-	-
5	Yarn	-	-	-	-
6	Others	0.03	42%	0.5%	0.04%
Total exports		5.3	17%	100%	0.77%

Source: IMAcS analysis, UN ComTrade, Export Promotion Bureau of Bangladesh

Pakistan

Pakistan textile and apparel exports is valued at US\$ 12.9 billion in 2015, growing at 4.4% CAGR during 2010 to 2014 in line with global textile trade growth of 4.7% CAGR during the same period. Pakistan has not yet achieved competitiveness in the sector and currently accounts for 1.8% of the global textile trade in 2015. The y-o-y growth of textile exports from Pakistan is indicated in the following exhibit.

Exhibit 38: Global textile exports from Pakistan



Source: UN ComTrade, IMAcS analysis

Exhibit 39: Pakistan textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2015)	Share in Global exports (2014)
1	Apparels	4.49	6%	35%	1%
2	Fabrics	2.7	3%	21%	2%
3	Made ups	3.14	3%	24%	9%
4	Fibre	0.16	-3%	1%	1%
5	Yarn	1.6	4%	12%	4%
6	Others	0.9	9%	7%	1%
Total exports		12.9	4.4%	100%	1.8%

Source: IMAcS analysis, UN Comtrade

Vietnam

Textile and apparel exports from Vietnam have been valued at US\$ 22.8 billion for 2013, growing at 14.5% CAR during 2010 to 2014. Vietnam had a share of 3.1% in global textile trade in 2014. Vietnam is the low cost garmenting centre which became the centre of attraction of investors in Hong Kong,

Exhibit 40: Global textile exports from Vietnam



Exhibit 41: Vietnam- textile export sector wise

Sl. No.	Sector	Exports 2013-14 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2013)	Share in Global exports (2014)
1	Apparels	18.4	16%	81%	4.2%
2	Fabrics	0.8	4%	4%	0.7%
3	Made ups	0.3	-11%	1%	0.9%
4	Fibre	0.2	13%	1%	0.6%
5	Yarn	2.1	14%	10%	4.8%
6	Others	0.8	13%	4%	1.1%
Total exports		22.9	14.5%	100%	3.1%

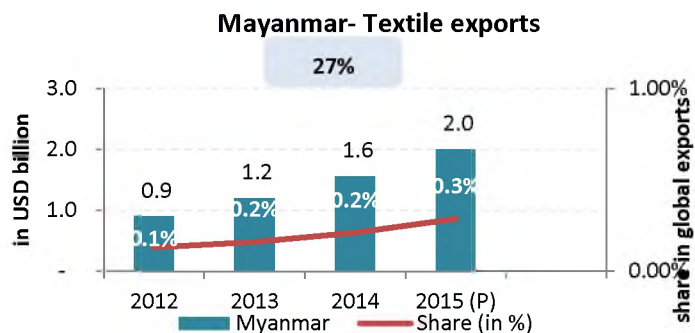
Source: IMAcS analysis, UN ComTrade

Source: UN ComTrade, IMAcS analysis

Myanmar

Textile and apparel exports from Myanmar have witnessed significant growth since 2011 and with the new civilian government at the helm during 2016, the country is further expected strengthen manufacturing and exports. Textile exports have been valued at US\$ 1.96 billion for 2014, with a share of less than 1% in global textile trade in 2014. Though share is less the trade has witnessed a CAGR of 27% during 2011 and 2014. Textile exports of Myanmar accounts for 6% of its total exports of the country in 2014 and it is among the five strategic areas identified for the growth in exports.

Exhibit 42: Global textile exports from Myanmar



Source: Myanmar Garment Manufacturers association, IMaCS analysis

6.2.POLICY SUPPORT FOR TEXTILE EXPORTERS

China

The 12th Five Year Plan aims to develop textile and apparel Industry of China at 8% CAGR and exports at 7.5% per annum with an export target of US\$ 300 billion by 2015. The 12th Plan also aims at increasing the share of technical textile from 20% to 25% of total national output. For development of textile sector policy and fiscal support would be provided along four key pillars:

1. **Structural improvements** with focus on developing textile industry in West and Central China, with a target for these regions to account for 28% of national textile output.
2. **Developing Innovation and R&D** in textile equipment and cotton textiles. The policy aims at increasing R&D expenditure to over 1% of income.
3. **Developing strong brand names** at both International and domestic level. It further aims at creating 50 strong brand organisation having revenue over 10 million RMB with at least 25% income coming via exports.
4. **Reducing the energy consumption** across industry by 20% and reduction in water usage by 30%. It also aims at recycling of textile fibres in the order of 8 million MT.
5. For apparel industry, China calls for **IT assisted integrated manufacturing** in around 25% of the industry.

China provides fiscal and non fiscal support through state wise incentives for textiles and apparel units located across China. These benefits include financing support like soft loans, financing through public bonds, innovation grants, special technology development funds and short term investment capital; tax

benefits on pollution reduction, technology upgradation and investing in Xinjiang province. Other benefits like human capital support and brand building support are also offered by certain states.

Turkey

Turkey has an ambitious target of achieving US\$ 20 billion exports by 2023 from current exports of US\$ 4.2 billion, at a CAGR of 19%, securing a 3.6% share in global textile market. Its key focus areas for achieving this target are woven and knitted fabrics and technical textiles with a combined target of US\$ 12.5 billion by 2023 for these sectors. The plan for achieving the targets involves:

1. Boosting production and efficiency by modernizing and restructuring production capacity:
2. Focusing on high value added yarn and specialty fibres using newer technologies
3. Focusing on technological textiles

It runs investment incentive program wherein the geographical area is classified into 6 regions and incentives pertaining to tax benefits, custom duty supports, VAT exemptions, preferential land allocation and social security premium are provided. The regions are also classified as Free zones, Organised Industrial zones and Technological development zones for providing the benefits.

Bangladesh

Bangladesh came up with a revised export Policy 2012 to 2015 in 2012 aiming at encouraging labour oriented export manufacturing, ensuring raw material availability, providing assistance for skill development and backward and forward integration. The key benefits offered to the garmenting and textile sector under the policy are:

1. Creation of export Promotion Fund (EPF): The Export Promotion Bureau (EPB) would have export promotion fund for providing following benefits:
 - a. Venture capital at lower interest rates
 - b. Assistance in technology up-gradation
 - c. Assistance in market missions abroad
2. Financial support: Provision for cash incentives in line with WTO to export oriented industries
3. Softer loans for import of capital machinery and raw materials for export production
4. Facilities for export credit:
 - a. Provision of up to 90% export credit via an irrevocable letter of credit (LCs) to exports for managing working capital

- b. Creation of “Export Credit cell” with Bangladesh bank and “Special credit cell” with commercial banks to cater to export funding
 - c. Minimal rate of interest and LC commission for export credit. Rate to be set by Bangladesh Bank
5. Provision of providing cash incentives as an alternate to duty bond and duty drawback for export oriented garmenting and textile units.
 6. Provision for drawback of VAT for export facilitating services like C&F services, telephone, electricity, insurance and shipping commissions
 7. Duty free import of spare parts up to 10% of capital machinery every two years for export oriented industry
 8. Assistance towards ETP establishment for export oriented manufacturing

In addition to these the policy also provides textile industry specific benefits, which are enumerated as follows:

1. Initiative for development of “garment villages” having adequate infrastructure, utility facilities, waste water treatment,
2. Initiative to reduce lead time for exports by better port management and simplification of procedure for releasing goods.
3. Initiative for worker training for product diversification and productivity improvement.
4. Conducting exhibits and market mission in abroad countries.

The key incentives provided to units under EPZs are:

FISCAL INCENTIVES:

5. 10 years tax holiday of units established before 2012.
6. Region wise tax exemption varying from 5 years to 7 years for units established in and after 2012 across different EPZs.

Cambodia

Cambodia provides investment incentives to attract export oriented investors. These include profit tax exemption for Qualified Industrial Projects, accelerated depreciation, duty free imports for production equipments, raw material and intermediate goods and export tax exemption. It also provides special customs procedure being been conducted within the zones for Special economic zones (SEZ).

Pakistan

Pakistan provides textile subsidies and benefits like easy financing facilities, brand and market development support, drawback of local taxes, technology upgradation fund and various vocational training programmes for skill development.

Vietnam

Vietnam provides support through export credits and investment credit guarantees and subsidised loan support upto 4 percentage points from Vietnamese Development bank (VDB). Support for export oriented market identification, participation in trade fairs and funding of market and export processing zones, economic zones and High tech zones wherein benefits like lower tax on employment of woman and minority, duty re-imburements, exemption from import and export oriented duties in EPZ and provision of plug-and-play infrastructure.

Myanmar

Myanmar has come up with a National export strategy wherein it aims at increasing investment and exports through provision of easy financial support in terms of telegraphic transfers, back to back letter of credits and letter of credits, to provide the local firms with globally competitive financial support. Myanmar also provides benefits of income tax exemption and reduction and exemption in tariff while procuring export oriented raw materials under its SEZs. It has laid down plans to provide mass skill development and upskilling of labour as well as support for marketing and export assistance.

A summary of these key policies is tabulated in Exhibit 43.

Exhibit 43: Key policy across Countries

Countries	Tax rebates & Financial benefits	Technology innovation support	Brand building support	Financing support	Presence of Textile specific policies
China	Provision of export tax rebate of up to 15% Tax exemption and rebates for investment in Xinjiang province	Special technology Innovation funds Tax rebates on R&D activities	Brand building support fund available	Low cost loans available from Govt. banks.	✓
Turkey	Tax rebate varying from 15% to 55% depending on OIZ and	No specific policy	Branding support for "TURQUALITY"	Low cost loans subsidy of up to 5%	No

Countries	Tax rebates & Financial benefits	Technology innovation support	Brand building support	Financing support	Presence of Textile specific policies
	geography				
India	Tax rebate only for Export units in designated SEZs	Low cost loan and capital subsidy for technology up-gradation in textile sector	Support for exhibitions on foreign soil via market development scheme	-	✓
Vietnam	Tax rebates available only for investment in Deprived areas	No specific policy available	Not present	Export credit at 4% lower interest rate	No.
Bangladesh	Tax holidays and exemption of up to 10 yrs for units in EPZs Cash subsidy for new apparel products Accelerated depreciation	No specific policy	Support for Market missions	Availability of back to back letter of credit for garmenting Interest rates 5% lower than market	✓
Pakistan	No tax rebates provided	Availability of low cost loans for technology up gradation	Brand building support via promotion of retail outlets in other countries, market development support and development of world trade centre	Export financing via subsidized loans at 7.5% interest	✓
Cambodia	Export tax exemption of up to 3 to 5 yrs Accelerated depreciation at 40% on plant and machinery	NA	NA	NA	NA.
Myanmar	5 yrs tax holiday on export profits with 50% taxes in the next 5 yrs	NA	NA	NA	NA

Source: IMaCS analysis

As illustrated in Exhibit 43, Bangladesh and Cambodia are the only countries providing heavy corporate tax rebates and exemptions for investment coming into the country. Financial and interest support for

technology up gradation is present across China, India and Pakistan. All countries except Vietnam and Cambodia provide brand building support.

6.3.TAXATION

India and Pakistan have the highest corporate income tax rates compared to the key competing countries listed in Exhibit 44. The difference in corporate tax rate provides a significant additional margin to exporters from other countries increasing their competitiveness in the exports market.

Exhibit 44: Tax rates across peer countries

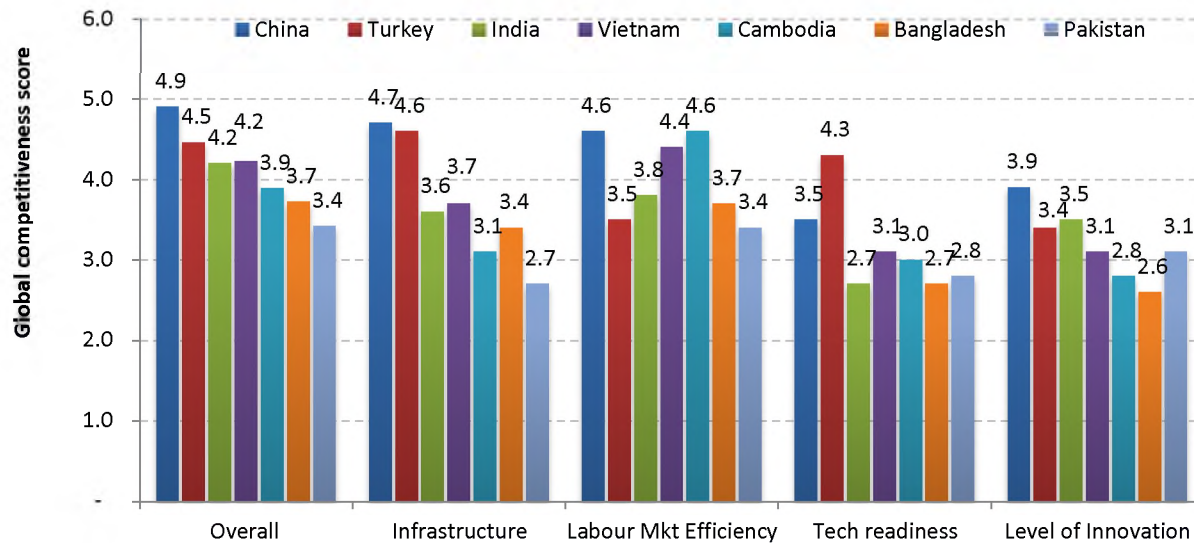
Sl. No.	Country	Corporate Income tax	VAT rate
1	India	33%	14%
2	China	25%	15%
3	Turkey	20%	18%
4	Vietnam	22%	10%
5	Bangladesh	27.5%	15%
6	Pakistan	33%	15%
7	Cambodia	20%	10%
8	Myanmar	25%	NA

Source: iMaCS analysis

6.4.GLOBAL COMPETITIVENESS RANKING

The global competitiveness ranking done by World economic forum (WEF) covers different parameters across social, infrastructure, labour and business aspects. The rankings done in 2014 indicate that among the competing countries considered under this study, China is the most competitive nation followed by Turkey and India. While China has a strong competitiveness in Infrastructure, labour market efficiency and Innovation, Turkey takes the upper hand in Technological readiness. India has a significant score when it comes to level of innovation but lacks behind in infrastructure and technological readiness. The competitiveness scores for the key competing countries for each parameter are shown in Exhibit 45.

Exhibit 45: Global Competitiveness scores - Competing countries

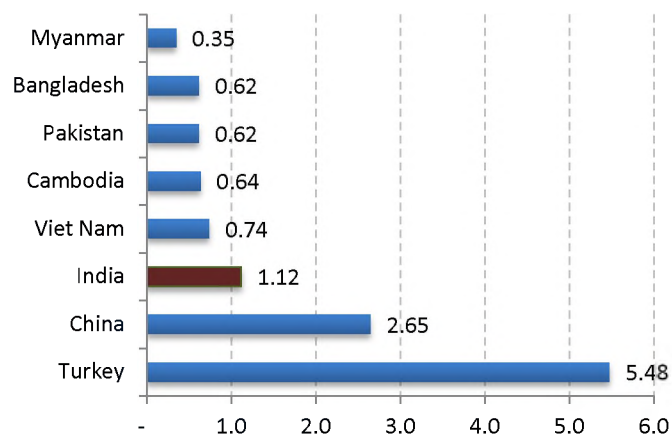


Source: WEF & iMaCS Analysis

6.5.AVAILABILITY AND COST OF LABOUR

Labour is one of the most important factors that determine the competitiveness when it comes to highly labour oriented garmenting and textile industry. Each of the major competing countries thrives on lower wage rate as a core competing factor. The labour wage rate for the identified seven competing countries is indicated in Exhibit 46.

Exhibit 46: Labour wage rate – 2014
(US\$ per person per hour)



Source: WEF & iMaCS Analysis

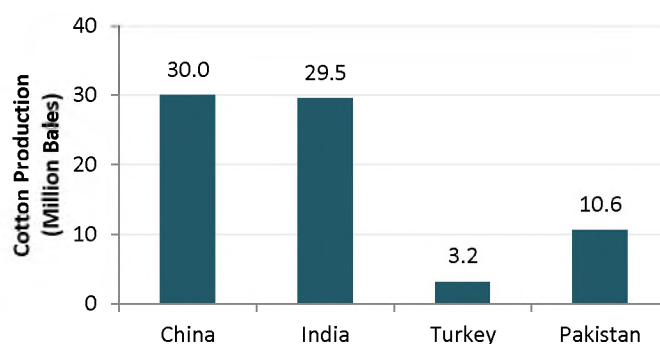
*Cambodia's labour rate is based on their revised labour law of minimum wage rate of US\$ 128 per month, assuming a 200 hrs month

As indicated in the above exhibit, Turkey and China have higher cost of labour whereas countries like Myanmar enjoy the cheapest labour rates amongst the identified competing countries. South East and Pakistan and Bangladesh enjoy a much cheaper labour wage rates which are almost 50% of what is applicable in India, giving the countries a significant competitive advantage in a labour intensive industry such as textiles.

6.6.RAW MATERIAL AVAILABILITY

Availability of good quality raw material at competitive prices in terms of fibres and fabrics is a requisite for a strong competitive textile and garmenting industry. The countries of China, India, Pakistan and Turkey have strong production of cotton while the other competing countries Bangladesh, Cambodia and Vietnam are dependent on imports for the same. On the front of synthetic fibres, China is the world leader producing over 67% of manmade fibres across the world. India and Pakistan also have a significant share in world production. The cotton production statistics is exhibited as follows:

Exhibit 47: Cotton Producers - 2014



Source: IMaCS analysis, www.cottoninc.com

As seen in the exhibit above, China and India are the world leaders in Cotton producers. Pakistan and Turkey are other key producers. An analysis of the imports of textile raw material items as share of the domestic textile imports has been shown in the following exhibit.

Exhibit 48: Imports to export ratio of Section XI products

Country	Year	Exports (US\$ billion)	Imports (US\$ billion)	Imports as share of exports
India	2014	37.5	5.31	14%
China	2014	287.7	34.96	12%
Pakistan	2014	13.8	2.65	19%
Turkey	2014	29.1	11.95	41%

Vietnam	2013	21.5	10.85	50%
Bangladesh*	2012	21.0	6.93	33%
Cambodia	2013	5.4	2.15	40%

Source: UN Comtrade, DGFT; *WTO Bangladesh TPR 2012, IMaCS Analysis

While India, China and Pakistan have imports of less than 20% of their textile exports, Vietnam, Turkey and Cambodia, Bangladesh have imports in the range of 30% to 50% indicating a high dependency on import of raw material to cater to the export market.

The sector wise split of imports for each of the competing countries is shown in Exhibit 49.

Exhibit 49: Sector wise import share of countries - 2014

	India	China	Pakistan	Turkey	Vietnam	Cambodia
Apparel	8%	16%	3%	24%	4%	4%
Made ups	2%	0.4%	1.3%	0.7%	0.2%	0.1%
Fabric	33%	22%	15%	20%	60%	89%
Yarn	20%	24%	28%	22%	10%	0.9%
Fibres	24%	30%	42%	26%	16%	-
Others	13%	8%	12%	7%	9%	6%
Total (US\$ billion)	5.31	34.96	2.6	11.95	10.85	2.15

Source: UN Comtrade, DGFT; # Data for 2013

As indicated in Exhibit 49, Bangladesh, Vietnam and Cambodia are mostly garmenting hubs that are highly dependent on fabric imports to cater to their export demands. On the other hand, India, China, Pakistan and Turkey have integrated textile industry with presence across the value chain and the imports are higher on the fibre and yarn sectors.

US though is not a competitive nation in overall T&A, it is a key supplier of cotton by being among the three top producers and exporters of cotton fibre. While it may not impact the global apparel trade market, it does impact the cotton prices globally. So subsidies by US government impact these prices. A note on this is mentioned in Exhibit 50.

Exhibit 50. Note on Cotton Subsidies in the USA

Note on Cotton subsidies in the USA

The USA has been the 3rd largest cotton exporters with US\$ 5 billion exports in 2015. Cotton subsidies have repeatedly been the subject of contention across the world.

In 2002, Brazil first challenged a series of US support schemes to its cotton producers (*US – Upland Cotton dispute*). In both the original panel stage, as well as in the subsequent appeals process, the US was faulted by the world trade arbiter as having violated its WTO obligations. After a compliance panel then deemed that the US had not brought its WTO-illegal measures in line with global trade rules, Brazil was then granted the option of retaliating

both in goods and intellectual property, to the tune of over US\$800 million.

The decision to grant Brazil the latter option was a rare one for the WTO – countermeasures, when granted, are usually in the same sector as the product in question. Brazil had requested the option of cross-retaliation based on the concern that retaliation in goods alone would only hurt its own economy, and thus make it an inappropriate countermeasure.

Just days before the countermeasures were set to come into force, the two sides clinched a “framework deal” in 2010 that put the cross-retaliation on hold until a new revision of the US Farm Bill – the omnibus legislation that governs US government spending on agriculture – could be passed. In the meantime, the US agreed to pay \$34 million upfront and US\$147.3 million per year in compensation to Brazilian cotton farmers via the Cotton Institute.

29

USA -2014 Farm Bill: Subsidy and impact on global prices

The 2014 Farm Bill terminated several US farm subsidy programs that had been the source of controversy among Members within the WTO framework. The new 2014 Farm Bill replaced some of these old programs with new farm subsidy policies, and extended existing ones, with significant implications for agricultural production and trade, both in the US and other parts of the world.

The two previous bills of 2002 and 2008 were characterised by direct payments that were supplemented by price-contingent marketing loan and countercyclical payments that provided price guarantees near or above expected market prices. While certainly influencing production incentives, a mitigating feature of the direct and countercyclical payments was that they were paid partly without regard to current production or acreage, thus mitigating somewhat farmers’ subsidy-induced incentives to over-produce.

The 2014 Farm Bill abolished these direct payments and countercyclical payments, while maintaining the trade-distorting marketing loan program. Moreover, it maintained insurance-based programs, and introduced additional ones. These new schemes provide payments against shortfalls from expected revenues, even at prices well above those for which the earlier programs offered payments.

Subsidized crop insurance acts as a revenue-assurance mechanism that mitigates shortfalls from expected revenue, including at times of high expected prices or yields, by providing indemnity payments that help US cotton producers manage the high yield and price volatility innate to cotton farming. The program raises expected returns while at the same time reducing the risks involved in farming cotton in the US, and thereby enables farmers to continue production of cotton at times of high production costs.

As an innovation, the 2014 Farm Bill complements farm-level revenue insurance policies with a new and heavily subsidised *county*-level insurance policy called the “Stacked Income Protection Plan”, or “STAX”. STAX similarly provides indemnity payments when revenue falls short of expectations, but provides for payments already at revenue shortfalls beyond 10 percent of expected revenue, thereby stabilising cotton farmers’ revenue streams and reducing further the risk involved in growing cotton.

As mentioned, the 2014 Farm Bill also maintains price-contingent marketing loan subsidies for cotton, which were found to cause significant market distortions in the *US – Upland Cotton* dispute at WTO. Marketing loan subsidies

²⁹ <http://www.ictsd.org/bridges-news/bridges/news/us-brazil-clinch-deal-resolving-cotton-trade-row>

continue to reduce cotton producers' downside price risks and incentivise US farmers to grow cotton.

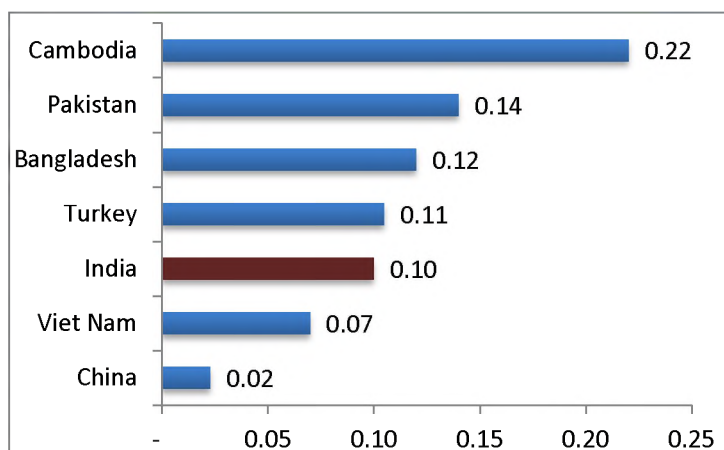
In addition to revenue from growing cotton, US cotton producers thus generate additional revenue provided by marketing loan subsidies at times of low prices, and indemnity payments from heavily subsidised crop and insurance and STAX insurance policies in case of revenue shortfalls. Cotton subsidies not only serve to provide additional revenue, but also dramatically reduce economic uncertainties in connection with growing cotton. Collectively, these effects increase US cotton production and export far beyond what farmers would achieve absent these subsidies.

Total subsidies received by US cotton producers is estimated as high as 40% of the market value of the cotton and the total amount of subsidies will be in the range of US\$1.5 billion to US\$4 billion depending on the market price as subsidies increase with the market price. This is expected to suppress the global prices to the extent of 7% hurting the growers from the developing and under developed countries³⁰.

6.7.AVAILABILITY OF POWER

Availability of cheap power is a major competing factor in the industry and plays a significant role in determining the competitiveness of the country. The comparison of power tariff applicable to industrial sector across the key competing countries is indicated in Exhibit 51.

Exhibit 51: Power cost across countries - 2015



Source: WEF; IMaCS Analysis

As illustrated in Exhibit 51, China and Vietnam enjoy the cheapest power for industrial use amongst all the competing countries, with China maintaining its power cost at a very low level, driving most of its

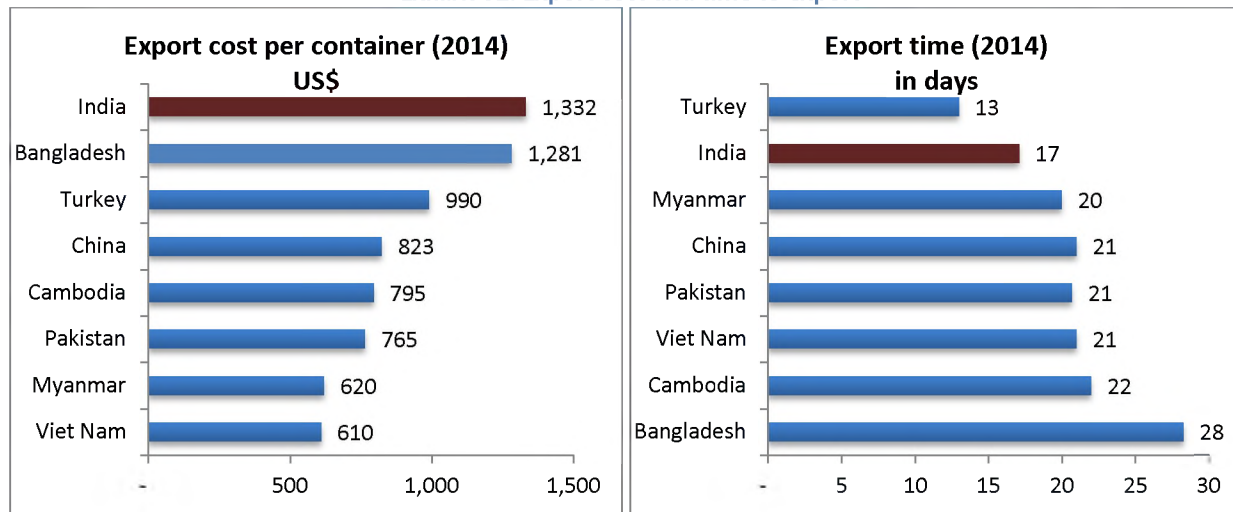
³⁰ How Could the 2014 US Farm Bill Affect the World Market for Cotton?, ICTSD

competency from it. India has a comparable power tariff when compared to most competing countries with China and Vietnam on the lower side.

6.8.EXPORT COSTS

The transport cost of shipment along with the average time it takes for delivery of shipment is a major factor when it comes to determining competitiveness. India with its higher transport cost of export loses out to other countries of South Asia which have much lower transport costs. Exhibit 52 compares the transport costs across the countries.

Exhibit 52: Export cost and time to export



Source: World Bank; iMaCS Analysis

India has the highest export cost, but the second-lowest export time, after Turkey, amongst the key competing countries.

6.9.TRADE AGREEMENTS

Trade agreements that provide non-tariff benefits and tariff benefits play a major role in determining the final export price of products to different importing countries, thereby impacting the competitiveness of the garment and textile export of the country in the specific region of imports. As understood earlier the key markets that govern the global textile trade are US and Canada, Europe, Middle East, Japan and Australia. The presence of the preferential or regional trade agreements that would have a significant impact of the competitiveness of textile and apparel industry of a country across these key regions is indicated in the following exhibit.

Exhibit 53: Key trade agreements across major markets

Market → Country ↓	US & Canada	Europe	Middle East	Australia	Japan & South Asia
China	Nil	Has FTA with Switzerland	Negotiations for FTA with Gulf Co-operative Council (GCC)	FTA with Australia and New Zealand	Presence in SAFTA
Turkey	Nil	Customs Union with EU for reduced tariff and quota free entry	Membership of Euro-Mediterranean RTA & ECOTA and D-8, PTA	Nil	Nil
India	Nil	Negotiations for India EU FTA is underway	India GCC FTA	Nil	Presence in SAFTA India - ASEAN-CECA India - Japan CEPA
Vietnam	Trans Pacific Partnership (TPP) has been signed recently	Vietnam – EU Trade FTA(in principal approval)	Nil	Nil	ASEAN - China FTA ASEAN - India FTA ASEAN - Japan FTA ASEAN - Korea FTA
Bangladesh	US: Benefit of being LDC – Not applicable on Textiles. Canada: Duty free access	Benefit of LDC (Everything but Arms)	Presence in D-8 PTA	Nil	Presence in SAFTA
Pakistan	US Pakistan Bilateral trade agreement US Pakistan bilateral investment treaty under negotiations	Benefit of being in GSP+	Presence in D-8 PTA	Nil	Presence in SAFTA Pakistan- China FTA
Cambodia	Benefit of being LDC US – Cambodia Trade agreement	Benefit of LDC (Everything but Arms)	Nil	Nil	{ASEAN - China FTA ASEAN - India FTA ASEAN - Japan FTA ASEAN - Korea FTA
Myanmar	Benefit of being LDC US is in process to provide benefits to Myanmar	Benefit of being in GSP+ (Everything but Arms)	nil	ASEAN – Australia NZ FTA	Part of ASEAN

Source: iMaCS analysis

As indicated in Exhibit 53, among the peer group countries, Cambodia is the only country having trade agreement with the US. Vietnam via TPP is close to gaining such a beneficial position. For European Market, Turkey enjoys a significant benefit being closer to EU and having the Customs Union Agreement with EU. India has a beneficial position when it comes to Middle East and Gulf countries and accordingly is a key textile and garment exporter to these regions.

6.9.1. Duties in EU and US markets

The FTAs play key role in defining the price competitiveness of textile and apparel exports with key competitors enjoying the benefits of either the GSP+ status, LDC status or through FTAs. The country wise duties for export to EU are indicated as follows:

S.n	Country	China	India	Viet Nam*	Turkey	Pakistan	Cambodia	Bangladesh
	Status	GSP	GSP	GSP / Vietnam EU FTA *	Turkey / EU agreement	GSP +	LDC	LDC
		Average of Generalized System of Preferences (GSP) scheme			Average of Generalized System of Preferences (GSP) scheme	Average of Generalized System of Preferences (GSP) Plus scheme	Average of Least Developed Countries (LDC) duties	
1	Apparel	9.2% (range 5% to 9.6%)			0	0	0	
2	Fabric	6.3 % (range 2.4 % to 6.5 %)			0	0	0	
3	Fibre	3.20			0	0	0	
4	Made Ups	9.0 (Range 5.5% to 9.6%)			0	0	0	
5	Others	5.70% (range 1.6 % to 9.6%)			0	0	0	
6	Yarn	3.30 % (Range 2.3 % to 6.4 %)			0	0	0	

Source: <http://tariffdata.wto.org/TariffList.aspx> , iMaCS analysis

* Vietnam-EU FTA is expected to get concluded by end of 2016, which would reduce the duties to 0% from current 12%

US duties

In US while India Pakistan and Turkey have the GSP status , but most of textile and apparel items are not covered under GSP. China, Bangladesh and Vietnam along with India , Pakistan and Turkey have Normal Trade Relations with US and hence enjoy the rates applicable to NTR (Formerly known as MFN). Cambodia is part of LDCs and accordingly duty rates are applicable. However upcoming TPP will give Vietnam a significant advantage in terms of duty free access to US.

The countries wise duties applicable for trading textile with US is indicated in following exhibit.

S.no	Country	Pakistan	INDIA	Turkey	China	Vietnam	Bangladesh	Cambodia
	Status	Normal Trade Relations (NTR) duty rate (formerly known as the Most Favored Nation (MFN) duty rate)						LDC
		Average of General Duty under MFN						Average of LDC duties
1	Apparel			15% (0-28%)				15 % (0-28%)
2	Fabric			12% (0-25%)				10% (0-20%)
3	Fibre			2.9% (0-7.5%)				0
4	Made Ups			8% (0- 21%)				5.0 % (0-11%)
5	Others			4.5%(0-14%)				5%(0-14%)
6	Yarn			7.7% (0-13%)				0 (0- 7%)

Source: <http://tariffdata.wto.org/TariffList.aspx>, United States International Trade Commission https://dataweb.usitc.gov/scripts/tariff_current.asp and IMaCS analysis

7. KEY FINDINGS FROM ANALYSIS

7.1.1. ASCM subsidy and discipline

For a subsidy to exist – three conditions must satisfy together, i.e., there must be a financial contribution, by a government or public body and benefit to an enterprise or industry or group of enterprises or industries. If any of the three elements is missing, it is not a subsidy under ASCM.

Specificity determines whether the subsidy is specific to an enterprise or industry or group of enterprises on industries. Subsidy that distorts the allocation of resources within an economy may be subject to discipline for specificity under ASCM. Where a subsidy is widely available within an economy, such a distortion in allocation of resources is presumed not to occur, i.e., **widely available subsidy is non-specific and hence not under the purview of ASCM discipline. A subsidy is not specific provided that eligibility is automatic and, criteria and conditions are strictly adhered to.** Objective criteria or conditions mean conditions which are neutral, do not favour certain enterprises over others, are economic in nature, **and are horizontal in application. Horizontal measures are those which are open to all companies such as public education programmes.**

Prohibited (i.e., contingent on export or import substitution related) or **Actionable** (e.g., production) subsidies determine whether the subsidy in question is to be withdrawn or removed or phased out all together (i.e., if prohibited) or continue to exist but be subject to countervailing challenge from a member country (i.e., not prohibited but actionable) and countervailing duty imposition if proved. China is most frequently subject to the initiation of countervail investigations. India is second only to China in attracting countervailing duty investigations. Any subsidy that is non-compliant with Annex-I of ASCM, can be challenged as prohibited export subsidy.

Export competitiveness exists if the Member's exports of the product have reached at least, **3.25% in world trade for two consecutive calendar years. A product is defined as a section heading** of the Harmonised System Nomenclature (i.e., Section XI for Textile). Existence of export competitiveness may be determined on the basis of a) notification by the developing country Member or b) computation by WTO Secretariat at the request of any Member.

Since India's textile sector reached export competitiveness in 2007 and that was declared by the WTO Secretariat in 2010, the eight year period ends in 2018. **In many ways, end of 2017-18 may be a culmination of end of several benefits enjoyed by India's textiles exports industry.**

Overall textiles exports have achieved export competitiveness. However, as of **2014**, there are **94 out of 153 products** under these HS codes **which have not achieved competitiveness** as per ASCM. There are a **few**, which **may slip back into 'not-competitive'** level in the coming years.

Notifications of subsidies must be submitted by 30 June of each year and conform to the provisions including: Form of a subsidy (i.e. grant, loan, tax concession, etc.); subsidy per unit or, in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit in the previous year); policy objective and/or purpose of a subsidy; duration of a subsidy and/or any other time-limits attached to it; Statistical data permitting an assessment of the trade effects of a subsidy.

7.1.2. Textile subsidy under ASCM – India perspective

MEIS (FTP-2015-20) is an export subsidy as far as India's textile section is concerned. It provides 2-5% duty scrips on total value of textile exports, that is, MEIS is an incentive that is export contingent and hence it has to be phased-out within eight years of textile (Section XI) reaching global competitiveness level, i.e., by 2018.

Advance Authorisation and Duty Free Import Authorisation (AA & DFIA; FTP-2015-20) are not subsidies as long as the country providing the export scheme can conduct and demonstrate 'reasonable' verification to conclude that excess rebate is not being passed over to authorisation holder. Similarly Duty Drawback (FTP-2015-20) is not a subsidy.

Duty exemption and remission schemes are prohibited under Annex I, II and III of ASCM only if there is reason to believe that there is a mismatch between per unit duty paid and exemption or remission received by the exporter is in excess of that paid.

EPCG (FTP-2015-20) scheme offers authorisation or duty scrips, i.e., exemption or remission of duty paid for importing certain capital goods. It is a prohibited subsidy because a) ASCM agreement does not mention whether capital goods can be counted as 'inputs' and hence has been contested as non-input b) even if it were an input, apportioning exports and domestic output may not be easy c) and most importantly, EPCG carries an obligation of six times exports which makes it an 'export contingent incentive'. It must be phased out under ASCM.

EoU/ EHTP/ STP/ BTP (FTP-2015-20) scheme may not have been a subsidy, but for the provision of **sale of goods from Export zone to DTA at concessional duty** which is contingent on exports. It must be modified with respect to differential custom duty on sale from export unit to DTA.

Schemes of Ministry of Textiles:

ATUFS: The scheme does not offer prohibited subsidies. **ISDS, SITP, TMTT, Apparel Park, Incubation centre schemes** do not offer prohibited subsidies and may be continued in the existing forms.

7.1.3. Textile trade scenario

Global textile trade stood at US\$ 749 billion in 2013-14 with a growth (CAGR) of 6.8% from 2009 to 2014. At 56-58% apparel accounts for the largest share of world trade and is growing at 7%. It is followed by fabrics and made ups which put together had a total share of 21% of world trade. From 2009 to 2014, the trade of fibres and made ups has had the highest growth, at 9% and 8%, respectively.

Europe accounts for 41% of the total trade and is the largest market for textile imports. It is followed by US and Canada which together account for 15% of the total trade. Apparel is the key driver for global textile trade. High apparel and made up imports by Europe, US and Canada – constituting 40% of total trade – has made them the preferred destinations for apparel and made up exports. East Asia is the largest importer of fibres and yarn as raw material from the key producers such as China, Taiwan and Korea.

Indian textile exports were valued at US\$ 38 billion in 2014-15, with a CAGR of 10% from 2010 to 2015. Indian textile exports have steadily increased in the world exports market. The overall share of textile and apparel exports has increased from 2.9% in 2004 to 5% in 2014. In 2014, apparel products had the highest share in total textiles exports of India. Almost all of the products categories exported, had more than 10% (5-year CAGR) growth in 2014, except some of the apparel products. Some products grew at between 20% and 111%. Indian textile export basket is constituted of mainly Apparel (45%), fabrics (13%) and yarn (16%).

In August 2015, after several rounds of discussions, the US renewed the Generalised System of Preferences (GSP) from August 2013, retrospectively and up to December 2017. However, among the

3,000 products listed under the GSP, apparel is not included. It is apparent that the US challenge is directed more towards India's apparel products than the other textile products.

India has achieved a significant share in the global export market in upstream products, i.e., fibre and yarn. However, in case of valued added downstream products such as apparel and fabrics, India still accounts for only 4-5% of world trade. This indicates that there is significant scope for value added exports. In the past five years o 2014, exports of apparel and other textile products such as technical textiles, handlooms and handicrafts have had double digit growth. This indicates an increasing demand for Indian apparel and handloom, handicraft and functional textiles products.

While Canada, Europe and the US are key markets, India also has a significant market in South East Asia (13% on total imports) and Middle East and West Asia (7%).

An analysis of global and Indian textile export trend by HS codes indicates that in 2014 there were several yarn, fabric and fibre exports from India that had shares of over 10% in world exports although the share of total global exports in these products was less than 1%. Some fibre, yarn and fabric exports from India (at 4-digit HS code level) commanded between 30% and 75% share in world exports. The shares of Indian apparel product categories in world exports varied between 2% and 17%.

India commands a significant share in the world market when it comes to fibre export particularly Cotton. India supplies around 27% of global demand by value. India has reached export competitiveness level of 3.25% of world trade in fibre exports of cotton, silk, synthetic fibres and other fibres such as Jute, coir, etc. China and India are the world's leading Cotton producers. Pakistan and Turkey are other key producers.

Bangladesh, Vietnam and Cambodia are mostly garmenting hubs and are highly dependent on fabric imports to cater to their export demands. India, China, Pakistan and Turkey have integrated textile industry across the product value chain and have high imports of fibre and yarn.

7.1.4. Competitive policy support

The extent of policy support extended to the Industry in terms of fiscal benefits, exemptions and provision of necessary infrastructure and regulation support go a long way in establishing the competitiveness of the country in the export market. While re-imburement of input taxes is provided

by all countries for export oriented production, there are few policies that are differently implemented in different countries.

Among the peer countries studied, Bangladesh and Cambodia are the only countries providing high corporate tax rebates and exemptions for investment coming into the country. Financial and interest support for technology up gradation is present across China, India and Pakistan. All countries except Vietnam and Cambodia provide brand building support.

India and Pakistan have the highest corporate income tax rates compared to the key competing countries. The difference in corporate tax rate provides a significant additional margin to exporters from other countries increasing their competitiveness in the exports market.

The global competitiveness ranks for 2014, by World Economic Forum (WEF) on different parameters covering social, infrastructure, labour and business aspects – indicate that China is the most competitive nation among the peer group, followed by Turkey and India. While China is strong competitive in Infrastructure, labour market efficiency and innovation, Turkey takes the upper hand in Technological readiness. India has a significant score when it comes to level of innovation but lacks behind in infrastructure and technological readiness.

Cheap labour is one of the most important factors that determine the competitiveness when it comes to highly labour oriented garmenting and textile industry. Each of the major competing countries thrives on cheaper labour wage rate as a core competing factor. The labour wage rate for the identified seven peer group countries varies between US\$ 0.62 in Bangladesh and Pakistan to US\$ 1.12 in India, US\$ 2.65 in China and US\$ 5.48 in Turkey. However, China has evolved from a low-cost-low skilled workforce to a relatively low-cost-high skilled and highly productive on in the last 20 years. Low wage countries face pressure from workforce to increase their wages and hence have to lose some of their wage cost competitiveness in the coming years.

Availability of good quality raw material at competitive prices in terms of fibres and fabrics is a requisite for a competitive textile and garmenting industry. China, India, Pakistan and Turkey have are large cotton producers while the other competing countries Bangladesh, Cambodia and Vietnam are dependent on imports for the same. China is the world's leading producer of synthetic fibres and commands over 67% of manmade fibres market across the world. China's focus is now moving from

labour intensive, low margin products to high margin products such as technical textiles. India and Pakistan also have a relatively significant share in world production.

While India, China and Pakistan have imports of less than 20% of their textile exports, Vietnam, Turkey and Cambodia, Bangladesh have imports in the range of 30% to 50% indicating a high dependency on import of raw material to cater to the export market.

Availability of relatively cheaper power is a major factor that plays a significant role in determining the competitiveness of the country. China and Vietnam enjoy the cheapest power for industrial use amongst all the competing countries, with China maintaining its power cost at a very low level of USD 0.02 per KWh compared to India's power cost USD 0.10 per KWh (which is comparable to most competing countries), deriving a significant part of competitiveness from it.

The transport cost of shipment along with the average time it takes for delivery of shipment is a major factor when it comes to determining India's competitiveness or shortfall of it. India with its higher transport cost of export loses out to other countries of South Asia which have much lower transport costs. India has the highest export cost, but the second-lowest export time, after Turkey, amongst the key competing countries. Despite the fact that time to export of China is a few days higher than India's, China remains highly competitive because of lower logistics cost.

Trade agreements that provide non-tariff benefits and tariff benefits play a major role in determining the final export price of products to different importing countries, thereby impacting the competitiveness of the garment and textile export of the country in the specific region of imports. As understood earlier the key markets that govern the global textile trade are US and Canada, Europe, Middle East, Japan and Australia. Among the peer group countries, Cambodia is the only country having trade agreement with the US. Vietnam via TPP is close to gaining such a favourable position. In the European market, Turkey enjoys a significant benefit being closer to EU countries geographically and having the Customs Union Agreement with EU. India has a favourable position when it comes to Middle East and Gulf countries and accordingly is a key textile and garment exporter to these regions. The Indian apparel industry keenly awaits conclusion of negotiations on India-EU FTA.

Exhibit 54. Export subsidy allowance status under ASCM

Sl. No.	Country	Status	Remarks
1	India	Developing country with	Export subsidies to be phased out only in case

		ANNEX VII status	the product has achieved Export competitiveness
2	China	Developing Country	Export Subsidies prohibited
3	Turkey	Developing Country	Export Subsidies prohibited
4	Vietnam	Developing Country	Export Subsidies prohibited
5	Bangladesh	LDC	Export subsidies to be phased out only in case the product has achieved Export competitiveness .May Graduate from being LDC by 2021 ³¹
6	Pakistan	Developing country with ANNEX VII status	Export subsidies to be phased out only in case the product has achieved Export competitiveness
7	Cambodia	LDC	Export subsidies to be phased out only in case the product has achieved Export competitiveness .May Graduate from being LDC by 2021 ³²

As per ASCM, export subsidies are allowed in case of LDC countries and in case of developing countries under ANNEX VII which would include India and Pakistan among the countries being reviewed under this study, export subsidies are allowed provided the product segment (Section) has not achieved export competitiveness. So in case of India where T&A industry has achieved export competitiveness, so the export subsidies have to be phased out .Where has Pakistan textiles & Apparel (Section XI) has a world trade share of 1.8% thus yet to achieve competitiveness. In case of other countries which are neither LDCs nor covered under ANNEX VII list export subsidies are prohibited.

³¹ <http://www.thefinancialexpress-bd.com/2015/07/15/100522/print>

³² http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2014_20.pdf

8. POLICY RECOMMENDATIONS

Competitiveness is vital for increasing exports there by increasing the global market share. In addition to the factor conditions, trade agreements and access to markets define the international competition landscape. These considerations along with national priorities define the industry structure. So the policy would play a pivotal role in addressing both the national priorities and achieving export competitiveness. The Government of India through several initiatives such as Make in India, Skill India, among others is addressing the following objectives:

- Promote Investment
- Promote Entrepreneurship
- Improve the ease of doing business
- Grow the manufacturing sector
- Creation of employment

On the similar lines the recommendations have been formulated with respect to phasing out of prohibited subsidies as well as providing new policy interventions which are detailed below.

I. Phasing out of Prohibited Subsidies

Since the export subsidies have to be phased out only for products falling under Section XI- Textiles and Textile articles of HSN, the schemes such as MEIS, EPCG may be retained and may be excluded only for products falling under the Section XI. However excluding only textiles from these schemes will be disadvantageous to the sector relative to other sectors. This will adversely impact the investments into the sector.

As per the article 27.5 of ASCM “...for a developing country Member which is referred to in Annex VII and which has reached export competitiveness in one or more products, export subsidies on such products shall be gradually phased out over a period of eight years”. However ASCM does not elaborate further on the meaning of gradually phasing out on how many phases and to what extent under each phase. So two options of phasing out emerge which are as mentioned below;

- Gradually reduce the subsidy /support under each of the schemes which are to be phased out, i.e., MEIS and EPCG. Incentive under MEIS may be gradually reduced for the products under Section XI by 0.5% every quarter during 2017-18. Similarly the customs duty value allowed under EPCG may be increased gradually.

- Gradually exclude products under Section XI from the schemes to be phased out, starting from products with low significance to products with high significance. The significance of the products may be decided by considering aspects such as export volume/value, potential for growth, social impact, etc. The list of products with export share in Indian textile exports is tabulated in *Exhibit 109: Indian textile product export trends* under *Appendix 8* . Under Section XI there are 153 products (HS codes) defined at 4-digit level. Each quarter 38 products may be removed from the list of products eligible under MEIS or similar exercise may be carried out at a 6 digit level and MEIS may be gradually made in applicable for these products. Similarly for EPCG list eligible machinery may be reduced before the scheme is made in applicable for the entire textile machinery.

II. New Policy interventions

While excluding textile products from export subsidy schemes is imminent, provision of any benefits specific to textile units/industry to offset the loss arising from such exclusion may be deemed as specific subsidy under Article 2 of ASCM. Only the "specific" subsidies are subject to the SCM Agreement disciplines. Thus any policy intervention for development purposes must be widely available across the economy/industries for them to be deemed non-specific.

ASCM provides guidelines on the extent of subsidy provision below which the CVD investigation on a developing country is terminated. As per Article 27.10(a)

“Any countervailing duty investigation of a product originating in a *developing country* member shall be terminated as soon as the authorities concerned determine that the overall level of subsidies granted upon the product in question does not exceed **two per cent** of its value calculated on a per unit basis.”

So the specific subsidies with respect to textile industry may be limited to such an extent that the impact on value of exported commodities does not exceed two per cent on per unit basis.

One of the schemes for textile industry Technology Upgradation Fund Scheme (TUFS) and its amended versions have helped Indian textile industry immensely in upgrading the technology and increasing the capacity. With declining labour intensity of production and increasing automation of production processes, the incentivising the creation of jobs will have to be prioritised. Further to improve the cost competitiveness the policy support may be focused towards reducing the factor costs such as capital, power, labour and transaction costs and promotion of innovation and R&D.

The support to be provided is being classified under the following heads:

- Capital Equipment
- Employment generation and training
- Working capital
- Infrastructure development for R&D, sustainable environment, zero defect manufacturing, use of renewable energy

Along these lines the incentives provided by government across the competing countries have been captured and summarised in Appendix 1.

The action plan for subsidy management is summarised in Exhibit 55, highlighting the current schemes and policy alternatives post 2018. Each of the policy alternatives are explained subsequently.

Exhibit 55: Action plan for Subsidy Management

Scheme name	Prohibited or No	Policy Alternatives
MEIS (FTP-2015-20)	Prohibited- To be Phased out for products under Section XI	1. Employment Generation Incentives 2. Working capital interest subvention 3. Providing additional capital subsidy for setting up of renewable energy plants
AA & DFIA (FTP-2015-20)	To be Continued. But 'Reasonable' verification needs to be demonstrated to conclude that excess rebate is not being passed over to beneficiary	NA
Duty Drawback (FTP-2015-20)	To be Continued. But non-transparent method of AIR determination to be addressed	NA
EPCG (FTP-2015-20)	Prohibited- Must be Phased out for products under Section XI	Support for Capital Equipment • Strengthening Technology Upgradation Fund scheme • Technology Acquisition Fund to strengthen domestic machinery manufacturing
EoU/ EHTP/ STP/ BTP (FTP-2015-20)	Prohibited (To be modified) Must be modified with respect to differential custom duty on sale from export unit to DTA and continued	
ATUFS (MoT)	No. May be countervailed. To be continued	
TMTT (MoT)	No. To be continued	
ISDS	No. To be continued	
SITP (MoT)/Apparel Park/ Incubation Centre	No. To be continued	

The policy options for textile and apparel industry in India are listed under the following sections;

1. Support for Capital Equipment

MoT provides support for new investments through TUFS which is a capital subsidy. The scheme has been popular and has helped in building capacity and competitiveness the textile sector through upgradation of the technology. Despite the investments sub-sectors especially the weaving and processing sectors remain the bottleneck in the textile value chain with high number of handlooms

/shuttle powerlooms/ manual dyeing practices in the sector. It is an imperative for the industry to modernise and continuously upgrade the machinery.

c. Technology Upgradation Fund Scheme

The policy options towards support on capital equipment. Considering that EPCG is a capital subsidy which is prohibited, the duty free imports of machinery is a way out. Considering the efforts of the government to boost domestic manufacturing under Make in India, ATUFS may be strengthened in a way that technology import and indigenous development have a level playing field. However since TUFs is a benefit offered specific to textile industry, the scheme may be countervailed under Article 2 of ASCM. To address the same the support under the scheme may be limited to such an extent that overall ad valorem impact of all the specific subsidies remains under 2 per cent on the exports of textile products.

d. Textile Technology Development and Acquisition

India is self sufficient in machinery for the spinning segment. However, the country is dependent on machinery imports for weaving, processing, garment manufacturing and technical textiles. In order to give a fillip to indigenous manufacturing of textile machinery, an investment fund can be established to facilitate the acquisition of suitable technologies and also development of technologies through contract, in-house development or through joint route of contract and in-house.

A technical committee may be set up to evaluate such an acquisition proposals from the industry players and suitable financial support may be provided which would be subject to defined outcomes, commercialisation and investments in manufacturing.

2. Employment Generation Incentives

Skill development is a vital intervention to leverage the demographic dividend of India. This has been a thrust area of the government of India which has formulated a vision to create 100 million new jobs by 2022. Textile industry is among the most labour intensive industries and has significant potential to create jobs. Within the textile industry the sub-sectors have different industry structure thereby varying degree of employment generation.

Analysis of data from Annual survey of Industries indicates varied capital intensity and labour intensity across sub sectors. As shown in the Exhibit 56, capital required to generate sales is higher in case of

Textiles than in Apparel. As shown in Exhibit 57 the Employment generated per Rs. crore of fixed capital in case of apparel is over six times than that of textiles indicating higher employability in apparel sector.

Exhibit 56. Capital intensity of sub-sector in textile value chain

Capital Intensity (Total Fixed capital / Sales)	
Manufacture of textiles (NIC- 131&139)	5.32
Manufacture of Apparel (NIC-141,142,143)	0.98

Source: Annual Survey of Industries 2013-14, IMaCS analysis

Exhibit 57. Employment intensity of sub-sectors in textile value chain

Employment intensity (Total Employed / Fixed capital)	
	Employment generated per Rs. One crore of fixed capital
Manufacture of textiles (NIC- 131&139)	7.50
Manufacture of Apparel (NIC-141,142,143)	50.65

Source: Annual Survey of Industries 2013-14, IMaCS analysis

It can also be seen from the data provided by Office of the textile commissioner on TUFs, between 2012-13 and 2014-15, total number of units/cases as well as total subsidy out go has been lower for apparel /made up manufacturing in comparison with other sub-sectors such as spinning, weaving/knitting and processing.. Thus in addition to capital subsidy there is a need for employment based subsidies to promote investments and capacity across the value chain.

So the policy may be focused towards achieving **following objectives**

- Creating more jobs in textile industry to boost production, competitiveness and exports
- Facilities that provide more opportunities for employment women in textile centres and clusters
- Training/ retraining of unskilled/semi-skilled workers
- Creation of capacities in semi-urban/ rural centres away from urban centres to achieve cost effectiveness

It is recommended that the incentives may be provided to industries and entrepreneurs for setting up of new capacities which will be linked to the minimum wages and the number of people employed.

Some of the options for the policy support are as follows:

- Wage support for employment of new employees for specific duration on reimbursement basis
- Re-imburement of portion of social benefits provided to new employees for a specific duration/regions
- Transport allowance to the new units for ferrying employees within a specified range for a specified period
- Employee settlement allowance for accommodation up to a specified period of say one month for the new employees to find suitable permanent accommodation. This may be linked to clusters.

Similar hiring subsidy policies are being employed across countries in Europe to boost the employment where a re-imburement of wages to an extent of 40%-100% is being done for defined period of time (2 to 3 years) to spur employment growth.

New units which have been set up are existing units which have undertaken expansion may be provided with incentives for the new employees. The extent of the support provided can be linked to minimum wages. Incentive to an extent of 20per cent of the minimum wages may be provided for 2 years. Applicability of the scheme may be restricted to the employees earning less than Rs. 15,000 per month. The incentivisation may also be dovetailed with other schemes such as ISDS, where the vouchers may be provided to the trainees under ISDS and employees upon recruitment of the candidates with the vouchers may be incentivised. To ensure the transparency and robustness, IT enabled system is required for tracking the incentives. This intervention can be helpful in building newer clusters as efficiency losses due to cluster effects may be offset with the incentives enabling entrepreneurs to move beyond existing clusters.

d. Promotion of employment of women

Textile industry is one of the largest employers of women. Out of a total estimated employment of 35 million people in the industry an estimated 20 million are women. However, even in key manufacturing centres facilities for enablers for greater employment of women are missing. Incentives for their training for specialisation, accommodation, day-care for children, basic sanitation and clean drinking water

supply, healthcare, security, transportation and such other facilities may go a long way in improving their participation and productivity.

e. Transport subsidies

Transport subsidies for labour intensive Textile/Apparel units are being provided by State government of Andhra Pradesh, which is limited to first two years of operations of units providing direct employment to at least 1000 people in backward districts of Rayalaseema and North Coastal Andhra. The incentive will be subject to a maximum of Rs. 500 per employee per month or Rs. 3 lakh per year whichever is less, reimbursed on an annual basis. Similar scheme may be introduced to develop textile industry in the backward states/rural regions.

f. Promotion of employment and investments in rural areas

With urban centres becoming increasingly becoming unviable; there is a need to move the industry towards rural areas. While this trend is already prevalent the adoption has been slow. On the other hand creating jobs has been an imperative with nearly 68 per cent of the population residing in rural areas with increased dependence on agriculture. To promote the development of capacities in the rural areas The textile and apparel industry can well be dovetailed into Government of India's RURBAN Mission (Refer Appendix 3 for a note on the mission) considering the labour intensity the employment incentives be provided in 300 planned smart villages for setting up of an apparel manufacturing unit with at least 100 sewing machines. As the mission aims at skill and entrepreneurship development, the textile and apparel related training may also be provided and dovetailed with employment in the units' within the village clusters. The same may be extended to other backward districts eventually towards developing the industry.

While this support is not a prohibited subsidy under ASCM, if it is specific to textile industry it may be actionable. To address the same the support under the scheme may be limited to such an extent that overall ad valorem impact of all the specific subsidies remains under 2 per cent on the exports of textile products under Section XI as per the Article 27.10 of ASCM. Further Hiring subsidies may be made applicable across all industries under Make in India. Textile industry having higher employment intensity will still be the largest beneficiary and the scheme will also be compatible with ASCM as the scheme will not be specific to industry.

3. Working Capital support

b. Providing interest subvention towards working capital

Interest subvention on working capital may be extended to textile industry as a whole. The rate of subvention may be same as the interest subvention on export credit. As per the annual survey of Industries data of 2013-14, which covers over 28,000 textiles and apparel manufacturing units the combined working capital amounts to Rs. 64,931 crore (including margin money) and a 3 per cent interest subvention annually would result in an outgo of Rs. 1950 crore per year.. As per CITI estimates the support for working capital will amount to Rs. 412 crore (Refer Appendix 2 for notes from CITI) annually. While this support is not a prohibited subsidy under ASCM, it is specific to textile industry. To address the same the support under the scheme may be limited to such an extent that overall ad valorem impact of all the specific subsidies remain under 2 per cent on the exports of textile products under Section XI as per the Article 27.10 of ASCM.

4. Others:

- I. Providing additional capital subsidy for setting up of renewable energy plants** for captive consumption for textile units which would eventually reduce the product cost on sustained basis. MNRE provides a capital subsidy of 30 per cent as per their benchmark cost for rooftop solar installation. Some State governments also provide separate subsidies in addition to MNRE subsidy. They may be allowed to sell excess power, if any, to the grid. This may be channelised through the Ministry of New and Renewable Energy (MNRE) and state Renewable Energy Development Agencies in coordination with the regional load development centre. Amount of capital subsidy provided will proportionally decrease the power cost for the manufacturers. This initiative will be more relevant in rural areas where availability of quality power is a challenge and often there is excessive dependence on diesel generators and other options which will increase overall costs. While this support is not a prohibited subsidy under ASCM, it is specific to textile industry so it may be countervailed. To address the same the support under the scheme may be limited to such an extent that overall ad valorem impact of all the specific subsidies remain under 2 per cent on the exports of textile products under Section XI as per the Article 27.10 of ASCM.

- m. Research and development incentives:** To promote R&D in the industry, incentives may be provided for setting up of R&D Centres which will have infrastructure/manpower as per pre-determined criteria. The R&D Centre and projects may be certified periodically by a selected research institution /agency. Incentives may be provided in the form of infrastructure and equipment cost, manpower cost or running cost. This will help industry in improving research capability, design and product development capability at the firm level.
- n. Connectivity focus:** Coming back to the need for increasing productivity of the unorganised sector, Governments must realise the need for having close knit and digitally as well as physically well connected manufacturing clusters that accommodate both the organised and unorganised sectors of an industry. The connectivity perspective must be viewed as reaching across the country and not just within a local region of the State. This would help develop an efficient domestic as well as export market. Incentivising development of industry-supported common pooled infrastructure based on rational sharing of available resources can be developed. The incentive can be in the form of say, 1:10 or 1:15, that is, if the industry contributes Rs 1 towards the total cost of the infrastructure or resource, the government may provide Rs 10 or Rs 15.
- o. Incentives for equipment/organisations to conform to 100% environment norms/ ZED (ZERO EFFECT ZERO DEFECT)** may also be incentivised under cluster development projects. ZED provides exposure towards best manufacturing practices which would improve the competitiveness of the organisation. ZED is more imperative for textile sector where most of the units are SMEs. ZED standards may be defined for each segment of textiles with the help of Quality Council of India (QCI). Incentives may be linked to organisations achieving excellence in following best practices.
- p. Incentives can also be tied to providing requisite and regular information.** Reporting of data is an imperative that most industries avoid addressing for various reasons. This may be incentivised for a defined period so that industries start to share important data points as per defined MIS systems, e.g., labour management information system (LMIS). These incentives may be discontinued over a period of time.
- q. Some other initiatives that can be incentivised are:** local area development or community development under individual or pooled funding, release of un-used or

under-utilised land for infrastructure development at rates that follow a well-defined formula³³ with provision for periodic revision. Production subsidies that support both domestic and export manufacturing are usually not subject to WTO discipline as long as they uniformly apply to all industries. Infrastructure development incentives are also not challenged under ASCM. Some of the most common areas for providing incentives include: education; R&D and innovation; green measures such as rain water harvesting, installation and use of renewable power, and maintenance of fragile ecosystem on campus or in the community, waste-water treatment technology adoption. Incentivising education initiatives with individual or pooled resources may prove useful in expanding or strengthening the education base. Other areas could include: development of market linkage with pooled resources (e.g., via LMIS), development of incubation centres (although China has been challenged or misusing this incubation incentive).

- r. **Some of the other State incentives** could be in the form of higher electricity duty exemption for manufacturing; fuel subsidy and tax refund on commencement of production both or organised and unorganised sector subject to condition such as mandatory filing of tax returns irrespective of income thresholds and information sharing, and opening of bank accounts, etc.; stamp duty exemption on acquisition of or pooling of land; and tax rebate on attracting foreign direct investment either as an individual company or as a cluster. For States to provide incentives to its exporters and domestic industry, a key concern to be sorted out is one related to flow of funds from the Central Government to State in a way that state incentives can be apportioned between revenue from export and domestic sale. This again refers to need for collecting required quality of standardised data from the beneficiary industry against an assurance of complete security.
- s. Rationalise incentives that are not prohibited or actionable under WTO, but poorly used because of structural deficiencies: Incentives under the Central Government's Foreign Trade Policy directly address the needs of the export-import industry operating from any State. They may directly support exports (known as export subsidies) or may support manufacturing that depends on imports for exports. As mentioned earlier, *concerns such as inadequately defined SION list* or procedural delays related to handling

³³ The formula definition could take into account economic factors such as access to markets and raw materials, agri/ non-agri, existing level of infrastructure versus that required, extent of pooled land available versus required, availability of skilled labour versus required, etc.

of multiple documentation and such others *result in inadequate utilisation of these incentives although they may not be prohibited under ASCM*. While prohibited subsidies such as MEIS or EPCG may have to be removed by 2018, the other existing incentives under the Foreign Trade Policy warrants a re-look in order to increase their use by a wider set of manufacturer and merchant exporters. Duty scrips under MEIS and EPCG, together, account for estimated 15-20 per cent of FOB value. By expanding the scope of SION list (including Trimmings and Embellishments) so that most freely importable products are included for exemption or remission irrespective of the product, the FTP may incentivise many more export manufacturer and merchant exporters than today. Simplification of documentation and training of exporters, down to the job worker level, on EDI filing and related norms, may go a long way in removing procedural burdens.

- t. Documentation and process for Brand rates may be rationalised** in a way to promote their use in place of AIR rates that have attracted investigations because of their non-transparent nature of determination and report of industry lobbying. If brand rates are to be adopted, efforts must be made to educate the user industry at all levels. However, this may require the dealing authorities to build capacity. Pilot runs may be carried out with willing export sector participants in order to assess the feasibility of handling and easing procedures for greater use of Brand rates.
- u. Contribution to Central Government Schemes may also be incentivised** for making available manpower/ management, skills, state-of-art technology, and facilities for Government's development schemes such as Digital India, Skill India, and Rurban (smart village) scheme based on well-defined services that can be offered by the industry and be eligible for receiving incentives.
- v.** Lastly, bilateral negotiations and FTAs must be concluded as swiftly as possible or alternatives must be explored to ensure that exports are not disrupted. This exercise would need a constant watch on world trade negotiations scenario such that they throw solutions for successful negotiations. For example, given China's strategic change of direction towards producing high value products as against the mass market strategy adopted so far, perhaps India is in the right place to make good of this opportunity in the coming years by expanding its manufacturing base, at the same time strengthening supply chain, attracting investments and negotiating new markets via Make in India.

Almost all peer countries of India provide export and production subsidies and incentives that are definitely actionable, if not prohibited. There is a strong history of countervailing investigations having been initiated by the EU countries against the US and vice versa. China is notorious for using incentives to support large scale industries that produce for world markets. These incentives are difficult to substantiate and subject to skilful bilateral negotiations by China. In fact, it is only recently that US international trade experts have started to recognise that China has defied established International Trade related theories of the West such as the Ricardian theory of 'Absolute Advantage' or Adam Smith's theory of 'Comparative Advantage' – and the country has so far been successful.

Policy decision making is needed to be made not just in the context of need for having WTO compliant subsidies, but also of incentivising economic activities that support the Central and State Governments' reform agenda. Importantly, in addition to monetary incentives, the export oriented industry looks forward to reforms that lower logistics and procedural costs, which ultimately build into the inefficiencies that the sophisticated destination markets are unwilling to compensate for. In short, it is required to bring down cost of logistics and procedural delays.

In the context of WTO compliance, while India has done away with several of the prohibited incentives, Indian products suffer from adverse factors such as high incidences of countervailing duties on actionable schemes, dependence on frequently negotiable schemes such as GSP or GSP+, some vaguely defined incentive schemes and norms for exemption and remission of duties in imports for exports, and poorly implemented verification methods. In fact, many of the CVD investigations can perhaps be successfully contested provided that the industry data gathered bears a 100% assurance of security, information is gathered on regular basis, and disseminated to WTO and the rest of the world from a single authentic source such as DGFT and/ or State revenue department. In short, it is required to build a central repository of trade data, incentives, queries and procedures. <http://indiantradeportal.in/> may be the answer.

As long as a subsidy is widely available and not contingent to exports or incentivising import substitution, it is unlikely to be taken up for investigations by the WTO. Also, if the total value of subsidy per unit is less than 2 per cent of overall exports, then it is not to be taken up for investigations by the WTO. However, this is easier said than done. With different taxation norms and incentives provided by different states, compiling and maintaining an all-India database may well prove to be a humungous task and also prone to discrepancies related to methods of data

collection. In essence, all States may have to move towards a consensus on incentives that affect outcomes at WTO negotiations. This will not only help the export industry but also the States dealing with WTO issues. In short, subsidy provided should be production linked, widespread across industries and regions, and consistent across states. Production linked incentives that are widespread across industries are neither actionable nor prohibited. Electricity duty is a key area for providing production linked subsidy.

Some of the areas where standardisation may help, albeit with tolerances if necessary, are: simplified tax norms (such as GST), use of pollution control equipment norms, promotion of strategically located common-infrastructure pool for exports with adequate room for future expansion, rapid implementation of EDI(Electronic Data Interchange) at all transaction and document collection points, and strengthening information gathering standards based on a common methodology with room for evolution and periodic review. In short, ease of doing trade needs to be improved to bring down infrastructure and transaction costs as well as procedural costs so that exporters/importers can compete internationally. Custom bonded trucks, ICD hub-and-spoke networks connecting industrial areas, and adequate and appropriate warehousing facilities near terminal ports at globally competitive rates would go a long way in this regard.

APPENDIX 1: Summary of policy initiatives by competing countries

The following exhibits provides a detailed analysis of all the policy initiatives provided by the key competing countries on major parameters like technology upgradation, infrastructure support, export promotion, etc.

Country/ Description -->	Textile Machinery Import/Support
India	<p>India provides fiscal and policy support for import and upgradation of textile machinery is provided through -</p> <ol style="list-style-type: none"> 1. ATUFS scheme of MoT Interest subsidy and capital subsidy of 10% to 15% for technology upgradation 2. EPCG scheme - Allows import of capital goods for production at zero custom duty 3. Duty free import of second hand capital goods for EOU units
China	<p>China aims at upgrading 30% of modern textile machinery to International standards by this year. The key policies offered in this regard are -</p> <ol style="list-style-type: none"> 1. Technological Innovation plans, 2. High technology Industrial developing fund 3. Enterprise Innovation Construction project fund <p>Provincial policies in this regard are -</p> <ol style="list-style-type: none"> 1. Shaanxi - SME loans and tax breaks for investing in fixed assets in textile sector 2. Guangdong - Tax preferences for technological development 3. Hunan - Government grants to textile enterprises for technological upgradation 4. Hubei - Special fund for technological development at SMEs
Pakistan	<p>Pakistan offers following support for Textile machinery import and technological development -</p> <ol style="list-style-type: none"> 1. Facility of duty free import of machinery under Textiles Policy 2009-14, extended for another two years 2. Long term financing Facility (LTFF) at a subsidized rate of 9% for technology upgradation. 3. Grants upto 20% of capital cost under TUFs
Bangladesh	<p>Bangladesh offers following support for Textile machinery import and technological development -</p> <ol style="list-style-type: none"> 1. Provision for technological upgradation in Export Promotion fund 2. Duty free import of machinery is allowed for all export productions 3. Duty free import of spare parts up to 10% of capital machinery every two years for export oriented industry 4. Accelerated depreciation on plant and machinery in SEZs
Vietnam	-NA-

Country/ Description -->	Textile Machinery Import/Support
Cambodia	<p>Council of Development Cambodia (CDC) provides support for textile machinery to select projects identified as Qualified Investment Projects (QIPs). The key benefits offered to industries having QIP status are -</p> <ol style="list-style-type: none"> 1. Special depreciation of 40% on new or used tangible properties for manufacturing 2. Duty free import of production equipment, construction material
Turkey	<p>Turkish Government, as part of various Investment Incentive Scheme provides-</p> <ol style="list-style-type: none"> 1. Custom tax exemption for imported machinery 2. VAT exemption for imported or domestically manufactured machinery

Country/ Description -->	Infrastructure Support
India	<p>India provides Infrastructure development support for textile sector through -</p> <ol style="list-style-type: none"> 1. SITP scheme wherein Textile parks with Investment and common Infrastructure support is provided 2. Promotes creation of industrial infrastructure through the EOU, SEZ and SITP schemes which aim at developing textile clusters and textile parks 3. Provision of common infrastructure through SITP scheme
China	<p>China aims at Structural improvement in textile sector through infrastructure support to increase textile manufacturing in central and western China. The key provincial policies providing Infrastructure support are-</p> <ol style="list-style-type: none"> 1. Hebei - Preferential land use rights for textiles 2. Shaanxi -Development of Industrial parks supported by easy land policies 3. Hunan - Financial compensation to textile units relocating to identified industrial zones 4. Xinjiang - Fiscal support upto RMB 20 million for setting up textile units 5. Shandong - Facility for retirement of obsolete manufacturing facilities <p>In addition China also provides financial support through a special government fund for overseas investment by Textile companies under the "Go Global" strategy and Interest subsidy on loans for construction of overseas textile industrial parks</p>
Pakistan	<p>Pakistan aims at providing infrastructure for marketing and branding of textiles through-</p> <ol style="list-style-type: none"> 1. Establishment of world textile centre having 30 buying houses for attracting more export orders providing free space and services 2. Apparel houses in textile hubs and metro cities for showcasing textile products <p>In addition the Pakistan also provides financial support for ETPS and CEPTS through LTFF at a subsidized rate of 9%</p>
Bangladesh	<p>'Bangladesh provides following fiscal and policy benefits for upgrading and establishing Infrastructure-</p> <ol style="list-style-type: none"> 1. Assistance towards ETP establishment for export oriented manufacturing 2. Initiative of "Garment Villages" having infrastructure, utilities and water treatment facilities

Country/ Description -->	Infrastructure Support
Vietnam	Vietnam has 290 industrial parks (IPs) designated for the manufacturing sector, of which 180 are in operation classified as Industrial zones, export processing zones, economic zones and high tech zones. These Industrial zones provide the following benefit for industrial infrastructure- <ol style="list-style-type: none"> 1. Convenient transport and road systems 2. Common Infrastructure 3. Easy availability and accessibility of Labour and raw materials
Cambodia	Cambodia runs the SEZ scheme wherein, common Infrastructure support is provided to organisations setting up within the SEZ. The benefits include - designated manufacturing area, water treatment facility, solid waste management facility and other common infrastructure.
Turkey	Turkey through its various investment incentive schemes provides preferential land allocation across all 6 regions.

Country/ Description -->	Capital/Investment Support
India	India provides Capital subsidy for technology and plant modernisation under ATUFS scheme capped at 10% for textile support and 15% for Garmenting
China	China has created dedicated funds for capital and investment support in 12th Plan - <ol style="list-style-type: none"> 1. Technological Innovation plans, 2. High technology Industrial developing fund 3. Enterprise Innovation Construction project fund <p>In addition provincial policies supporting capital investment are -</p> <ol style="list-style-type: none"> 1. Hubei - Special technological development fund and short term investment capital 2. Fujian - Financing support through public offerings and bonds 3. Shaanxi - SME loans for corporate 4. Hunan - Provision of seed capital for textile sector through banks 5. Hubei - Provision of short term investment capital through Bonds <p>In addition China also provides financial support through a special government fund for overseas investment by Textile companies under the "Go Global" strategy</p>
Pakistan	Support offered is same as textile and plant machinery import support
Bangladesh	Bangladesh has taken following steps for Investment support- <ol style="list-style-type: none"> 1. Creation of Export Promotion Fund (EPF) for assistance in venture capital at lower interest rates, technology up-gradation, and market missions abroad 2. Provision of cash incentives in line with WTO to export oriented industries 3. Provision of softer loans for import of capital machinery and raw materials for export production 4. Financial support through loans subsidized by 4% to 8% as compared to market rates is available for all export sectors
Vietnam	NA
Cambodia	Cambodia provides investment incentive through accelerated depreciation on plant and machinery at 40%, helping in reducing the tax liability

Country/ Description -->	Capital/Investment Support
Turkey	<p>As capital and investment support Turkey runs the following schemes</p> <ol style="list-style-type: none"> 1. Interest support for loans from local banks upto 7% and foreign banks upto 2% under regional investment incentive scheme 2. Interest support for loans from local banks upto 5% and foreign banks upto 2% under priority and strategic investment incentive scheme 3. To attract FDIs, Turkey allows companies to transfer profits from free zones to other regions (including abroad) without restrictions

Country/ Description->	Taxation Support
India	India provides tax rebates are only for exports provided to Exports Units in SEZs
China	<p>China also provides tax benefits through various provincial policies listed as follows:</p> <ol style="list-style-type: none"> 1. Fujian - Strengthening Export tax rebates and tax benefits for large scale manufacturing facilities 2. Guangdong- Tax preferences for technological development, pollution reduction and for attracting investments 3. Hebei - Tax breaks for cotton, wool and dyeing industry 4. Jiangsu - Tax preferences for reduced pollution, stronger branding and investment in human capital 5. Shaanxi- Tax breaks for investment in textiles 6. Xinjiang - Tax benefits for new textile setups/ relocating units
Pakistan	<p>Pakistan provides indirect taxation support for organisations in textiles export through draw-back for local taxes and levies is given to exporters of textiles products on FOB values of their enhanced exports of at least 10% over previous years. The rates are -</p> <ol style="list-style-type: none"> 1. Garment - 4% 2. Made up - 2% 3. Processed fabric - 1%
Bangladesh	<p>Bangladesh provides the following taxation support benefits-</p> <ol style="list-style-type: none"> 1. Provision for drawback of VAT for export facilitating services like C&F services, telephone, electricity, insurance and shipping commissions 2. Cash incentives as an alternate to duty bond and duty drawback for export oriented garmenting and textile units 3. 10 yrs tax holiday for units established in EPZ before 2012. For units established after 2012, subsidized tax rates for upto 7 years. 4. Exemption from Dividend tax for units in EPZ 5. Tax rebate of upto 10% for manufacturing units in Rural areas 6. Tax rebate upto 15% for investment of more than 15 million taka
Vietnam	Vietnam Government offers reduced taxation for industries in Industrial zones (Is) located at areas with difficult social economic conditions

Country/ Description->	Taxation Support
Cambodia	<p>Profit tax exemption for a period of 3 years with additional exemption period depending on size of investment (max upto 9 yrs including the trigger period)</p> <ol style="list-style-type: none"> 1. Up to USD 5 million – No priority period 2. US\$ 5 million to 20 million – 1 year extended exemption period iii. US\$ 20 million and above – 2 years extended exemption period
Turkey	<p>The taxation support programmes and policies run by the Turkish Government are-</p> <ol style="list-style-type: none"> 1. VAT and custom duty exemptions for industries in Investment incentive program 2. Withholding tax allowances on wages for the Eastern and South Eastern regions 3. Differential tax rebates for industries present in OIZs and outside OIZs across 6 regions 4. Exemption from Municipality tax on plot constructions and solid waste in OIZs 5. 100% exemption on custom duty, VAT, special consumption tax and corporate income tax in Free zones 6. Tax exemption on salaries of R&D personnel till 2023 in Technology Development zones (TDZ)

Country/ Description ->	Raw Material Support
India	Duty free Procurement/ import of raw material for export production through DTA/ Bonded warehouses or DTA exhibitions for all EOU/ STP and BTP units are provided for raw material support for exports
China	<p>China has following provincial fiscal policies providing raw material support -</p> <ol style="list-style-type: none"> 1. Shandong - Financial Support for development of Network of raw material banks through bonds and funds. 2. Xinjiang - Freight subsidy of US\$ 31.7 (RMB 200) per MT to enterprises that use cotton a raw material 3. Hubei - Focus on increasing cotton cultivation with an aim to secure raw material
Pakistan	Pakistan promotes raw material imports meant for export manufacturing in textiles sector through import tariff concession and VAT and sales tax exemptions
Bangladesh	<p>Bangladesh provides following Raw material support facilities for export oriented units -</p> <ol style="list-style-type: none"> 1. Duty free import of raw materials and duty free exports of finished goods 2. Special bonded warehouse for storing duty free imports of Raw material
Vietnam	<p>Vietnam plans to establish centers for raw materials for timely raw material supply at major cities of Hanoi and Ho chi Minh.</p> <p>Vietnam also provides incentives specific to textile petrochemical raw materials such as fibres, dyes, chemicals, etc for attracting FDIs</p>
Cambodia	NA
Turkey	<p>For raw material purchase the following supports are provided by Turkey-</p> <ol style="list-style-type: none"> 1. Importing raw material for export purposes without being subject to Import duty or VAT under Inward Processing Regime (IPR) by providing a guarantee to export a certain value 2. Re-imburement of input VAT and custom duty on raw material at the time of export of output under Drawback system

Country/ Description -->	Employment Promotion
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Country/ Description -->	Employment Promotion
India	Contribution to EPF for new employees for three years
China	NA
Pakistan	NA
Bangladesh	NA
Vietnam	Vietnam provides following support for employment generation- 1. Lower taxation within IZs for industries employing minorities and women 2. Lower taxation for industries setting up in rural areas and employing 500 workers with a capital investment of at least VND 6,000 billion
Cambodia	Cambodia has developed the National Employment plan 2014-18. It has created self employment creation fund to support entrepreneurs and skilled workers to start their own small enterprises Concept of National Job and employment agency to assist in employment of skilled workers as well as unskilled workers
Turkey	Turkey offers employment support through the "employment package in 2008 and 2009 wherein the Govt. would cut the social premium to be paid by the employer for 5 years, for hiring done in next 2 years.

Country/ Description -->	Skill Development
India	India provides fiscal benefit in lieu of training cost is provided under ISDS scheme wherein skill upgradation and assimilation of upgraded skill workers is done in the textile industry In addition financial support for skill upgradation in textile sector through Aarjeevika schemes of Ministry of Rural Development
China	China provides support for skill development at following provinces - 1. Shandong - Support of investment in human capital through bonds and short term loans
Pakistan	Pakistan runs various programmes like PSDP to support Vocational training of workers for capacity building, internships and different programme announced as part of new textile policy with an aim of training 1,20,000 workers during the period 2014-19
Bangladesh	Bangladesh runs the following programmes for skill development - 1. Initiative for worker training for product diversification and productivity improvement
Vietnam	Vietnam runs a Vietnam Technical and Vocational Education training Program (TVET) providing modular employable skills (MES) through various district level training centres and institutions
Cambodia	Cambodia runs the Technical and Vocational Education training (TVET) system in co-ordination with the export sectors with an aim to upgrade the skill set to meet the exports requirement through various polytechnics, Provincial training centres, NGOs, Community training centres and industry partners
Turkey	Turkey is part of the Leveraging Trainings and Skill Development in SME project of OECD countries. In addition Turkey also provides vocational training through Turkish employment agency

Country/ Description -->	Interest Rate
India	NA

Country/ Description -->	Interest Rate
China	China provides following benefits through subsidized interest rates or letter for credits - 1. Hebei - Loan guarantees for corporate loans in textile sector 2. Hunan - Export credit insurance and loan guarantees for textile units
Pakistan	Pakistan Government provides interest subsidies as part of the Subsidised loans at 7.5% under export re-finance scheme for textile sectors
Bangladesh	Bangladesh provides the following facilities for exports credit- 1. Back to back letter of credits for export 2. Export credit up to 90% via LCs for managing working capital 3. Minimal rate of interest and LC commission for export credit
Vietnam	Vietnam Development Bank (VDB), provides export credits, investment credit guarantees, and export project performance security
Cambodia	NA
Turkey	Turkish Government provides Interest rate subsidy support as follows- 1. Interest support for loans from local banks upto 7% and foreign banks upto 2% under regional investment incentive scheme 2. Interest support for loans from local banks upto 5% and foreign banks upto 2% under priority and strategic investment incentive scheme

Country/ Description -->	R&D Support
India	R&D support is provided through funds for contract research under TMTT In addition, support for establishment/ upgradation of CoEs is also provided under TMTT scheme
China	China's focus of 12th plan is to increase R&D and innovation expenditure to 1% of income. It offers Income tax rebate of upto 50% for select qualifying R&D expenses. It has following provincial policies to promote R&D - 1. Hunan - Grants for technology upgradation and innovation 2. Hebei - Innovation grants in Hebei 3. Shandong - Increasing investment in technology and research to 3% of earnings in Shandong 4. Shaanxi - Investment in research institutions and facilitation of technology exchanges 5. Fujian - Development of technological centres In addition to this China also provides financial support for R&D and innovation activities to organizations aiming at establishing units abroad under "Go Global" strategy
Pakistan	No specific programmes
Bangladesh	NA
Vietnam	Vietnam provides R&D support a part of research activities for new materials, cleaner production and energy saving, product quality and innovation, increasing productivity, safety and design through grants.
Cambodia	NA
Turkey	The various policies for R&D support are - 1. Development of Technology Development Zones (TDZ) 2. Revenue from R&D services exempted from Corporate Income tax in TDZ 3. Tax exemption on salaries of R&D personnel till 2023 in TDZ

Country/ Description -->	Export Promotion Assistance
India	3% interest subvention under Interest Equalisation Scheme (earlier called Interest Subvention Scheme) on Pre and Post Shipment Rupee Export Credit with effect from 1st April, 2015 for five years" with a financial implication of Rs. 2700 crore.
China	<p>China provides following tax benefits for export promotion -</p> <ol style="list-style-type: none"> 1. Tax rebate on textile and apparel export upto 15%. 2. Zero rate of output VAT for export of textile and clothing 3. Refund of input VAT on input material for export of textile and clothing <p>In addition, Export promotion assistance is provided through the following provincial policies in China-</p> <ol style="list-style-type: none"> 1. Hunan - Provision of export credit insurance to develop textile clusters 2. Fujian - Strengthening of export tax rebates <p>China also provides financial support for branding and promotional activities through Special Fund for Brand development and Foreign Trade development fund</p>
Pakistan	<p>Pakistan provides the following export promotion assistance as part of its textile policy 2014-19 -</p> <ol style="list-style-type: none"> 1. Draw-back for local taxes and levies is given to exporters of textiles products on FOB values of their enhanced exports, if increased beyond 10% of previous year's export 2. Export re-finance rate reduced from 9.4% to 7.5% 3. LTFF support providing at 9% for setting up of Pakistan cotton brand, fashion labels and brands abroad to increase exports
Bangladesh	<p>Bangladesh has the following policies for export promotion-</p> <ol style="list-style-type: none"> 1. Tax holidays for units established in export zones 2. Duty free import of raw material in EPZ 3. Duty free export of textile finished goods from EPZ 4. Duty free and quota free access to EU, Canada and Australia 5. Relief from double taxation 6. Assistance in exhibitions, trade fairs and marketing activities
Vietnam	<p>Vietnam has the following programs-</p> <ol style="list-style-type: none"> 1. National Trade Promotion programme to assist in export marketing through trade fairs, exhibitions and sponsorships 2. Duty re-imburement on imports used for exports within EPZs
Cambodia	The identified QIPs as identified by Council of Development of Cambodia (CDC) are entitled to 100% export tax exemption
Turkey	Turkish Government runs the "TURQUALITY" programme to provide subsidy for export oriented player on investments in R&D, innovation, product designing, branding and export promotion. The programme puts special focus on branding efforts and provides umbrella branding of products and players adhering to its norms, boosting export credibility of Turkey under the "TURQUALITY brand"

Country/ Description -->	Trade agreements advantage
India	<p>India has FTA with Gulf countries (GCC- FTA) and presence in Asian FTAs like SAFTA and India- ASEAN CECA.</p> <p>India is currently negotiating EU-FTA</p>

Country/ Description -->	Trade agreements advantage
China	China has trade agreements with ASEAN, Singapore, Korea, Costa-Rica and Switzerland which provides it access to ASEAN, American and European markets. It is in talks for FTA with GCC, Norway and Japan which will make markets of Middle east, Europe and East Asia more accessible for Chinese players.
Pakistan	It has FTA with China, Malaysia and part of SAFTA. Pakistan has PTAs with developing 8 countries in Central Asia, Mauritius and Indonesia
Bangladesh	Bangladesh has Bangladesh – EU – Everything but Arms (EBA) arrangement and Bangladesh US Generalised System of Preferences (GSP) agreement which opens the key markets of US and Europe to Bangladesh Bangladesh is also part of Asia Pacific Trade Agreement (APTA), Agreement on South Asian Free Trade Area (SAFTA) and Developing 8 Preferential Trade Agreement (D-8 PTA)
Vietnam	Vietnam is part of EU- FTA which opens the EU export market. It is also a member of the proposed potential TPP agreement
Cambodia	Cambodia has an on-going trade and investment agreement with US, where in US provides preferential export benefits to Cambodia by incentivizing its key garment procuring brands to procure garments from Cambodia
Turkey	Turkey has Customs Union with Europe and Euro Mediterranean Partnership which makes the markets of Europe and Mediterranean countries easily accessible for Turkey. In addition it also has PTAs with developing 8 and major Asian countries adjoining Turkey.

Country/ Description -->	Region specific support
India	NA
China	China is strongly focused in developing textile industry in Central and Western China. Organisations with over 70% operation in Western China are taxed at a subsidized rate of 15%. The key benefits offered in Xinjiang are - <ol style="list-style-type: none"> 1. Capital support of up to RMB 20 million for textile industry setup 2. Freight subsidy of RMB 200 per MT for cotton raw material 3. 100% tax exemption for textile units' upto 5 yrs from establishment 4. Income tax exemption upto 2 yrs with liability limited to 50% of tax for next 3 yrs for textile units setting up in socially depressed areas. 5. Exemption from real estate tax and Municipal land use tax for large units
Pakistan	Pakistan in its new textile policy has created dedicated financial support funds for revival of textile industry in three key cities of Lahore, Karachi and Faisabad through Incubation centres, fast track development process and training facilities
Bangladesh	NA
Vietnam	NA
Cambodia	NA
Turkey	Turkish Govt. has classified the country in to six investment zones. The socially dis-advantages areas have higher benefits in terms of tax exemption and social security premium support for a longer period.

Country/ Description -->	Energy/Renewable Energy support
India	India provides the following benefits for usage of renewable energy. 1. Net metering scheme wherein an organisation gets subsidy on the energy units that it provides to GRID post its own captive usage 2. 40% subsidy on CAPEX on solar renewable energy investment 3. State of Telangana offers a Re. 0.5/ unit subsidy to textile sector
China	Under the 12th Plan China aims at increasing energy efficiency. Various Provincial policies promoting it are- 1. Jiangsu- Tax benefit for energy efficient use 2. Guangdong - Tax benefit for Pollution reduction
Pakistan	The policy for renewable energy use in Pakistan is under revision and development and would aim at providing feed in tariff subsidy and investment subsidies to New projects
Bangladesh	Energy subsidies and support programs like Investment support and tariff subsidy is provided to new capital investments coming in renewable energy sector
Vietnam	Vietnam provides subsidies and incentives to investors investing in renewable energy
Cambodia	No specific support
Turkey	Turkey provides energy support for renewable energy through two key measures - 1. Reduced the costs related to licensing by cutting cost associated with annual fees, thereby bringing the overall cost down 2. Providing differentiated feed in tariff subsidies for different renewable energy sources.

Country/ Description -->	Ease of Doing Business
India	2014- Ranked 142 out of 185
China	2014- Ranked 90 out of 185
Pakistan	2014- Ranked 128 out of 185
Bangladesh	2014- Ranked 173 out of 185
Vietnam	2014- Ranked 78 out of 185
Cambodia	2014- Ranked 135 out of 185
Turkey	2014- Ranked 45 out of 185

APPENDIX 2: Suggestions from key stakeholders

2.1 Suggestion from Confederation of Indian Textile Industry (CITI)

Industry Incentives to Replace Export Incentives for Textiles

Government of India provides incentives to promote export of various products from the country including textiles and clothing. The Merchandise Exports from India Scheme (MEIS) and Export Promotion Capital Goods Scheme (EPCG) are the major export incentives being availed by the textiles sector currently. In the case of garments, there is also a scheme that provides duty-free scrips to the extent of 5% of the exports of individual exporters during the previous year, for imports of trimmings and embellishments. As in the case of all other exports, textiles exporters are also provided refund of taxes paid on manufacturing of textile and clothing products through the duty drawback scheme, though this is not an incentive scheme since only duties incurred are refunded and this is permissible under WTO norms.

As per WTO's Agreement on Subsidies and Countervailing Measures (ASCM), incentives contingent on exports cannot be provided for exports of those products in which a country has achieved export competitiveness, which is defined as achieving a share of 3.25% of world trade in two consecutive years. In case of textiles and clothing, India had achieved this threshold limit of 3.25% in 2006 and 2007. But since the issue was not raised either by WTO Secretariat or any WTO members, India has been able to continue export incentives for textiles products. However, WTO members raised this issue in 2011 and WTO noted that India had achieved export competitiveness in textiles during 2009 and 2010. Therefore, as per the provisions of ASCM, all export incentives on textiles and clothing products will have to be phased out by India gradually within a period of 8 years – that is by 2018.

There is convergence of opinion in the textiles and clothing industry that in the absence of reasonable incentives, it would not be possible to sustain and grow Indian textile and clothing exports because of cost advantages and tariff concessions available to most of our competing countries. Moreover, there is substantial incidence of taxes and charges (cross subsidy) at various stages of production of textiles and clothing which are not refunded through the drawback system. It is also

well established that Indian exports suffer from high transaction cost and this has been established by studies conducted in Department of Commerce.

In light of above facts, following issues need to be highlighted:

1. The total impact of incidence of duties, taxes and various charges imposed on exports of textile and clothing products.
2. The drawback received from government and the resultant net shortfall in taxes refunded.
3. Other incentives currently available on exports of textiles and clothing.
4. WTO compliant measures to compensate for the present export incentive schemes and unrebated taxes and charges.

Impact of incidence of such duties, taxes and various charges imposed on the exports of textile and clothing products.

An illustrative exercise has been carried out to identify incidence of taxes levied on the manufacturing of textile products from yarn stage up to processed fabric stage. The exercise has revealed that there is an incidence of duty paid and cross subsidy burden suffered to the extent of 9.10% of FOB value of exports of one kg of processed fabric. Out of this, cross subsidy on power accounts for 1.2% and remaining 7.9% relates to duty not refunded through any mechanism.

Table given in annexure-1 shows the detailed calculations. A brief of such incidence of taxes is given below:

1. Product chosen for analysis is woven fabric of cotton containing 85% or more by weight of cotton weighing more than 200 g/m² dyed cotton fabric. The FOB value of exports is taken as Rs.403.98/kg.
2. GST, entry tax, other goods taxes on cotton yarn used in the making of one kg cotton fabric works out to be Rs.6.91.
3. Dyes and chemical used has an element of customs duty, excise duty, VAT/CST and entry tax etc to the tune of Rs. 7.77.
4. Electricity duty on power used up to processed fabric stage (from state) accounts for Rs.4.93.
5. There is a cross subsidy burden on the industry to the tune of 15% of the cost of power, which also works out to be Rs.4.93.

2

6. Coal used for steam carries element of excise duty, CST/VAT and entry tax amounting of Rs.2.39.
7. Propane gas involves an element of excise duty, CST/VAT and entry tax of Rs. 0.22.
8. Packing material attracts duty incidence of Rs.0.83 including excise duty, CST/VAT and entry tax etc.
9. Stores and spares consumed involves duty amount of Rs.3.88
10. Duty on diesel consumed in transporting raw material (Rs.0.52) and outbound material -finished goods(Rs.0.84)
11. Service tax on repairs and maintenance is Rs. 1.26 and civil work includes taxes of Rs. 0.13.
12. Service taxes on transportation paid amount to Rs.0.15.

Taken together, the total incidence of the above taxes and cross subsidy burden is Rs. 36.75 per kg of processed fabric. In percentage terms of FOB value of processed fabric exported, it amounts to 9.10%.

Against this, the drawback available on dyed cotton fabric (if cenvat is not taken) is 5%, which leaves 4.10% non reimbursed taxes and other charges.

Alternatives

EPCG Scheme

EPCG scheme allows duty-free import of textile machinery on condition that the importer should more than compensate for the duty forgone, by way of additional exports during a stipulated time. A viable alternative to the EPCG scheme is to abolish import duty on all textile machinery. Currently, India produces world class textile machinery only for spinning and there is practically no import in such machinery. And in other segments where we do not have world class domestic production, taxing machinery imports only puts avoidable additional cost on the textiles industry.

Interest Subvention of Working Capital

While interest subvention for export credit would attract the provisions of ASCM, if interest subvention is extended to the textiles industry as a whole without linking it with exports, this will be compatible with ASCM. Of course, industry subsidy is also actionable and therefore can be countervailed by individual importing countries. But that is a risk that we have to take and, in fact, we are already taking this risk with reference to schemes such as TUFPS.

Textile and clothing industry is highly export oriented and exports cover over one third of its total output. Most, though not all, producers are connected with exports – directly or indirectly. Therefore, if incentives foregone on exports are given on production of textiles this would be WTO compatible and would benefit exports as well as production for domestic consumption. Following is an exercise carried out for this purpose:

As per CMIE data, the turnover of textile industry increased from Rs.73630 crore to Rs.166375 crore during FY2004-05 to 2010-11 at a CAGR of 14%. Based on that, the current textile industry turnover is projected at Rs 250,000 crore. The working capital for production works out to 6.5% of the sale value of processed fabric, as per a sample study. Taking average for all sectors, working capital requirement would be around 5.5% of sale value on a conservative estimate.

At 5.5% of the industry turnover of Rs.250,000 crore, working capital requirement is estimated at Rs.13750 crore. An interest subvention of 3% on this working capital will amount to Rs.412 crore. This would be substantially lower than the incentives that may have to be phased out under the provisions of ASCM.

It is therefore recommended that import duty on all textile machinery may be abolished so that EPCG scheme will not be necessary for this industry and an interest subvention of 3% may be introduced on working capital for all the segments of the textiles value chain in order to compensate for the export incentives that may have to be phased out. It is pertinent to point out that export incentives on textiles have been reduced substantially in the new

Foreign Trade Policy announced for 2015-20 in terms of both products and markets covered, as well as the rates of incentives in several cases. It is therefore important to launch the alternative measures suggested above at the earliest.

2.2 Suggestions from TEXPROCIL

(A) CURRENT SCHEMES

- **EOU**

Under this Scheme, those manufacturers who undertake to export their entire production (except permissible sale under DTA) are allowed to set up their units. One of the facilities available to a 100% EOU is to sell 50% of the FOB value of exports in the domestic markets. This will amount to subsidy within the meaning of Article 3.1(A) of the ASCM. The facility to retain 100% of Foreign Exchange earned in EEFC also amounts to subsidy.

Recommendation

The scheme is popular & widely used in the country. The scheme therefore should be continued. However, the facility of DTA sale permissible & 100% retention in the EEFC account may be removed.

- **EPCG Scheme**

The scheme allows imports of capital goods for export production at “Zero duty” subject to specific export obligation & fulfilment of average export obligation. Since capital goods are not treated as “inputs” the scheme amount to extending subsidy.

Recommendation

The scheme needs to be scrapped in its present form as it is contingent upon exports. Instead, customs duty on capital goods (textile machinery) in general must be removed or reduced to say 2% from the present level of 5% or 10%.

- **Advance Authorization Scheme**

The scheme allows duty free import of inputs with a condition that the resultant product must be exported. The main objection to this scheme is that it is based on SION which is unrealistic & grants more inputs than the actual consumption. Further, the verification mechanism is not reliable.

Recommendation

The scheme should be continued. However, the deficiencies in the scheme like the basis for determining SION (which is non-transparent, at present) have to be removed & verification system must become realistic & reliable.

- **MDA Scheme**

The scheme provides financial assistance to a range of export promotion activities implemented by EPC's & Trade Promotion Organisation on the basis of approved Annual Action Plans. No subsidies contingent upon export performance is being granted under the scheme. However, exporters having annual export turnover of a specific amount are allowed to take benefit under the scheme.

Recommendation

This scheme should be continued. However, the provision of extending financial assistance to the exporter based on their export performance need to be dispensed with.

- **Duty Free Import of specified inputs (Trimmings & Embellishments).**

Under the scheme, Duty Free import of specified items (trimmings & embellishments) is allowed against export of garments & made-ups.

Recommendation

This scheme needs to be discontinued & exporters should be advised to use the Advance Authorization Scheme.

- **DFIA Scheme**

DFIA Scheme allows duty free import of inputs covered under SION for export production.

Recommendation

This scheme should be continued with some modifications like removing the provision of transferability & making it applicable on an "Actual User" basis. Moreover, the verification system needs to become more robust & reliable.

- **Market Access Initiative Scheme (MAI)**

Under this scheme, financial assistance is provided for export promotion activities on Focus countries on focus product basis. The scheme does not offer any benefit that is contingent on export performance.

Recommendation

This scheme can be continued.

- **TUF Scheme**

The objective of the scheme is to provide encouragement to investors in the textiles sector. Benefits extended under the scheme are capital outlay & interest reimbursements. The scheme does not provide any export subsidy. However, since there is financial contribution by the Govt and the scheme leads to Govt revenue foregone, TUFs becomes an actionable subsidy.

Recommendation

The scheme can be continued with suitable modification. .

(B) SCHEMES TO REPLACE TERMINATED SCHEMES

The identified scheme do not meet the stringent criteria of the WTO (ASCM) definition of subsidies .Moreover, all these schemes are applicable horizontally across all sector/ products even if they have not reached 3.25% of total World trade . Withdrawing the benefits only for the T&C sector will amount to penalizing a sector for performing well despite adverse business environment.

Therefore if at all any of the existing schemes are to be terminated, concerted efforts need to be made to put in place new schemes that are compatible to the WTO.

SUGGESTIONS ON ALTERNATE SCHEMES

(1) Continuation of existing schemes

Schemes like the Advance Authorization Scheme, DFIA, MDA, MAI, TUFs, 100% EOU and Interest Rate Subvention Scheme can be continued with some modifications.

(2) Interest Rate Subvention on working capital

This scheme should be made available to the entire textiles sector. It should not be contingent upon exports. It should also not be HS Code specific.

(3) Incentives for using Renewable Energy by devising a mechanism for Credits

With the objective of transforming the Indian Economy into greener economy, there is a need to incentivize development of green technology. Towards this end, incentives should be granted for utilizing non-conventional energy like wind /solar power. In this connection, a suitable mechanism needs to be worked out to give Electricity Production Tax Credit (PTC) as available in the U.S.A.

(4) Incentives for employment generation.

Incentives for creation of jobs for youth based on new PF registration need to be worked out in terms of a Credit system for availing tax benefits. For instance, every 1000 new jobs created by a unit evidenced on the basis of statutory records like PF/ESIS Registrations, a suitable Tax deduction could be considered.

(5) Duty free import of Textile machinery

Abolition of import duty on textile machinery will obviate the need for retaining the EPCG Scheme in its present form with an export obligation equal to six times the duty saved. At present, India produces world class textile machinery only for spinning & other machines of comparable quality are not available for weaving / processing & garmenting. Reducing the import duty to “zero” will also spur investments in these sectors.

(6) To grant Tax Deduction for Apprentice Training Programme

The textiles sector faces acute shortage of skilled manpower. To resolve this issue, textile units must be encouraged to undertake skill development programmes. In this regard, Income Tax exemptions should be given to textile units carrying out Apprentice Training programmes. Further, the financial support per person under “Employment through Skills Training & Placement should be increased from Rs.15000 to Rs.25000/- .

(D) OTHER SUGGESTIONS

(1) Initiate labour reforms.

An existing labour law are outdated and does not meet the requirements of modern textile industry. Labour laws must be reviewed and changed by considering the demands of the industry as well as the needs of the workers.

(2) Expedite FTAs with EU, Australia and Canada for creating a level playing field for Indian Textile Exports.

India is at a distinct disadvantage vis-à-vis competing countries like Pakistan, Bangladesh, Sri Lanka and Vietnam as these countries gets the benefit of “zero duty” or lower duty in important markets like the EU and the USA. Whereas there are high import duties imposed on Indian textiles products in the EU and the USA. To provide a level playing field and to improve the competitiveness of textiles exports from India, FTAs with EU, Australia and Canada must be concluded at the earliest.

(3) Textiles to be kept in the lowest slab under GST

On implementation of GST, textile products should be kept in the lowest slab in view of its mass consumption.

2.3 Suggestion from Apparel Export Promotion Council (AEPC)

Phasing out of export subsidies by 2018.

1. Various schemes under FTP/DoR/RBI are being discussed for replacement, since some of the schemes are contingent on exports. The statuses of some of the schemes, which are widely used by our garment exporters, are listed below:

S.No	Name of the scheme	Remarks
1.	Duty Credit Scrip (Chapter 3 benefit)	To be phased out by 2018
2.	3% interest subvention (contingent on exports)	To be phased out by 2018
3.	5% EPC (contingent on exports)	To be phased out by 2018
4.	EPCG Scheme	To be phased out by 2018
5.	Advance License Scheme	With slight modification, the scheme may not discontinue
6.	Status Holder incentive Scheme (SHIS)	To be phased out by 2018
7.	EOU Scheme	May be continued with small modifications.
8.	TUFs	May be continued
9.	Duty Drawback	The scheme would continue, however, averaging of incidence of duty is an issue, which would further be subjected to reduction once GST is implemented.
10.	MAI Scheme	May be retained with minor modifications. Currently scheme envisages additional exports as an outcome.
11.	MDA Scheme	May be retained with minor modifications. Currently the scheme envisages export performance as criteria for eligibility.

2. Representative of M/s. ICRA Management Consulting Services Ltd., (IMaCS) are coming for discussion at 2.00 PM on 29.06.2015 at Apparel House, Gurgaon for meeting SG, AEPC
3. SG, AEPC has written a letter to Economic Adviser, MoT on 24.06.2015 about Terms of Reference (ToRs). letter attached.

Apart from this a list of 65 exporters was shared by AEPC and IMaCS contacted them to get their suggestions.

APPENDIX 3: A note on RURBAN Mission

The Shyama Prasad Mukherji Rurban Mission (SPMRM) mission aims at development of rural growth clusters which have latent potential for growth, in all States and UTs, which would trigger overall development in the region. These clusters would be developed by provisioning of economic activities, developing skills & local entrepreneurship and providing infrastructure amenities. The Rurban Mission with an outlay of Rs. 5142.08 crores will thus develop a cluster of Smart Villages.

These clusters would be well delineated areas with planned layouts prepared following the planning norms (as laid down in the State Town and Country Planning Acts/similar Central or State statutes as may be applicable), which would be duly notified by the State/UTs. These plans would be finally integrated with the District Plans/Master Plans as the case may be.

The State Governments would identify the clusters in accordance with the Framework for Implementation prepared by the Ministry of Rural Development. The clusters will be geographically contiguous Gram Panchayats with a population of about 25000 to 50000 in plain and coastal areas and a population of 5000 to 15000 in desert, hilly or tribal areas. There would be a separate approach for selection of clusters in Tribal and Non-Tribal Districts. As far as practicable, clusters of village would follow administrative convergence units of Gram Panchayats.

For the selection of clusters, the Ministry of Rural Development is adopting a scientific process of cluster selection which involves an objective analysis at the District, Sub District and Village level, of the demography, economy, tourism and pilgrimage significance and transportation corridor impact. While the Ministry, following this analysis, would provide a suggestive list of sub districts to the State, the State Governments would then select the clusters following a set of indicated principles included in the Framework for Implementation.

The mission aims to create 300 such Rurban growth clusters over the next 3 years, across the country. The funding for Rurban Clusters will be through various schemes of the Government converged into the cluster. The SPMRM will provide an additional funding support of upto 30 percent of the project cost per cluster as Critical Gap Funding (CGF) as Central Share to enable development of such Rurban clusters.

To ensure an optimum level of development, fourteen components have been suggested as desirable for the cluster, which would include; Skill development training linked to economic activities, Agro

Processing/Agri Services/Storage and Warehousing, Digital Literacy, Sanitation, Provision of piped water supply, Solid and liquid waste management, Village streets and drains, Street lights, Fully equipped mobile health unit, Upgrading school /higher education facilities, Inter-village road connectivity, Citizen Service Centres- for electronic delivery of citizen centric services/e-gram connectivity, Public transport., LPG gas connections.

The States would prepare Integrated Cluster Action Plans for Rurban Clusters, which would be comprehensive plan documents detailing out the strategy for the cluster, desired outcomes for the cluster under the mission, along with the resources to be converged under various Central Sector, Centrally Sponsored and State Sector schemes, and the Critical Gap Funding (CGF) required for the cluster.

In addition to the Critical Gap Funding, proactive steps have been taken to ensure the success of the mission with adequate budget provisions for supporting the State Government towards project development, capacity building and other institutional arrangements at the state level.

The Mission envisages institutional arrangements both at the State and Center to ensure smooth implementation of the Mission. The Mission also has an Innovation budget towards facilitating research, development and capacity building.

The scheme through development of rurban growth clusters aimed at catalyzing overall regional growth, would thus simultaneously benefit the rural as well as urban areas of the country, by achieving twin objectives of strengthening rural areas and de burdening the urban areas hence leading to balanced regional development and growth of the country.

Source: pmiindia.gov.in

APPENDIX 4: Rationale behind defining export competitiveness at 3.25% of world trade

Under GATT there was a general consensus that export competitiveness required to eliminate export subsidies would be an 'equitable share of world exports' which at that time came to 3% .Subsequently The concept of 3.25% of world trade share for arriving at export competitiveness for a particular product by a country was arrived in discussions held by various members in October 2001 via the SCM committee meetings. As per the report of the Chairman of the Committee on **“Subsidies and Countervailing Measures (SCM)”** issued on 03rd Aug 2001 and further detailed on 26th Oct 2001, after detailed deliberation and consultation with all the member states, it was concluded that a 3.25% should be considered as the figure for arriving at the export competitiveness. To arrive at it, it was debated by the parties if the export competitiveness should be finalised at 3% or 3.25%³⁴. While one thought was to have an export competitiveness at 3% threshold along with recalculation if the exports drop below 1.5% post withdrawal of subsidies for a one year, permitting countries to again start subsidising, the other line of thought was to have the export competitiveness at a slightly higher level of 3.25%, with recalculation period of one year considered too small and not acceptable. Hence it was finally decided to have export competitiveness at 3.25% and consider a moving average of two years to ascertain achievement of export competitiveness.

It was considered to have 3.2% as the threshold; however it was met with concerns that a moving average may give an average of more than 3.2% while the country may not have achieved 3.2% of export threshold in each of the two consecutive years. Therefore after due deliberations the achievement of export competitiveness was revised to, having achieved a moving average of 3.25% of world trade for two consecutive years, only when the country has also achieved 3.25% or higher share in each of the two years.

³⁴ Source: SCM Chairman’s report to General Council dated 26 Oct 2001 numbered G/SCM/38 - under chapter 5 para no. 67 and 68 – point no. 2 – headlined –“Threshold share of world export trade in a product” on page no. 21 and 22.

APPENDIX 5: Note on Annex VII of the WTO

Under the Agreement on Subsidies and Countervailing Measures (ASCM), after due discussions between the General Council and the Committee on Subsidies and Countervailing Measures (SCM), Annex VII was considered to include members who could be differently treated as per article 27 of the ASCM agreement. The Annex VII was recommended in 2001 to include list of the developing and Least developed countries that satisfy the following criteria:

- Countries that have been designated as Least developed countries (LDC) by the United Nations and which are part of the WTO.
- Developing countries that are members of WTO but have a per capita Gross National Product (GNP) of less than USD 1000 at constant prices of 1990 as on 2001, until they achieve a per capita GNP of more than USD 1000 for three consecutive years.

Based on these criteria the following countries have been included as Annex VII countries:

1. List of least developed countries:

Sl. No.	Country Name	Sl. No.	Country Name
1	Afganistan	25	Madagascar
2	Angola	26	Malawi
3	Bangladesh	27	Mali
4	Benin	28	Mauritania
5	Bhutan	29	Mozambique
6	Burkina Faso	30	Myanmar
7	Burundi	31	Nepal
8	Cambodia	32	Niger
9	Central African Republic	33	Rwanda
10	Chad	34	Sao Tome and Principe
11	Comoros	35	Senegal
12	Democratic Republic of Congo	36	Sierra Leone
13	Djibouti	37	Solomon Islands
14	Equatorial Guinea	38	Somalia
15	Eritrea	39	South Sudan
16	Ethopia	40	Sudan
17	Gambia	41	Timor- Leste
18	Guinea	42	Togo
19	Guinea- Bissau	43	Tuvalu
20	Haiti	44	Uganda
21	Kirbati	45	United Republic of Tanzania

Sl. No.	Country Name	Sl. No.	Country Name
22	Lao People's Democratic Republic	46	Vanuatu
23	Lesotho	47	Yemen
24	Liberia	48	Zambia

2. The list of countries included as Annex VII part B.

1. Bolivia
2. Cameroon
3. Congo
4. Cote D'Ivoire
5. Dominican Republic
6. Egypt
7. Ghana
8. Guatemala
9. Guyana
10. Honduras
11. India
12. Indonesia
13. Kenya
14. Morocco
15. Nicaragua
16. Nigeria
17. Pakistan
18. Phillipines
19. Senegal
20. Sri Lanka
21. Zimbabwe

APPENDIX 6: Action points for the phase out of export subsidies

Exhibit 58: Action points for phasing out of export subsidiess

S.No	Action Point	Department/Ministry
1	<p>Finalisation of the phase out plan for the schemes:</p> <ul style="list-style-type: none"> - Ministry of Commerce(MoC) and Ministry of Textiles(MoT) has to agree upon on the schemes to phased out/modified - The phase out plan to be finalised MoC in consultation with MoT either by gradually reducing the quantum of benefit or by gradually excluding the products under the scheme as suggested under recommendations 	Ministry of Commerce
2	<p>Assessment of the financial outgo from the schemes which are to be phased out:</p> <p>The loss of benefits to industry due to the phase out/modification have to be established across the schemes</p>	Ministry of Commerce
3	<p>Finalising the new schemes to support the textile industry: Based on the estimation of additional quantum of benefits to the industry, new interventions as suggested under the recommendations may be decided.</p>	Ministry of Textiles (MoT)
4	Budget Allocation for new schemes	Ministry of Finance (MoF)
5	Pilot launch of new schemes: The schemes may be launched on pilot basis during the phase out period.	Ministry of Textiles
6	<p>Impact assessment and finalisation of scheme details</p> <p>The impact assessment of the new schemes may be carried out to take necessary inputs to improve the scheme</p>	Ministry of Textiles
7	<p>Budget allocation for the new schemes</p> <p>Budgetary changes based on the changes proposed to the scheme(if any) based on impact assessment needs to be carried out</p>	Ministry of Finance
8	Full scale implementation of new schemes	Ministry of Textiles

APPENDIX 7: WTO's DG Report on trade related developments

Before reviewing Indian Government's schemes for exports, it is important to understand the trade developments in the context of WTO. A report³⁵ by the Director General of WTO was released in July 2015. It indicates the following trade-related trends:

- 104 new trade-restrictive measures (excluding trade remedy measures) were put in place in the reporting period 16 October 2014 to 15 May 2015 – an average of **around 15 new measures** per month.
- This monthly rate has remained relatively stable since 2012, though the overall stock of measures nevertheless continues to rise.
- Of the 2,416 measures recorded since October 2008, less than 25% have been removed, leaving the stock of restrictive measures still in place at 1,828. This represents an increase of 12% compared to the last report.
- This remains a cause for concern and continued vigilance is required from WTO members.
- More encouragingly, WTO Members have adopted more trade-liberalizing measures (excluding trade remedy actions) than trade-restrictive measures since the end of 2013. Continuing this trend, during the period under review, WTO Members implemented 114 new trade-liberalizing measures – an average of more than 16 measures per month.
- WTO Members introduced 75 new general economic support measures. The main beneficiaries were selected industries in the manufacturing sector, activities related to the agricultural sector and a number of programmes to assist SMEs. A variety of financial aid schemes appear by design to seek to encourage or boost exports while others identify conservation and the environment as overall objectives. A significant number of programmes which seek to eliminate or reduce subsidy schemes for gasoline and other fuels were identified during the period under review.
- A number of recent policy developments in services were recorded during the review period. These include reforms of the insurance and pension sectors and easing of the rules on foreign investment in the construction and railway transportation sectors in India, as well as the lifting of restrictions on foreign investment in several service sectors in China. Also noteworthy is the amendment of the Russian Law on Foreign Investment in Strategic Companies; several important reforms in the audio-visual and ICT sectors by Argentina, Belgium, Mexico,

³⁵ Source: DG Report on Trade-related Development, https://www.wto.org/english/news_e/news15_e/trdev_23jul15_e.htm; 03 July, 2015

Madagascar, Myanmar, Poland, the Russian Federation, Sierra Leone and the United States (US); and also in financial services by China, India, Myanmar and the Philippines.

- The overall assessment of this monitoring report is that the continuing increase in the stock of new trade-restrictive measures recorded since 2008 remains of concern in the context of an uncertain global economic outlook. WTO Members – individually and collectively – must show leadership and reinforced determination towards eliminating existing trade restrictions and refrain from implementing new ones.
- The multilateral trading system has proven its usefulness in providing a predictable and transparent framework governing trade between nations and in helping Members resist protectionist pressures as a response to the global economic and financial crisis and thereafter.
- The role of the multilateral trading system in providing a stable, predictable and transparent trading environment should be kept in mind as Members prepare for the WTO's MC10 in Nairobi in December. Decisive progress in eliminating remaining trade-restrictive measures combined with further multilateral trade liberalization would be a powerful policy response.

Exhibit 59: Initiations of countervailing duty investigations

	Oct. 2013-Apr. 2014	Oct. 2014-Apr. 2015*
Australia	2	0
Brazil	0	1
Canada	0	1
EU	5	1
Russian Federation	0	1
US	12	10
Total	19	14

Note: Counted on the basis of exporting countries affected

Source: WTO DG Report, July 2015: *Data available only through April 2015; Data for January through April 2015 is partly unverified and collected from various unofficial sources.

8.1.1. Countervailing investigation initiations by reporting Member between 2008 and April 2015

- During the first period, metals accounted for seven of the 19 initiations, chemicals accounted for five, and textile products, three. The remaining countervailing investigations were in relation to: machinery; food; animals/animal products; and stone/plaster sectors with one initiation each. In the second period, metals and plastics were the most affected sectors with four initiations each. Paper products were the subject of three investigations, chemicals were subject to two and one

investigation was initiated in relation to machinery. Chart 3.5, below, provides the percentage breakout.

- Similarly to anti-dumping, China is the country, most frequently subject to the initiation of countervail investigations. The share of countervail investigations of imports from China was 58% in the first period and 29% in the second. Second to China was India, which was subject to one investigation in the first period (5% of initiations), but three in the second period (21% of initiations).
- **During these periods, countervail investigations were frequently initiated in parallel with anti-dumping investigations on the same product from the same country of export.** In total, 15 of the 19 countervail investigations were initiated in parallel with anti-dumping investigations in the first period, while 11 of the 14 countervail investigations accompanied an anti-dumping investigation in the second period. **There is a confirmed tendency for Members to initiate concurrent anti-dumping and countervail investigations in relation to China in particular.**

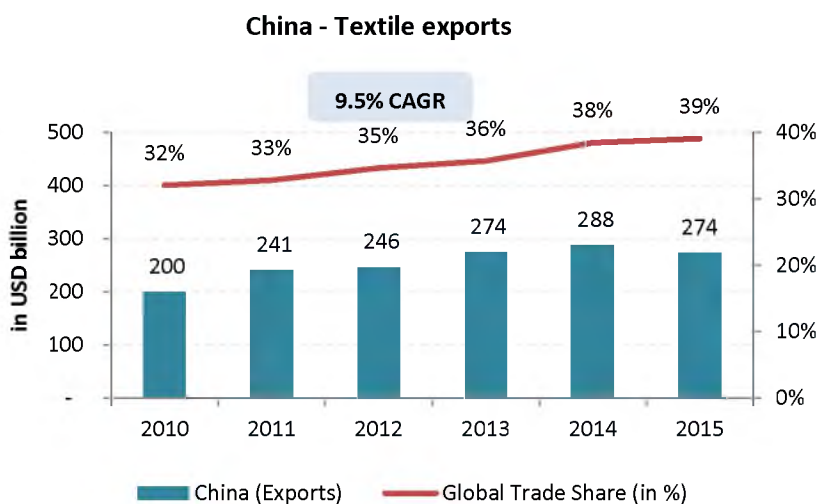
APPENDIX 8: Competing countries policy competitiveness assessment

In this sector, a brief profile of the six major competing countries identified in discussion with the officials of Ministry of textiles has been discussed.

CHINA

China is the world leader in global textile and apparel trade with US\$ 274 billion worth of exports under chapter XI of the HS code in 2015. It has witnessed a steady growth of 9.5% CAGR during 2010 to 2014, while the global textile trade grew at 4.7% CAGR.

Exhibit 60: China's textile export growth



Source: UN ComTrade, IMaCS analysis

As shown in the above exhibit, China accounts for 38% of the total global textile exports in 2014, making it the largest and the most prominent textile and apparel player globally. Over the years, China has captured significant market in apparel, fabric and made-up segments. The sector wise presence of China in global textile trade is indicated in the following exhibit.

Exhibit 61: Chinese textile export sector wise

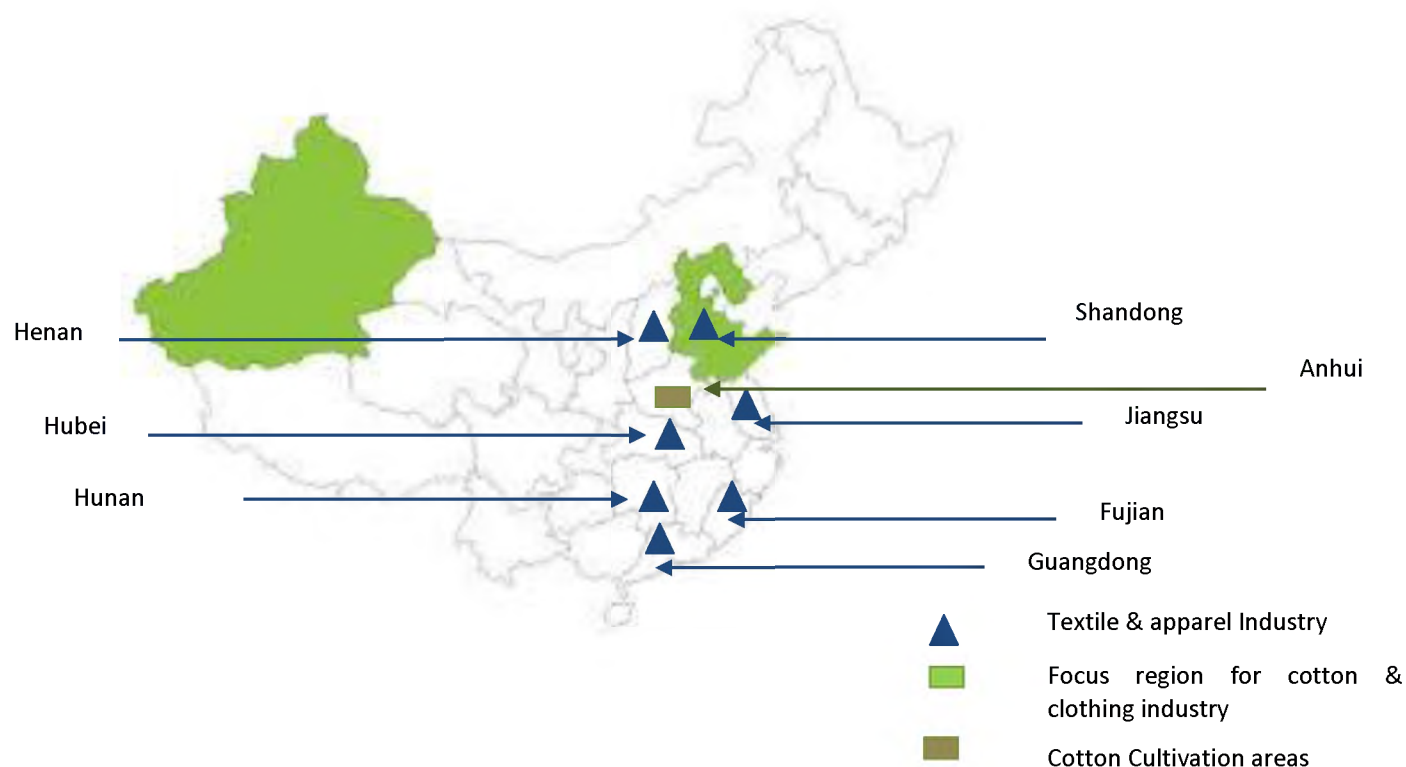
Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-14	Share in Chinese textile exports (2015)	Share in Global exports (2014)
1	Apparels	162	9%	59%	40%
2	Fabrics	61	11%	22%	49%
3	Made ups	16.6	9%	6%	52%
4	Fibre	3	8%	1%	10%
5	Yarn	10.8	6%	4%	25%
6	Others	20	10%	7%	27%
Total exports		273	9.6%	100%	38.4%

Source: IMaCS analysis, UN ComTrade

8.1.2. Textile Industry in China

Textile exports of China is pre-dominantly value added products composing apparels, made ups and fabrics which constitute approximately 87% of its total exports. About 40% of Chinese textile production is directed at exports market with the rest catering to domestic requirement. The textile and apparel Industry is one of the oldest industries of China and has developed in a very systematic manner as neighbouring industrial clusters in South and East China close to the cotton pockets of Anhui and Shandong. The textile industrial clusters are shown in in the following exhibit.

Exhibit 62: Textile industry in China: Clusters



8.1.3. Policy Framework

China's 12th Five Year Plan, 2011-15 aimed at growing Chinese GDP at 7% CAGR. The key focus area was to develop Chinese domestic market and to move the Chinese industry up the value chain focusing on producing high value added products. The key focus sectors include equipment manufacturing, ship building, automobile, petrochemical, building materials and light and textile industry.

The 12th Five Year Plan aims to develop textile and apparel Industry of China at 8% CAGR and exports at 7.5% per annum with an export target of US\$ 300 billion by 2015. The 12th Plan also aims at increasing the share of technical textile from 20% to 25% of total national output. For development of textile sector policy and fiscal support would be provided along four key pillars:

1. **Structural improvements** with focus on developing textile industry in West and Central China, with a target for these regions to account for 28% of national textile output.
2. **Developing Innovation and R&D** in textile equipment and cotton textiles. The policy aims at increasing R&D expenditure to over 1% of income.
3. **Developing strong brand names** at both International and domestic level. It further aims at creating 50 strong brand organisation having revenue over 10 million RMB with at least 25% income coming via exports.
4. **Reducing the energy consumption** across industry by 20% and reduction in water usage by 30%. It also aims at recycling of textile fibres in the order of 8 million MT.
5. For apparel industry, China calls for **IT assisted integrated manufacturing** in around 25% of the industry.

To accomplish these targets, China plans to have fiscal and tax policies and dedicated funds like Special funds for Technological Innovation plans, High technology Industrial developing funds and Enterprise Innovation Construction project fund.

China has been running a “go global” strategy since 2000 to promote, investment, technology upgradation, innovation and spreading global foothold for Chinese textile companies. The key policy initiatives under the “Go Global” strategy of China are:

- Lump sum grants for technology innovation, development of new technologies and brand development and promotion
- Interest subsidy on loans for construction of overseas textile industrial parks

- Providing funds for subsidizing the cost of provision of land, manufacturing facilities and infrastructure in overseas textile parks
- Providing funds for subsidizing early cost of operation for the textile companies going global related to R&D, consulting services, feasibility studies and IPR protection

Providing funds for subsidizing the expenses incurred in establishing distribution channels in overseas markets

In addition to support brand development and foreign trade the Chinese Government has started initiatives like awarding titles of “Most Competitive brands” to textile and apparel organisations. It also provides financial support through Special Fund for Brand development and Foreign Trade development fund for branding and promotional activities.

In addition to these, China also has region specific policies to promote specific industries in each of the key industrial provinces. The provincial policies targeted at textiles have been discussed as follows:

1. **Fujian:** Fujian is targeted to grow at 10% during 2010 to 2015. It aims at developing the traditionally advantaged textile industry through indigenous innovation and provision of loans and financing through public offerings and bonds for large manufacturing units capable of producing one billion worth of merchandise. It intends to strengthen export tax rebates.
2. **Guangdong:** Guangdong aims to grow at 8% during 2010 to 2015 and plans for developing more technological centres and stronger textile brands. It plans to use tax preferences for technological development, pollution reduction and for attracting investments.
3. **Hebei:** Hebei has developed extensive goals for revenue and tax receipts and foreign exchange earnings for its 12th plan. It aims to extend support to cotton and wool textile based and dyeing industries. The province has offered benefits in terms of tax breaks, innovation grants and land use rights for textile based organisations adhering to its provincial goals.
4. **Hubei:** Hubei has an exports target of US\$ 4 billion, and intends to create more large enterprises. It plans to develop cleaner production techniques for synthetic fibres and newer technologies for dyeing and finishing. It strategizes to achieve its planned growth through provision of special technological development and short term investment capital.
5. **Hunan:** Hunan plan to provide grants for technology up gradation, increased financial provisions, export credit insurance to develop twelve textile manufacturing clusters within the

state. It is also offering special compensation to textile units relocating to these identified industrial zones.

6. **Jiangsu:** The State plans to grant tax preferences and investment for human capital for the textile sector for creation of stronger brands, reduced pollution and efficient energy use.
7. **Shaanxi:** Shaanxi targets to increase investments in fixed assets in textile sector to RMB 21 billion by 2015 and aims at developing ten major textile industrial groups within the province. It plans to provide policy benefits in terms of tax breaks, SME loan, support for listing on stock exchange and developing industrial parks through easy land policies and regulatory approvals.
8. **Shandong:** It aims at increasing investment in technology and research to 3% of earnings and plans to develop 18 locations for cotton and textile enterprises within the province. For this, the Government plans to provide support for industrial re-organisation, retirement of obsolete facilities, investment in human capital and development of overseas sales network and raw material banks.
9. **Xinjiang:** In an attempt to develop textile industry in Western China, the local government will be providing many different policy and fiscal support³⁶. These are as listed:
 - a. The local government will be providing fiscal support to the tune of US\$ 3.17 million (RMB 20 million) every year for development of textile industry in the region.
 - b. A freight subsidy of US\$ 31.7 (RMB 200) per MT to enterprises that use cotton a raw material and sell the 32- supported yarns in China is proposed
 - c. Textile players would be exempt from paying local income tax for five years starting 2011
 - d. Large textile units having a revenue of over US\$ 3.17 million (RMB 20 million), would be exempted from real Estate tax and urban land use tax for a period of five years
 - e. For textile units establishing in economically depressed areas, a income tax exemption for 2 years from the year of profitability will be provided with tax liability limited to 50% for the next three years

The different types of incentives provided across provinces in indicated in in the following exhibit.

³⁶ Source: TUSIAD – China Business Insight Oct 2012 on China Textile Industry

Exhibit 63: Key policy support across Provinces in China

Provinces	Tax preferences	Technology innovation support	Re-location support	Land use rights	Brand building support	Financing support –via low cost loans or bonds
Fujian	✓					✓
Guangdong	✓					
Hebei	✓	✓		✓		
Hubei		✓				✓
Hunan		✓	✓	✓		✓
Jiangsu	✓				✓	
Shaanxi	✓			✓		✓
Shandong		✓	✓			
Xinjiang	✓		✓			

Source: IMaCS analysis, 12th Five year plan - China

In addition to the 12th Five Year Plan, China also launched “Adjustment and Re-vitalization Plan 2011-20” in 2012. It was aimed at re-locating a significant part of textile industry to Central and Western China and developing strong domestic markets. The plan aims to provide policy and fiscal support for the following:

1. Developing of newer products in textiles and exploration to rural markets in China
2. Special funds for technology innovation would be made available to enterprises in yarn manufacturing, dyeing and chemical fibre industries
3. Policy support for eliminating obsolete facilities and reducing energy consumption
4. Special focus on brand building
5. Encouragement and benefits for units re-locating to Central and Western China

The policy also raised the export tax rebate from 14% to 15% for textile exporters.

8.1.4. Taxation for textile and apparel industries:

China has the following different types of taxes applicable on business enterprises:

1. **Direct tax** - Corporate Income Tax (CIT) of 25% with a special provision of 15% taxation of enterprises operating in western China and for enterprises in the sector of “New and High technology” as identified by China.
2. **Indirect taxes** -

- a. Standard VAT is applicable at a varying rate from 3% to 17% for all products with most of the products being charged at 15%.
- b. Business Tax – It is a turnover tax at 3% to 20% with majority of items being taxed at 5%
- c. Consumption tax - A Consumption tax is applicable on goods being purchased within People's Republic of China, making the products costlier in domestic market as compared to export markets.

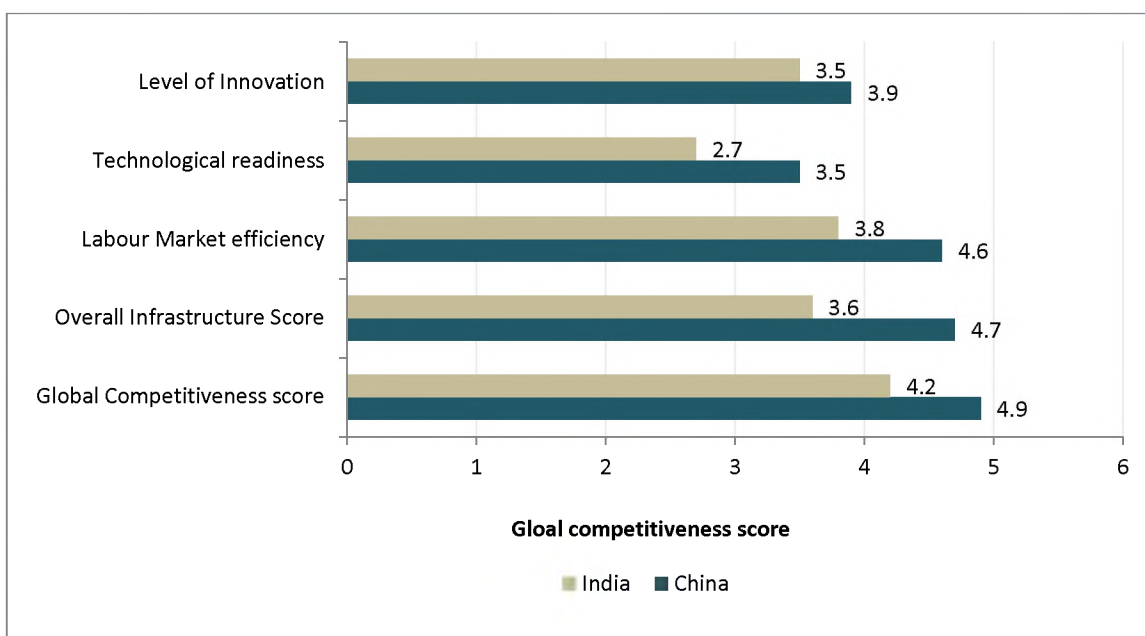
The various tax benefits provided by China are:

1. Tax rebate on apparel and textile exports up to 15%
2. Tax rebate in corporate income tax up to 50% for qualifying R&D expenses
3. Textile based organisations having 70% of its operation in Western China are taxed at only 15%
4. Zero rate of output VAT for export of textile and clothing
5. Refund of input VAT on input material for export of textile and clothing
6. Treaties with 99 countries across the world for prevention of double taxation including United States, Gulf Countries and European Countries.

8.1.5. Competitive advantages

Along with the strong policy support for industrial development, Chinese textile and apparel industry also reaps the benefits of a well-developed transport and power infrastructure and easy and abundant supply of raw materials and labour. These advantages coupled with modernised and technologically upgraded plants help them achieve high efficiencies and economies of scale. This along with the strategic locations along the coast to minimise the transport costs provides China its strong competitive edge over other manufacturers across the world. A comparison of the factors of production with respect to those present in India has been indicated in in the following exhibit.

Exhibit 64: Global competitiveness comparison - China vs. India



Source: World Economic Forum – Global Competitiveness report

As indicated in the exhibit above China enjoys a much better business environment when compared to India owing to its better infrastructure development and technological readiness.

A further comparison of various export related competitive factors affecting the textile and clothing industry is indicated in the exhibit below has been discussed

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While China is ranked at 90 India is ranked at 142.

2. Labour cost

In terms of labour cost, China is relatively costlier when compared to other competing countries with hourly wage in textile and apparel industry at US\$ 2.65 per operator which is more than double of the existing wage rate in India.

3. Transport cost and time for exporting

China has a significant advantage when it comes to the transport cost per container for exporting with respect to India with the cost significantly lower at US\$ 823 per container, compared to Indian cost of US\$ 1,332 per container. This provides China a significant boost for exporting. The transport cost for China has witnessed a 10% CAGR growth in the last five years as compared to India's 8% growth. However, the time taken for export of shipment from China (21 days) is higher with respect to India (17 days) as well as greater documentation requirement as compared to India.

Exhibit 65: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	China	823	21	8
2	India	1,332	17	7

Source: IMaCS analysis, World Bank

4. Raw material availability

China has a distinct advantage when it comes to textile raw material availability, with China being the largest manufacturer of both cotton and synthetic fibres with a production of 30 million bales, which is closely followed by India at 29.5 million bales. China is also the largest producer of synthetic fibres accounting for over 65% of world's polyester production. High domestic production coupled with the vat stock of cotton that China maintains helps China manage its cotton yarn prices under check so as to benefit its textile manufacturers.

5. Power cost

China has a power tariff for industrial and commercial usage of US\$ 0.023³⁷ per KWh which is much lower than any of the competing countries including India's power cost of USD 0.10 per KWh giving China its competitive edge.

6. Economies of scale

China has achieved higher competitiveness due to economies of scale. The strong road and transport infrastructure along with easy supply of low cost power and raw material has been the stepping stones

³⁷ http://www.chinadaily.com.cn/china/2015-01/15/content_19330761.htm

for this achievement. Along with it a strong support from the Chinese government and policy which provides fiscal and policy benefits and encouragement for IT integration, technological up-scaling and for increasing production and revenues to a threshold level, has been an enabler for enterprises to benefit from the economies of scale. China has very strategically developed its industry supporting policy along with key investments in Infrastructure and material resources to achieve the economies of scale over the years.

8.1.6. Trade agreements

China has 13 existing Free Trade Agreements (FTA) and another six under negotiations. The impact of these FTAs on the textile and apparel exports from China has been discussed as follows:

- a. **China – New Zealand FTA** - The China New Zealand FTA came into effect from Oct 2008. It was the first comprehensive FTA signed by China. It helped open the New Zealand markets to China by slow phasing out of import tariffs on Chinese clothing and footwear products by 2016. However, the FTA also restrains China from providing any export subsidy on products being exported to New Zealand
- b. **China- ASEAN FTA (ACFTA)** – China entered into an FTA with Association of South East Asian nations (ASEAN) in Aug 2009. This FTA aims at removing the non-tariff barrier between ASEAN and China so as to bring down the transaction cost of trade between the countries. The FTA would help China in availing low cost raw materials for textile Industry from ASEAN countries while increasing its exports presence in the region.
- c. **China – Singapore FTA (CSFTA)** – China signed an FTA with Singapore in October 2008, wherein major exports from China to Singapore would enjoy a tariff free entry into Singapore. As a result, Chinese products would be able to harness the vast trading marketplace of Singapore while maintaining their competitiveness.
- d. **China – Switzerland FTA** – China signed an FTA with Switzerland in May 2013. It would provide access to Chinese companies to setup corporate branches and Joint ventures in Switzerland, which would help them in increasing presence in the EU. The FTA would states that over a later stage Switzerland would help China in negotiating lower tariffs with EU. In response, Swiss banks would have more access to China.
- e. **China - Australia FTA (ChAFTA)** – The recently concluded ChAFTA, would provide access to China into the Australian markets at a reduced tariff, while opening investing avenues for Australia in China.

- f. **China – Costa Rica FTA** – The China Costa Rica FTA was signed in April 2010 and would help Chinese Textile and apparel industry in gaining a duty free entry into Costa Rica markets. Costa Rica is the most prominent trading partner for China in Central America.
- g. **China – Korea FTA** – China and Korea signed FTA in June 2015 aiming at reducing tariff on over 90% of the traded products including textiles between the two nations.

In addition to these FTAs, China is also in talks with Gulf Co-operation council (GCC), Japan and Norway for an FTA. The Chinese GCC FTA would open the Gulf markets for Chinese apparel and made-up exports significantly increasing Chinese export to the regions, while opening energy prospects for China.

With FTA with Japan, China would have a FTA with all major East and South Asian countries (excluding India – talks regarding which are ongoing) opening the fast growing textile and apparel market for Chinese exports.

When it comes to European Markets, China already has a FTA with Switzerland which would help China increase its presence in the region. It also plans to have a FTA with Norway and participate in the upcoming Trans-Atlantic Investment promotion partnership, which would help China in accessing European markets at reduced tariffs.

In the recent past there has been an increase interest of investors from China on USA which are briefed under the following exhibit.

Exhibit 66. A note on textile investments in the USA

Note on investments in Textiles in South Carolina, USA

Investments in manufacturing textiles in US have been witnessed recently. US was the biggest investor in open end (OE) rotors in 2014, next only to China, with an estimated 60,600 rotors commissioned. This accounts for 13.3% of the total OE rotors. This has been a sharp increase compared to previous years which averaged an annual commissioning of 10,000-15000 spindles. Even in case of investments in texturising spindles US has been one the top five investors globally.

So there is an increased interest in Chinese investors in US, especially in South Carolina region. One of the key reasons for the change in competitiveness despite high labour cost is automation. Automation over the years had its impact on the textile industry in improving productivity and reduction of cost. Share of labour cost in spinning has reduced from ~18.3% to ~12.3% during 1971-2014 nearly a 50% reduction in labour intensity. Similarly power consumption has also reduced to an extent of ~35% during the review period³⁸. Thus labour cost may not be the key determinant for the future with increasing automation. However Apparel sector is yet to see such a degree of automation, thus wage rates play a major role in determining the competitiveness.

³⁸ ITMF data pertaining to Turkey

The key factors for increase investments from Chinese investors are as follows

- Support from Chinese government to invest overseas which provides various financial benefits
- Cheaper cotton availability in South Carolina in comparison with China , which is cheaper by 25-30%.(Due to higher MSP in China)³⁹
- Cheaper land cost in South Carolina , in comparison with China
- Availability of Cheaper power: In China cost of power required per Kg of ring spun yarn is ~0.4USD, in comparisons with US where the cost is less than 0.2 USD⁴⁰
- South Caroline provides investment incentives in the form of tax credits
- Ease of doing business

Advantages with respect South Carolina are mentioned below⁴¹:

Low Cost of Doing Business: South Carolina businesses thrive thanks to lower operating and capital costs. The average salary ranks the 8th lowest in the nation. Business-friendly regulations and smart investments in energy infrastructure give South Carolina the region's most affordable power costs. Industrial power costs in the state average only 5.9 cents per kilowatt hour, the lowest in the Southeast.

Transportation Infrastructure: Served by 5 interstate highways, an efficient port with numerous worldwide shipping connections and the capability to support post-Panamax vessels, two Class One rail carriers and three major airports, South Carolina offers manufacturers numerous means of reaching customers and suppliers around the world.

Workforce and Education: As a right-to-work state with the second lowest unionization rate in the country, South Carolina businesses can rely on a stable, efficient workforce at competitive wage rates and free from work stoppages. Over the past decade, South Carolina boasts the 8th fastest growing labour force nationwide.

Favourable Tax Climate and Incentives: The Palmetto State offers a host of tax incentives and tax advantages to businesses choosing to locate or expand their manufacturing operations in the state:

- No state property tax
- No local income tax
- No inventory tax
- Favourable corporate income tax structure
- Job Development Tax Credits
- Economic Development Set-Aside Grants
- Corporate Headquarters Tax Credits
- Research and Development Tax Credits

Corporate income tax: 5% of taxable income derived from South Carolina operations; phasing in single-factor sales formula for apportionment.

- Sales and use tax: 6% on gross receipts from retail sales or leases of tangible personal property; local

³⁹ <http://www.charlotteobserver.com/news/business/article9148256.html>

⁴⁰ ITMF

⁴¹ <http://www.invest-in-usa.org/us-states-in-europe/south-carolina>

governments may also levy local sales and use taxes; exemptions include manufacturing production machinery and repair parts; manufacturing materials that become an integral part of the finished product; coal or other fuel for manufacturers, transportation companies, electric power companies, and processors; industrial electricity and other fuels used in manufacturing tangible personal property; R&D equipment; manufacturers' air, water, and noise pollution-control equipment; material-handling equipment in manufacturing and distribution facilities investing at least US\$35 million; packaging materials; long-distance telecommunications services, including 800 services; parts and supplies used to repair or condition aircraft owned or leased by the federal government or commercial air carriers; an exemption for construction materials used in manufacturing or distribution facilities investing at least US\$100 million over 18 months; an exemption for computer equipment & electricity of a data centre investing at least US\$50 million and creating & maintaining at least 25 jobs over 5 years.

- Property tax: No state tax on real or personal property; assessed value and millage rates set locally; 5-year county property tax abatement for new or expanding manufacturing or research and development facilities investing at least US\$50,000 or new or expanding distribution or corporate headquarters facility investing at least US\$50,000 and creating at least 75 new jobs; all inventories, intangible property and pollution control equipment exempt. Fee-in-lieu of tax available that can reduce property tax between 43-62% and runs for up to 30 years.

Corporate income tax credits:

- Job Tax Credit
- Corporate Headquarters Credit
- Research and Development Credit
- Investment Tax Credit
- Biomass Resources Credit
- Ethanol or Biodiesel Credit
- Solar Energy Credit
- Renewable Fuels Credit

Discretionary income, license, or withholding tax incentives:

- Job Development Credit
- Job Retraining Credit
- International Trade Incentive Program - Port Volume Increase Credit
- Textile Facility Revitalization Credit
- ReadySC (customized work force training program)
- Apprenticeship Carolina
- WorkReady SC (statewide, nationally affiliated Career Readiness Certificate Program)
- InvestSC, Inc. (S.C. Capital Access Program)
- Foreign trade zones –
- Jobs – Economic Development Authority
- Taxable industrial development bonds
- Tax-exempt industrial development bonds
- Negotiated fee in lieu of property tax

TURKEY

Turkish textile and apparel exports was valued at US\$ 26 billion for 2015, growing at 7.8% CAGR during 2010 to 2014 as compared to the global textile trade growth of 4.7% during the same period. Turkey has achieved competitiveness in the sector and currently accounts for 3.7% of the global textile trade in 2015. The y-o-y growth trend of textile exports from Turkey is indicated in in the following exhibit. Being close to major market, that of Europe, gives Turkey a significant geographical advantage.

Exhibit 67: Global textile exports from Turkey



Source: UN ComTrade, IMaCS analysis

The sector wise presence of Turkey in global textile trade is indicated in in the following exhibit.

Exhibit 68: Turkish textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ bn)	CAGR 2010-14	Share in Domestic textile exports (2015)	Share in Global exports (2014)
1	Apparels	14.8	7%	57%	3.7%
2	Fabrics	4.6	7%	18%	4.3%
3	Made ups	1.45	4%	6%	4.7%
4	Fibre	0.3	7%	1%	1.0%
5	Yarn	1.7	9%	7%	4.0%
6	Others	3.1	15%	12%	4.8%
Total exports		26	7.8%	100%	3.9%

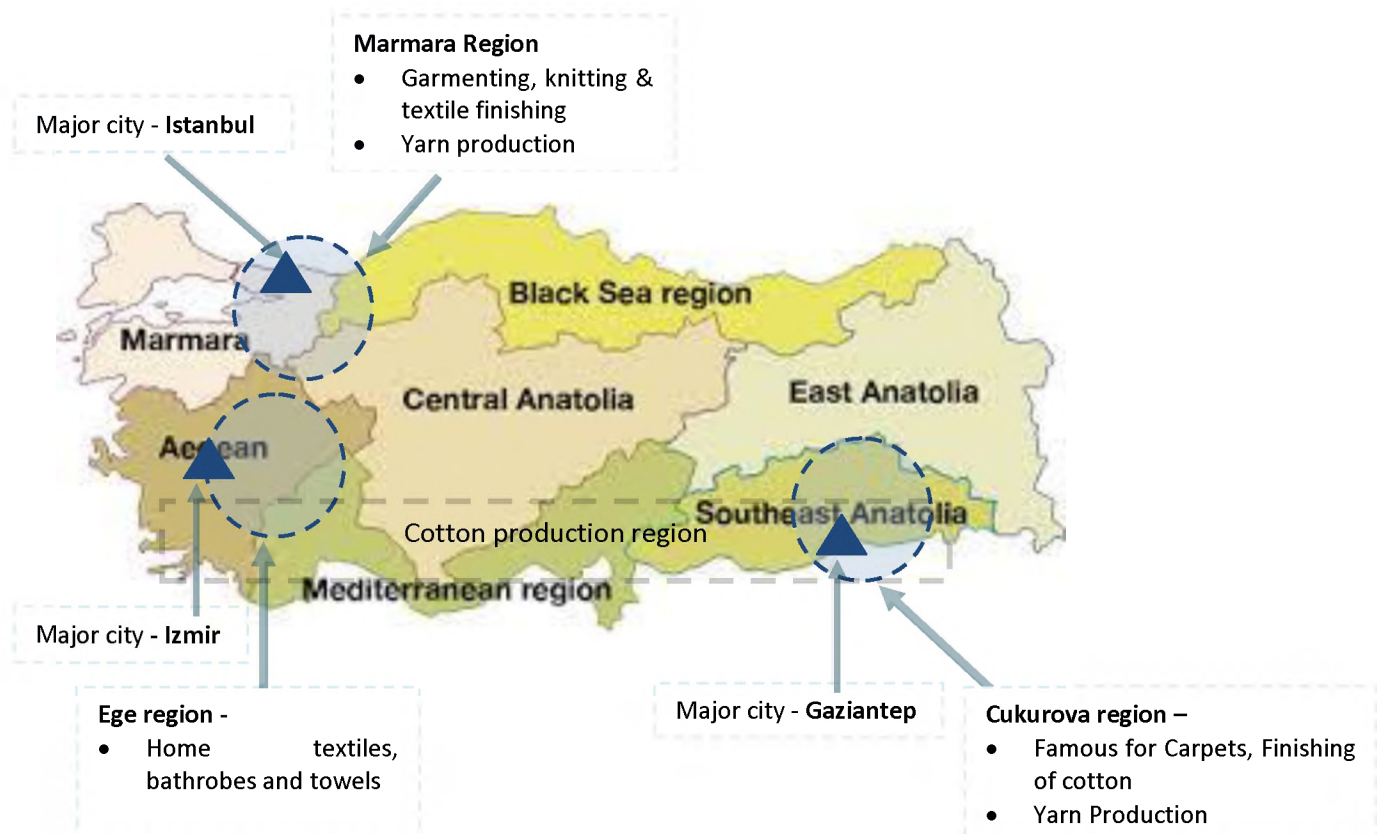
Source: IMaCS analysis, UN ComTrade

Turkish textile exports are dominated by value added products of apparels and fabrics which make up 74% of its total exports. Turkish home textile exports particularly Turkish towels are renowned world over. Turkey has a strong presence in global exports across all the sectors with each sector accounting for 4% to 5% of world trade, except for fibres. Turkey exports most of its production to Europe (50%), Northern Africa (8.5%) and Middle East and West Asia regions (18.5%) and is the second largest exporter to the European markets after China. It has a limited presence in the US and Canada.

8.1.7. Turkish textile Industry

The Turkish textile industry is mainly clustered in three key regions - the Marmara region in North West, the Ege region in West and the Cukurova region in South East Turkey. The textile industrial clusters are shown in the following exhibit.

Exhibit 69: Turkish textile clusters



Source: Ministry of Labour and Social Security, Turkstat, <http://www.isc.hbs.edu/resources/courses/moc-course-at-harvard/Documents/pdf/student-projects/MOC%20-%20Turkey%20Textiles%20and%20Apparel%20Cluster.pdf>

The Marmara region is the largest cluster having ~67%⁴² of total textile companies mainly involved in garmenting, knitting and textile finishing. The Ege region is famous for home textiles and towels and accounts for 11% of the companies, while the Cukurova region is famous for carpets, rugs and cotton finishing and weaving activities. The cotton production is carried out in South Turkey all along the Mediterranean and Aegean Sea

8.1.8. Policy Framework - Turkey

Turkey has an ambitious target of achieving US\$ 20 billion exports by 2023 from current exports of US\$ 4.2 billion, at a CAGR of 19%, securing a 3.6% share in global textile market. Its key focus areas for achieving this target are woven and knitted fabrics and technical textiles with a combined target of US\$ 12.5 billion by 2023 for these sectors. The plan for achieving the targets involves:

1. Boosting production and efficiency by modernizing and restructuring production capacity:
2. Focusing on high value added yarn and specialty fibres using newer technologies
3. Focusing on technological textiles

In accordance to the Customs Agreement that Turkey has with Europe, Turkey does not provide any direct export subsidy or incentive but incentivizes via **investment promotion incentives** and VAT benefits for purchases for exports under the **Inward Processing Regime (IPO)**. The various components of the Investment promotion and IPR are discussed as follows:

1. **Investment Incentive Program** - Under Investment promotion incentives, the Government of Turkey provides tax rebates on corporate tax and other incentives like land allocation, exemption from VAT, etc., to promote investment in different regions. For investment incentive program implementation, different provinces are classified into six different regions based on parameters of economic development, industrialization and thrust areas for future development. The classification of provinces in these regions is shown in in the following exhibit.

⁴² As per Turkey's textile and apparel cluster report - 2012 available on www.isc.hbs.edu

Exhibit 70: Investment region classification in Turkey



Source: *The New Investment Incentives in Turkey – By KPMG, Turkey*

Classification of provinces into investment regions

Region 1

Ankara
Antalya
Bursa
Eskiesehir
Istanbul
Izmir
Kocaeli
Mugla

Region 2

Adana
Aydin
Bolu
Cankkale
Denzili
Edirine
Isparta
Kayseri
Kirklareli
Konya
Sakarya
Tekirdag
Yalova

Region 3

Balikesir
Bilecik
Burdur
Gaziantep
Karabuk
Karaman
Manisa
Mersin
Samsun
Trabzon
Usak
Zonguldak

Region 4

Afyonkarah
isar
Amasya
Artvin
Bartın
Corum
Duzce
Elazig
Erzincan
Hatay
Kastamonu
Kirikkale
Kirsehir
Kutahya
Malatya
Nevsehir
Rize
Sivas

Region 5

Adiyaman
Aksaay
Bayburt
Cankiri
Erzurum
Giresun
Gumushane
Karamanma
ras
Kilis
Nigde
Ordu
Osmaniye
Sinop
Tokat
Tunceli
Yozgat

Region 6

Agri
Ardahan
Batman
Bingol
Bitlis
Diyarbakir
Hakkari
Igdir
Kars
Mardin
Mus
Siirt
Sanluirfa
Sirnak
Van

Source: *The New Investment Incentives in Turkey – By KPMG, Turkey*

There are four different types of schemes under the program discussed as under:

- a. **General Incentive Investment scheme:** This provides tax incentive for investing in any specific region in Turkey, based on the level of fixed investment. The minimum investment required is TL 1 million in region 1 and 2 and TL 0.5 million in region 3 to 6. The beneficiary can get the following benefits:
 - i. Custom duty support
 - ii. VAT exemption on inputs
 - iii. Withholding tax allowances on wages for the Eastern and South Eastern regions only
- b. **Regional investment incentive scheme:** This scheme classifies Turkish geography into six different regions based on economic and industrial parameters and provides region specific benefits for each of the select regions. The key benefits under the scheme are:
 - i. VAT and custom duty exemptions
 - ii. Differential Tax rebates depending on the region and presence in organised Industrial zones
 - iii. Preferential land allocation
 - iv. Social security premium support for varied time periods varying from region to region
 - v. Interest support for loans from local banks and foreign banks

The region wise benefit under the scheme is indicated in in the following exhibit.

Exhibit 71: Benefits under regional investment scheme

Sl. No.	Incentive measure	Regions					
		I	II	III	IV	V	VI
	Min. Investment value for eligibility ⁴³ (Million TL)	1	1	0.5	0.5	0.5	0.5
1	VAT exemption	Yes	Yes	Yes	Yes	Yes	Yes
2	Custom duty exemption	Yes	Yes	Yes	Yes	Yes	Yes
3	Tax rebate – within OIZ	20%	25%	30%	40%	50%	55%
4	Tax rebate – outside OIZ	15%	20%	25%	30%	40%	50%
5	Social security premium – within OIZ (years)	3	5	6	7	10	12
6	Social security premium support – Outside OIZ (years)	2	3	5	6	7	10
7	Land allocation	Yes	Yes	Yes	Yes	Yes	Yes
8	Interest Support for local loans	-	-	3%	4%	5%	7%
9	Interest Support for foreign bank	-	-	1%	1%	2%	2%

⁴³ Varies across Industry sectors and regions

Sl. No.	Incentive measure	Regions					
		I	II	III	IV	V	VI
	loans						
10	Income tax withholding support	-	-	-	-	-	10 years

Source: IMaCS analysis, <http://www.economv.gov.tr/>

- c. **Priority Investments Incentive Scheme:** For the textile industry this scheme covers only a specific section of technical textiles – “Carbon fibre production or composite materials made from carbon fibres”. For carbon fibre and composite industry, the fiscal benefits for investments are higher and as shown in the following exhibit.
- d. **Large scale investment incentive scheme** is applicable only for select industries not including textiles. The benefits under the scheme are similar to the ones under regional investments but with higher rebates and benefits.

Exhibit 72: Priority investment incentive scheme

Sl. No.	Incentive measure	Regions
1	VAT exemption	Yes
2	Custom duty exemption	Yes
3	Tax rebate	80%
6	Social security premium support	7 year
7	Land allocation	Yes
8	Interest Support for local loans	5%
9	Interest Support for foreign bank loans	2%

Source: IMaCS analysis, <http://www.economv.gov.tr/>

- e. **Strategic investment incentive scheme:** A strategic Investment scheme is applicable for manufacturing of key intermediate products for which Turkey is import dependent. The key benefits are indicated in the following exhibit.

Exhibit 73: Benefits under Strategic Investment scheme

Sl. No.	Incentive measure	Regions					
		I	II	III	IV	V	VI
	Min. Investment value for eligibility ⁴⁴	TL 50 Million across regions					
1	VAT exemption	Yes ⁴⁵					
2	Custom duty exemption	Yes					
3	Tax rebate	90%					

⁴⁴ Varies across Industry sectors and regions

⁴⁵ Only for input VAT on investment over TL 500 Million in Building only

Sl. No.	Incentive measure	Regions					
		I	II	III	IV	V	VI
6	Social security premium support	7 years					
7	Land allocation	Yes					
8	Interest Support for local loans	5%					
9	Interest Support for foreign bank loans	2%					
10	Income tax withholding support	-	-	-	-	-	10 yrs

Source: IMaCS analysis, <http://www.economv.gov.tr/>

2. **Inward processing Regime (IPO)⁴⁶**: in 2005, to retain the competitiveness of Turkish exporters even after abolition of the export promotion regime, Turkey came up with the IPO as part of which Turkish exporters could obtain raw materials and intermediate goods or production process without paying custom duty and commercial obligations. There are two main type of systems in this:

- a. **The suspension system**: It permits the exporter to import raw material for export purposes without being subject to Import duty of VAT while importing. The exporter has to submit a letter of guarantee or pledge adequate money against all duties of VAT and customs at time of importing. Here if the exporter meets a certain export performance, he can enjoy a discounted rate of guarantee. The various slabs for export guarantee are enumerated in in the following exhibit.

Exhibit 74: Turkish Suspension system of IPO - Slabs

Sl. No.	Export Value criteria	Discounted guarantee rate	Specificity to textiles
1	More than US\$ 1 million	1%	No
2	Between US\$ 0.5 million to US\$ 1 million	5%	No
3	Less than US\$ 0.5 million	10%	No

Source: IMaCS analysis, <http://www.tariff-tr.com/InwardProcessingRegime.aspx>

- b. **The Drawback system**: Under the drawback system, import duty and VAT has to be paid at the time when the goods are imported into Turkey; however a re-imbusement of input VAT and custom duty can be claimed at the time of export of the compensating product in which the goods are utilized.

The exporter needs to obtain an authorization certificate for receiving benefit under the IPO regime from the Undersecretary of Foreign Trade (UFT) via General Secretaries of Exporters Unions (GSEU).

The key criteria for providing the authorization certificate are:

⁴⁶ Source: <http://www.tariff-tr.com/InwardProcessingRegime.aspx>

- It should be established that the imported good is used for export purpose only
 - The benefits under IPO, do not cause any serious damage to domestic manufacturers of the goods imported
 - Any production process imported via the regime should create additional capacity or increase in competitiveness of manufacturing process.
3. **Concept of Special Investment zones⁴⁷:** Turkey has three types of special investment zones explained as under:
- a. **The Free Zone:** Aimed at increasing export focussed manufacturing, these zones are outside the custom area and enjoy a host of fiscal benefits and tax rebates. There are 20 Free zones in Turkey out of which 19 are operational. The key benefits of free zones are:
 - i. 100% exemption on custom duty, VAT and special consumption tax
 - ii. 100% exemption from corporate income tax for manufacturing units
 - iii. 100% exemption in employee income tax for manufacturing units having 85% export based production
 - iv. To attract FDIs, Turkey allows companies to transfer profits from free zones to other regions (including abroad) without restrictions
 - b. **Organised Industrial zones (OIZ):** These zones have well established ready to use infrastructure and social facilities that the companies can use like roads, power, water supply, electricity, waste treatments, etc. There are 290 OIZs in Turkey with 211 currently operational and rest under construction. The key benefits enjoyed within OIZ are:
 - i. VAT exemption on land acquisitions
 - ii. Exemption from real estate duty for five years
 - iii. Subsidised costs for telephone, water, natural gas,
 - iv. Exemption from Municipality tax on plot constructions and solid waste
 - c. **Technological Development Zone (TDZ):** Technological development zones are techno-parks aimed at promoting R&D and research activities. The key benefits offered are:
 - i. Revenue from R&D and software development is exempted from Corporate Income Tax
 - ii. Tax exemption on salaries of R&D personnel till 2023

⁴⁷ Source: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/SpecialInvestmentZones.aspx>

8.1.9. Taxation for textile and apparel industries:

The various taxes⁴⁸ applicable on corporate industries in Turkey are:

1. **Corporate Income Tax (CIT)** of 20% applicable on business profits. Tax rebates are provided on new investments as per the Investment promotion schemes applicable
2. **Withholding tax of 15%** - Applicable when a resident company pays dividend to shareholders or a non-resident company remits profits to its headquarters.
3. **Indirect taxes –**
 - a. Standard **VAT** is applicable at a varying rate from 1% to 18% from agriculture to commercial to industrial products with most of the manufactured products charged at 18%. A reduced rate of 8% is charged on basic clothing.
 - b. **Telecommunications tax:** Telecommunications tax is applicable at 25% on mobile communications and at 5% on internet services.
 - c. **Other taxes:** In addition smaller taxes are applicable on share capital addition, real estate tax, stamp duty and transfer tax on sale of property. A Special consumption tax is applicable on import or delivery of luxury goods by manufacturers.

The various tax benefits provided by Turkey are:

1. Tax rebate up to 55% on corporate income tax depending on region of investment
2. Tax rebate in corporate income tax up to 90% for R&D activities under TDZs
3. VAT and custom duty exemptions in Special investment zones
4. Treaties with 81 countries across the world for prevention of double taxation including United States, Gulf Countries and European Countries.

1. Summary of Turkey's promotional and taxation policies

Turkey, unlike India and China, does not provide any textile specific fiscal benefit to organisations. It has directed its fiscal policy to support newer investments in designated investment zones for large manufacturing investments and R&D investments, where in it provides substantial discounts in corporate income taxes and benefit in social premium to make organisations competitive. Specific to exports, Turkey, provides only employee tax rebates for organisations having 85% exports.

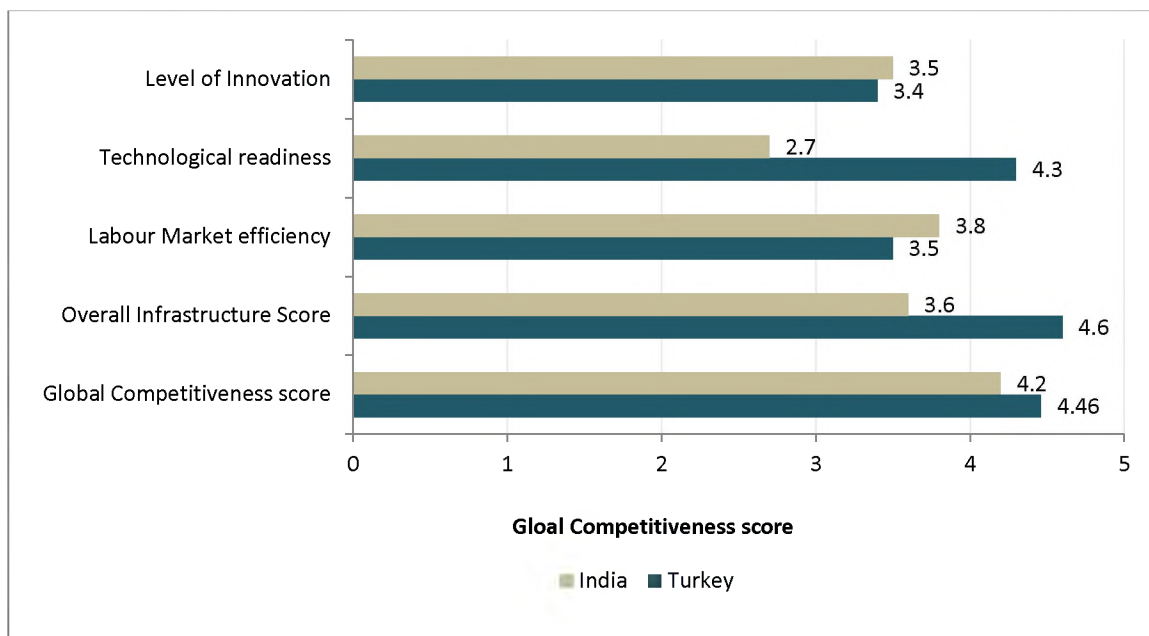
⁴⁸ Source: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/Taxes.aspx>
Deloitte Report on Taxation and Investment in Turkey 2014

Looking at the taxation policy, Turkish company enjoy a significant upper hand in competitiveness with respect to Indian companies due to lower taxation of 20% as compared to India’s 33%.

8.1.10. Competitive advantages

A comparison of the factors of production with respect to those present in India has been indicated in the in the following exhibit.

Exhibit 75: Global competitiveness Comparison - Turkey vs. India



Source: World Economic Forum – Global Competitiveness report

Comparing India and Turkey on the factors of competitiveness, it can be seen that Turkey enjoys a significant upper hand when it comes to technological readiness and strong support infrastructure.

The detailed comparison on different factors of business and production has been detailed as follows.

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While Turkey is ranked at 45th India is ranked at 142.

2. Labour cost

In terms of labour cost, Turkey is relatively costlier when compared to other competing countries with hourly wage in textile and apparel industry at US\$ 4.90 per operator which is more than four times of

the existing wage rate in India. In addition, the wage rates in Turkey have grown at 7% CAGR during the last three years as compared to a 2% growth in India in terms of USD, which is mainly due to Rupee depreciation with respect to US\$ despite a considerable increase in the labour wage rates during the period.

3. Transport Cost and time for exporting

The transport cost per container for exporting is significantly lower at US\$ 990 per container, as compared to Indian cost of US\$ 1,332 per container. The transport cost for Turkey has remained stagnant in the last five years as compared to India's 8% increase. The time taken for export of shipment from Turkey (13 days) is lower with respect to India (17 days), mainly due to its closer distance to European, Middle Eastern and US markets.

Exhibit 76: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Turkey	990	13	7
2	India	1,332	17	7

Source: iMaCS analysis, World Bank

4. Raw Material availability

Turkey is known for its high quality cotton production famous by the name Turkish cotton. It has a production of 3.2 million bales in 2014-15. The southern belt of Turkey from South Anatolia to Aegean region is involved in cotton production. In manmade fibre production, Turkey has limited production. Turkey is dependent on imports of manmade fibres and fabrics for catering to its growing export market and imports account for 40% of the total textile exports from the country.

5. Power cost

The power tariff for manufacturing units in Turkey is US\$ 0.102 per KWh to US\$ 0.105 per KWh, which is comparable to Indian power tariff of an average of US\$ 0.10 per KWh across key textile industry states.

6. Technological readiness – the competitive edge

Turkey is comparatively much better placed as compared to other competing countries of India, China and Vietnam when it comes to technological readiness. The Turkish Government has been providing subsidies and tax rebates for technological up gradation for over 30 years, and currently has achieved

the required competence in availability of modern high quality and energy efficient textile machinery. It is well supported by its strong infrastructure providing adequate power, road and rail network to bring down the overall manufacturing and selling costs.

Efficient and modern production technology has been the salient competing factor for Turkey, which has also helped it to create a strong brand image in the European markets by adhering to Europe's many of the modern requirements like adherence to specific dyes, weaving technologies, pollution control and energy efficiency requirements.

8.1.11. External factors of competitiveness

In this section, external factors that provide a country its competitive edge like the free trade agreements, International relations and specific tariffs and duties enjoyed across the world would be discussed.

1. Key Regional Trade Agreements:

The major regional trade agreements and their effect on textile exports have been covered as follows:

- a. **Customs Union with European Union:** Customs Union with EU came into force in 1996. As part of it the import duties on textiles and apparels from Turkey was abolished with effect from 1996 and a free trade has been going on since. Under the Treaty, EU can apply CVDs and anti-dumping measures on Turkish exports to EU.
- b. **Euro Mediterranean Partnership:** Turkey participated in Euro Mediterranean partnership in 1995, where in free trade agreements were signed between Turkey and Mediterranean countries of Egypt, Israel, Morocco, Tunisia, Palestinian authority, Jordan, Syria and Lebanon. Turkey has exploited most of the benefits from this partnership with 8.5% of its exports going to Northern Africa along the Mediterranean.
- c. **Economic Co-operation Agreement Trade Agreement (ECOTA):** Turkey along with Pakistan, Afghanistan, Iran and Tajikistan in July 2003 and it came into force in April 2008. As per the treaty, import tariff by participating countries have to be gradually reduced at over 10% a year for a period of 8 years.
- d. **Developing 8 Preferential Trade Agreement (D-8 PTA):** The agreement was signed in 2006 by Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey to remove all Non-tariff Barriers and reduce tariffs in a step wise manner over a period of 8 and 4 years

for LDCs and other countries respectively. The various levels for reduction of tariff are indicated in in the following exhibit.

Exhibit 77: Tariff reduction plan – of D-8 PTA

Applicable rate of tariff	Revised rate of tariff
Over 25%	25%
15% to 25%	15%
Less than 15%	6% to 10%

Source: WTO

2. Key Free Trade Agreements:

In addition to regional trade agreements Turkey has also signed FTAs with major exporting countries in North Africa, West Asia and Gulf countries to further strengthen its presence in these markets.

These regional and free trade agreements opened markets of Europe, Middle East and North African countries for textile and apparel trade, wherein Turkey had prior inherent advantage of a stronger brand name, better compliance and quality, advantageous geographic location and lower transport costs. Capitalising on these external and internal factors of competitiveness, Turkey established itself in these markets which currently account for 77% of Turkey's textile exports.

BANGLADESH

Bangladesh's Textile and garmenting industry has been the mainstay of the country's exports and economy. Bangladesh started exporting garments in 1979. It was the year when first FDI came into the textile sector when Daewoo signed up with Desh Garments for manufacturing export garments. Since then, many players have entered the industry which currently employs around 4.2 million workers across some ~4,500 garmenting units. With limited domestic market most of the production is exported to the developed countries of US, Australia and Europe.

Textile and apparel exports from Bangladesh have been valued at US\$ 27.5⁴⁹ billion for 2015, growing at 9% CAGR from 2012 to 2015. Bangladesh may have achieved export competitiveness in the sector in 2015 when its share in world exports has crossed 3.25% in 2014 and in 2015 contiguously based on our estimations. The growth of trends of textile exports from Bangladesh is shown as follows.

Exhibit 78: Global textile exports from Bangladesh



Source: Export Promotion Beaurue of Bangladesh⁵⁰, IMaCS analysis

*Data refers to July-June period

Unlike India, Bangladesh does not have a fully-integrated value chain of textiles but has a significant presence in the value added apparel sector which make up for 93% of total textile exports from

⁴⁹ As per Bangladesh – Export Promotion Beau rue for July 2014 to June 2015

⁵⁰ At the time of report preparation Data gaps were found in UNCOMTRADE w.r.t to Bangladesh exports. So data from EPB was considered.

Bangladesh. The sector wise presence of Bangladesh in global textile trade is indicated in in the following exhibit.

Exhibit 79: Exports of Textiles from Bangladesh

Bangladesh exports as per Export Promotion Bureau of Bangladesh (in USD)					
HS Chapters	code	2011-12 (June - July)	2012-13 (June - July)	2013-14 (June - July)	2014-15 (June - July)
50		13,387	179,551	416,094	42,883
51		612,007	161,248	393,283	1,077,778
52		113,000,649	124,959,764	115,601,055	107,041,705
53		782,121,682	793,189,377	714,442,459	729,083,164
54		25,631,087	31,600,690	33,917,014	38,482,000
55		31,140,828	46,763,727	40,382,088	28,377,382
56		24,617,842	23,090,314	28,362,773	30,565,828
57		6,225,303	8,460,165	11,680,742	18,897,358
58		96,980,903	89,577,802	73,741,489	47,357,341
59		10,926,066	10,929,528	11,268,781	13,122,336
60		30,857,018	24,012,152	23,751,527	46,509,515
61		9,486,390,307	10,475,875,322	12,049,814,458	12,426,788,978
62		9,603,336,331	11,039,849,085	12,442,066,968	13,064,606,144
63		1,091,329,290	1,028,944,355	902,581,377	943,792,708
Total		21,303,182,699	23,697,593,081	26,448,420,107	27,495,745,119
Source link	http://epb.portal.gov.bd/site/files/9efa4995-2501-4c9e-8ca6-8b8f7208c3a0/Statistic				

Exhibit 80: Bangladesh- textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-15	Sectoral share in textile exports (2014)	Share in Global exports (2014)
1	Apparels	25.5	11%	93%	5.6%
2	Fabrics	0.2	-3%	0.9%	0.2%
3	Made ups	0.5	6%	2%	1.5%
4	Fibre	0.1	-16%	0.5%	0.5%
5	Yarn	0.6	2%	2.3%	1.3%
6	Others	0.5	6%	1.7%	0.5%
	Total exports	27.5	10%	100%	3.5%

Source: IMaCS analysis, UN ComTrade, Export Promotion Bureau of Bangladesh

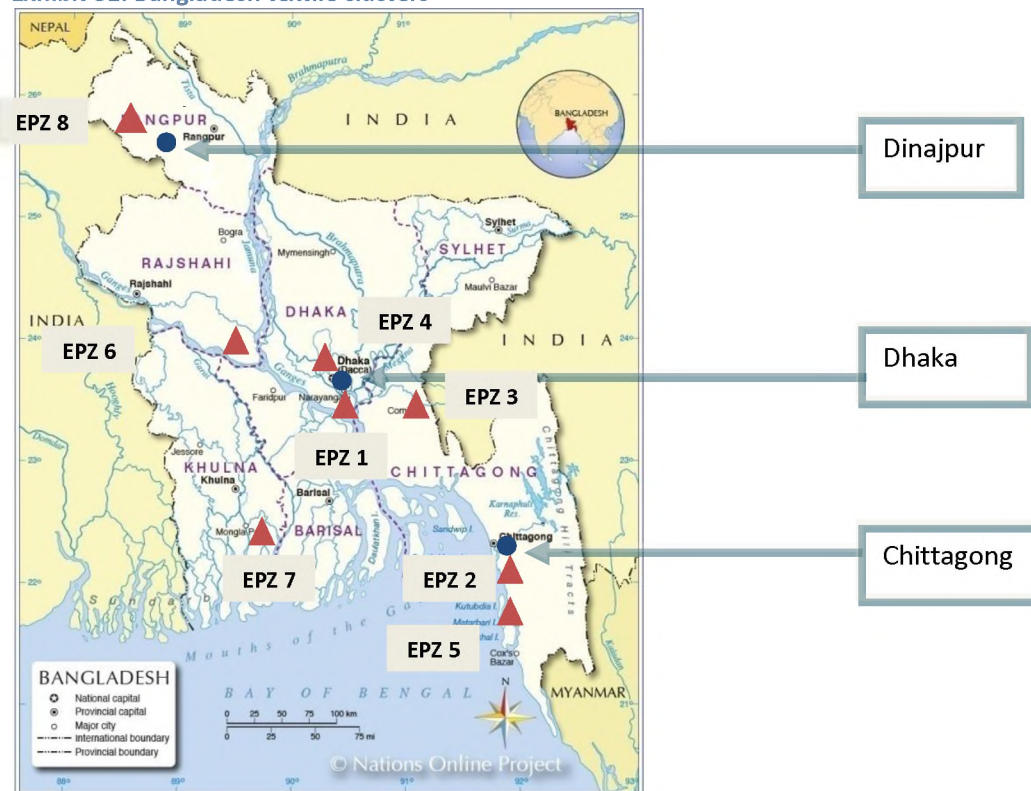
As indicated in the exhibits above, **Bangladesh has achieved export competitiveness in apparel sector with 5.6% share.** In other sectors, the exports range from 0.5% to 1.5% of world trade. The high growth of 9-11% in the apparel sector has been driving the exports of Bangladesh. The key export market for Bangladesh is Europe (~60%) and US and Canada (24%).

8.1.12. Bangladesh textile Industry

The textile industry in Bangladesh is mostly constituted of garmenting units with little backward integration. As a result, most of the requirement of yarn and fabric for garmenting units is met through imports from China, India, Thailand and Korea.

Garmenting industry in Bangladesh is located at three main clusters of Dhaka, Chittagong and Dinajpur. The Country has 8 export processing zones (EPZs) which have strong presence of garmenting units. The key locations for garmenting industry in Bangladesh are shown in in the following exhibit

Exhibit 81: Bangladesh textile clusters



Courtesy: www.nationsonline.org

Exhibit 82: Bangladesh- Textile unit details under EPZs (EPZs as per Map)

Sl. No.	Name of EPZ	No. Of Units	No. Of RMG units	Share of textile and garmenting units
EPZ 1	Adamjee	61	49	80%
EPZ 2	Chittagong	167	123	74%
EPZ 3	Comilla	32	18	56%
EPZ 4	Dhaka	103	80	78%
EPZ 5	Karnaphuli	53	35	66%
EPZ 6	Ishwardi	28	16	57%
EPZ 7	Mongla	32	6	19%
EPZ 8	Uttara	22	12	55%
	Total	498	334	68%

Source: IMaCS analysis, Export Promotion Bureau of Bangladesh

As indicated in the following exhibit, 68% of units in the Export processing zones are textile based with the largest EPZs of Chittagong, Dhaka and Adamjee primarily being textile and garmenting hubs. The fiscal benefits provided to the EPZs play a significant role in developing competitiveness of Bangladesh's textile and garment exports.

8.1.13. Policy Framework - Bangladesh

Bangladesh aims at achieving exports of US\$ 50 billion from garmenting sector by 2021, as a milestone to mark its 50th Independence Day. To achieve such a target, Bangladesh recently came out with a draft textile policy 2014 which aims at reducing the dependency on imports of fabric for its garmenting industry by doubling the local textile production by 2019-20.

The Government provides policy incentives to export oriented garmenting and textile industry via its export policy and export promotion schemes. The key benefits through each of these are enumerated as follows:

1. Export policy of Bangladesh 2012 to 2015

Bangladesh came up with a revised export Policy 2012 to 2015 in 2012 aiming at encouraging labour oriented export manufacturing, ensuring raw material availability, providing assistance for skill development and backward and forward integration. The key benefits offered to the garmenting and textile sector under the policy are:

1. Creation of export Promotion Fund (EPF): The Export Promotion Bureau (EPB) would have export promotion fund for providing following benefits:
 - a. Venture capital at lower interest rates

- b. Assistance in technology up-gradation
 - c. Assistance in market missions abroad
2. Financial support: Provision for cash incentives in line with WTO to export oriented industries
3. Softer loans for import of capital machinery and raw materials for export production
4. Facilities for export credit:
 - a. Provision of up to 90% export credit via an irrevocable letter of credit (LCs) to exports for managing working capital
 - b. Creation of “Export Credit cell” with Bangladesh bank and “Special credit cell” with commercial banks to cater to export funding
 - c. Minimal rate of interest and LC commission for export credit. Rate to be set by Bangladesh Bank
5. Provision of providing cash incentives as an alternate to duty bond and duty drawback for export oriented garmenting and textile units.
6. Provision for drawback of VAT for export facilitating services like C&F services, telephone, electricity, insurance and shipping commissions
7. Duty free import of spare parts up to 10% of capital machinery every two years for export oriented industry
8. Assistance towards ETP establishment for export oriented manufacturing

In addition to these the policy also provides textile industry specific benefits, which are enumerated as follows:

5. Initiative for development of “garment villages” having adequate infrastructure, utility facilities, waste water treatment,
6. Initiative to reduce lead time for exports by better port management and simplification of procedure for releasing goods.
7. Initiative for worker training for product diversification and productivity improvement.
8. Conducting exhibits and market mission in abroad countries.

2. Incentives provided to industries at Export Promotion Zones (EPZs)

The key incentives provided to units under EPZs are:

FISCAL INCENTIVES:

2. 10 years tax holiday of units established before 2012.

3. Region wise tax exemption varying from 5 years to 7 years for units established in and after 2012 across different EPZs. The details of exemptions are as follows:

Exhibit 83: Bangladesh- Tax exemption under EPZs for units established in and after 2012

Name of EPZ	Duration of exemption	Rate of exemption
Group 1 EPZs		
Chittagong EPZ	First 2 years	100%
Dhaka	3 rd & 4 th year	50%
Adamjee		
Karnaphuli		
Comilla	5 th year	25%
Group 2 EPZs		
Mongla	First 3 years	100%
Ishwardi	4 th to 6 th year	50%
Uttara	7 th year	25%

Source: Bangladesh Export Processing Zone authority (BEPZA) –
http://epzbangladesh.org.bd/investor_details/incentives-facilities

4. Duty free import of construction material, machinery, office equipment and spare parts
5. Accelerated depreciation on plant and machinery
6. Remittance of royalty and technical consultancy fee
7. Duty free import of raw materials and duty free exports of finished goods
8. Exemption from dividend tax
9. Duty free and quota free access to EU, Canada and Australia
10. Relief from double taxation

NON FISCAL INCENTIVES:

1. Full repatriation of capital and dividend
2. Back to back letter of credit facility
3. Custom clearance at factory site available

As enumerated above, Bangladesh provides a significant tax rebates from income tax on corporate in EPZs and also for importing not only raw material but factory setup equipment and machinery to promote its textile industry.

3. Reduction in corporate loan Interest rate:

In an attempt to attract investors, the Bangladesh Bank has asked the corporate banks to reduce interest rates on corporate loans. The average Bank interest loans has come down from 12.32% to

11.93%⁵¹ by march 2015, reducing the interest rate spread to less than 5%. However, there are still banks which charge loans at 14% and above to SMEs.

4. Export Promotional policies for textile sector

Bangladesh provides the following schemes for export promotion directed at textiles and RMG sectors other than the ones discussed above:

1. **Special Bonded Warehouse:** It allows duty free import and raw materials and inputs for export production to be stored at a special warehouse
2. **Cash subsidy:** A cash subsidy varying from 5% to 20% is applicable across sectors including new apparel products
3. **Duty free import of machinery:** Duty free import of machinery is allowed for all export productions
4. **Back to back letter of credit:** Exporters are allowed to open letter of credit for the required imports against their exports mainly for the Ready-made garment sector.
5. **Subsidised loans:** Loans subsidised by 4% to 8% as compared to market rates is available for all export sectors.

8.1.14. Taxation in Bangladesh

The various taxes applicable on corporate textile and garmenting industries in Bangladesh are:

2. **Income Tax**⁵² at 27.5% for publically traded company and 37.5% for privately traded company.
3. Standard **VAT** is applicable at 15% for all goods and services

The various tax benefits provided by Bangladesh are:

1. Tax rebate up to 10% till 2019 for Manufacturing units having setup in rural areas outside city limits
2. Tax rebates for units in EPZs
3. Tax rebate of 15% on new investment subject to a cap of Taka 15 million or 30% of turnover.
4. Treaties with 33 countries including most of Western Europe and Canada but excluding US and Australia for prevention of double taxation.

⁵¹ Source: <http://bdnews24.com/business/2015/05/06/bangladesh-bank-says-interest-on-bank-loan-is-down>

⁵² Source: http://www.nbr-bd.org/IncomeTax/Income_Tax_at-a-Glance_2013-14.pdf

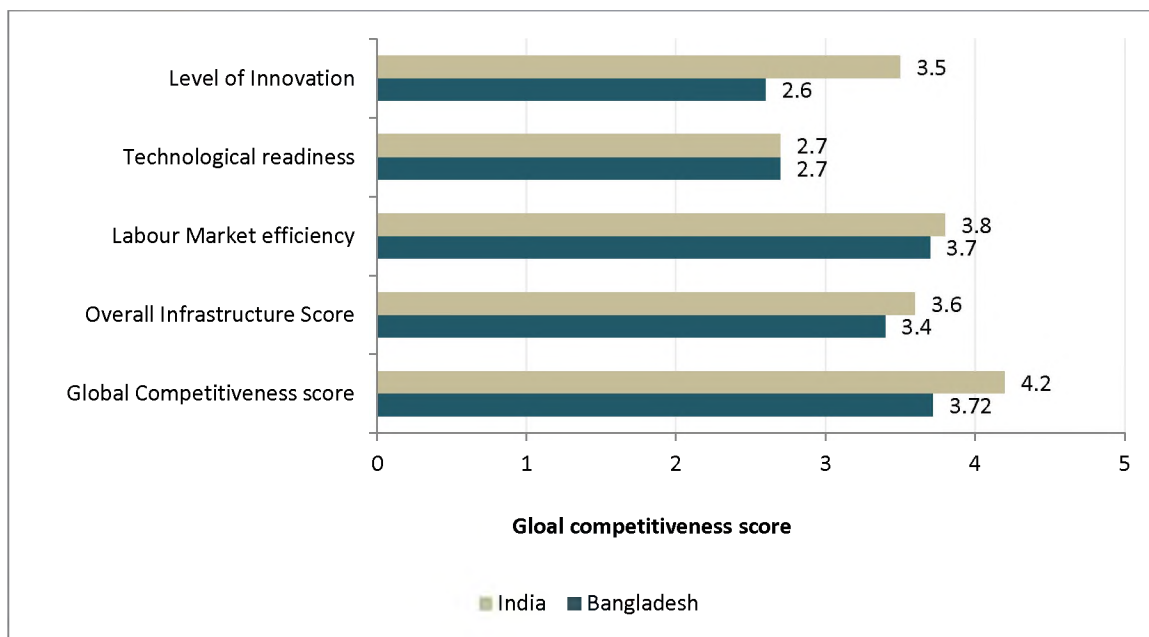
Summary of policy and taxation – benefits for textile sector

Bangladesh provides a strong fiscal support for units setting up at EPZs through tax rebates of up to 100% and duty free imports. The rate of taxation in Bangladesh is higher than that in India with Corporate Income tax for private units being 37.5% as compared to India's 33%. Bangladesh also provides exemption for import of textile raw materials.

Competitive advantages

A comparison of the factors of competitiveness as identified by World Economic Forum (WEF) for Bangladesh with respect to those present in India has been indicated in the in the following exhibit.

Exhibit 84: Global competitiveness Comparison - Cambodia vs. India



Source: World Economic Forum – Global Competitiveness report

Comparing India and Bangladesh on the factors of competitiveness, it can be seen that India enjoys a significant upper hand when it comes to innovation, while the technological readiness, infrastructure quality and labour market efficiency for the two countries are very similar.

The detailed comparison on different factors of business and production has been detailed as follows.

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While India is ranked at 142 Bangladesh is ranked at 173.

2. Labour cost – the competitive edge

In terms of labour cost, Bangladesh enjoys the advantage of having one of the cheapest labour rates amongst the major competing countries in textile sector. The hourly wage in Bangladesh is at US\$ 0.61 per operator much lower than the prevailing wage rate of US\$ 1.12 per operator per hour in India. This

is the key competing factor for Bangladesh that has attracted many global textile and apparel units to set-up units in Bangladesh.

3. Transport Cost and time for exporting

The transportation cost per container from Bangladesh is one of the highest compared to the six key competing countries except India at US\$ 1,281 per container in 2014. The transportation cost has witnessed a 4% growth over the last five years from 2009 to 2014. In addition to it, the time for exporting is also high at 28 days compared to the average of 20 days for the six competing countries. Bangladesh in its new export policy has a special focus towards reducing the lead time for exports. The comparison of the cost and time for exporting from Bangladesh with respect to India is indicated in in the following exhibit.

Exhibit 85: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Bangladesh	1,281	28	6
2	India	1,332	17	7

Source: iMaCS analysis, World Bank

4. Raw Material availability

Bangladesh has strong jute production when it comes to supply of textile raw material. For most of the other raw material like cotton and manmade fibres Bangladesh is dependent on imports mainly from India, China, Thailand and Indonesia.

5. Power cost

The power tariff for manufacturing units in Bangladesh is US\$ 0.12 per KWh to US\$ 0.15 per KWh, which is higher than Indian power tariff of an average of US\$ 0.10 per KWh across key textile industry states.

6. Compliance to labour safety and labour laws

Unlike other competing countries Bangladesh has poor reputation when it comes to provision of adequate infrastructure for garmenting units and the compliance to universal labour laws and human rights. After the major fire accident at Tazreen Garment factory in 2012 wherein 121 garment industry labours succumbed to injuries and the Rana Plaza collapse in 2013 where 1,133 workers died. Since then

a lot of measures have been initiated by the government of Bangladesh and the International community towards uplifting working condition of garment workers in Bangladesh. However, complete compliance to safety acts and working condition of workers has still a lot of scope of improvement. This comes as a major challenge for the industry which may face sanctions from major importing countries and garment brands around the world.

In terms of skill development programmes, Bangladesh has re-established its National Skill Development Council (NSDC) which is overseeing the skill development activities in Bangladesh, using a Competency Based Training and Assessment (CBT&A) model which would provide skill training as per the demand of the industry and economy focussing more on the practical aspects of vocational training. World Bank is also implementing a Skill and training enhancement project - Technical and Vocational Education and Training (TVET) program, which is being implemented from 2010 to 2016 through NSDC providing support for creation of adequate training infrastructure, providing relevant skill training through Industry Skill Councils and providing necessary certification for the same in terms of SSC or Vocational SSC certifications. These are expected to bring significant upliftment of labour skillset in Bangladesh's Apparel and textile industry.

8.1.15. External factors of competitiveness

In this section, external factors that provide a country its competitive edge like the free trade agreements, International relations and specific tariffs and duties enjoyed across the world would be discussed.

1. Benefit of being a Least Developed Country (LDC):

Bangladesh has a per capita GDP of US\$ 750 which is much lower than the threshold level of US\$ 992, and hence falls under Least Developed Country List. As a result, Bangladesh enjoys certain benefits of having quota free access to markets. It also benefits significantly from GSP + status provided by Europe, of which the textile export industry is a key beneficiary. However, with US, Bangladesh's textile industry does not have much benefit and has to pay a duty of 15.61% while exporting.

2. Key Regional Trade Agreements:

Bangladesh is part of the following trade agreements which would benefit the garment and textile exports from Bangladesh:

- b. **Asia Pacific Trade Agreement (APTA):** As part of APTA, Bangladesh has benefits of reduced tariff for exporting amongst the member countries. The Following exhibit indicates the HS codes and the rebate in tariff applicable.

Exhibit 86: Comparison of cost of exports - 2014

Sl. No.	HS code	Product description	Margin of preference
1	510810	Yarn of fine animal	15%
2	560749	Other Articles of Polyethylene and Polypropylene	60%
3	611610	Gloves impregnated with rubber or plastic	10%
4	611691	Other gloves, mittens of wool or fine animal hair	10%
5	611692	Other gloves of cotton	10%
6	611699	Other gloves of other textile material	10%
7	620113	Over coats, raincoats, car coats, etc., of manmade fibres	30%

Source: IMaCS analysis, <http://www.unescap.org/apta/tariff-concessions>

- c. **The Agreement on South Asian Free Trade Area (SAFTA):** Bangladesh along with Pakistan, India, Sri Lanka, Nepal and Afghanistan signed SAFTA in 2006. As part of it, countries would reduce tariff on import of non-sensitive goods by 0% to 5% over a span of 3 years. As per the latest discussions Readymade garments and textile products come under non sensitive items for the major countries. Therefore Bangladesh enjoys the benefit of reduced tariff on exporting garments to these countries.
- d. **Developing 8 Preferential Trade Agreement (D-8 PTA):** The agreement was signed in 2006 by Turkey, Egypt, Indonesia, Iran, Malaysia, Nigeria and Pakistan to remove all Non-tariff Barriers and reduce tariffs in a step wise manner over a period of 8 and 4 years for LDCs and other countries respectively. As part of the agreement, Bangladesh gets a subsidised access to the markets of Turkey which is a major importer of Bangladesh's garments and textile. The various levels for reduction of tariff are indicated in in the following exhibit.

Exhibit 87: Tariff reduction plan – of D-8 PTA

Applicable rate of tariff	Revised rate of tariff
Over 25%	25%
15% to 25%	15%
Less than 15%	6% to 10%

Source: WTO

- e. **Bangladesh – EU – Everything but Arms (EBA) arrangement:** Bangladesh being a LDC is eligible for the EU's Generalised System of Preferences (GSPs) EBA agreement wherein it receives a duty free and quota free entry in the European markets for all products including textiles and garments. After the safety incidents in Bangladesh garmenting industry like the collapse of Rana Plaza in April 2013

killing 1,129 workers, series of actions has been taken by ILO leading to closing of 31 factories; however Bangladesh still enjoys the GSP benefits.

- f. **Bangladesh US Generalised System of Preferences (GSP) agreement:** Bangladesh's benefits under GSP were suspended in June 2013 post the collapse of Rana Plaza in April 2013 resulting in 1,129 casualties. Based on the review of the same conducted in February 2015, the GSP benefits of Bangladesh are still suspended. *However, the GSP agreement does not include textile and garmenting products which are currently face 15.61% duty on imports in US.*

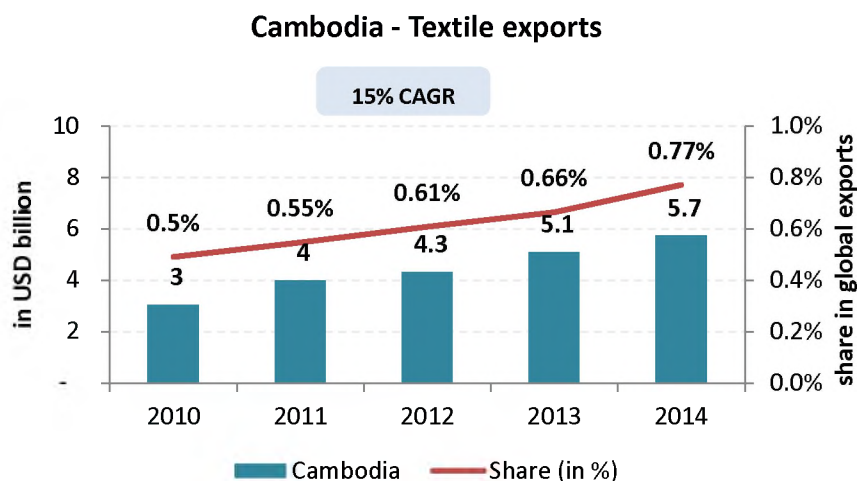
3. Other Free Trade Agreements:

In addition to key FTAs discussed, Bangladesh is also part of 38 bilateral FTAs mostly with African and West Asian and South East Asian Countries. It is also in talks with India, Pakistan for bilateral.

CAMBODIA

Textile and apparel exports from Cambodia have been valued at US\$ 5.7⁵³ billion for 2014, growing at 17% CAGR during 2010 to 2014. Cambodia has a share of 0.8% in global textile trade. The y-o-y growth of textile exports from Cambodia is indicated in in the following exhibit.

Exhibit 88: Global textile exports from Cambodia



Source: UN ComTrade, <http://www.gmac-cambodia.org/imp-exp/garment.php>, IMaCS analysis

Cambodia is the low cost garmenting centre with most of investment in the sector from garmenting players of China and Hong Kong. The sector wise presence of Cambodia in global textile trade is indicated in in the following exhibit.

Exhibit 89: Cambodia- textile export sector wise

Sl. No.	Sector	Exports 2013-14 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2013)	Share in Global exports (2014)
1	Apparels	5.6	17%	98%	1.3%
2	Fabrics	0.05	65%	0.8%	0.04%
3	Made ups	0.04	37%	0.6%	0.1%
4	Fibre	-	-	-	-
5	Yarn	-	-	-	-
6	Others	0.03	42%	0.5%	0.04%
	Total exports	5.3	17%	100%	0.77%

Source: IMaCS analysis, UN ComTrade, Export Promotion Bureau of Bangladesh

⁵³ Source: Garment Manufacturers' Association in Cambodia - <http://www.gmac-cambodia.org/imp-exp/garment.php>, UN ComTrade – Imports from Cambodia, IMaCS analysis

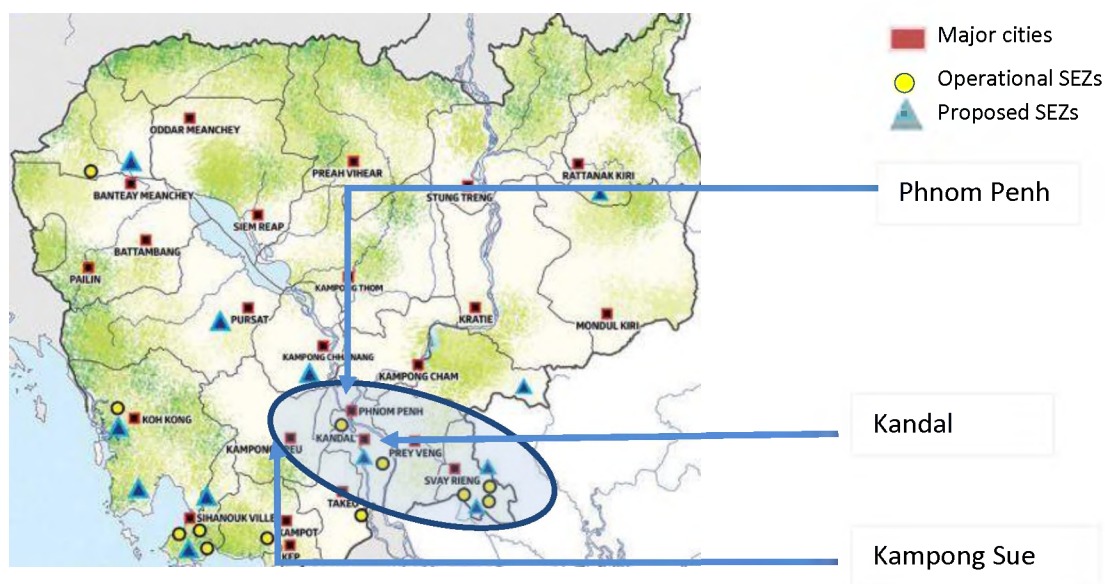
As illustrated in the following exhibit above, over 98% of the textile export from Cambodia is comprised of garments and apparels. Apparel export witnessed a growth of CAGR 17% per annum during 2010 to 2014. The key export market for Cambodia is Europe (42%) and US and Canada (44%).

8.1.16. Cambodian textile Industry

The textile industry in Cambodia is mainly constitutes of garmenting units. The industry has developed recently with many of the garment manufacturers from China, Taiwan and Hong Kong investing in Cambodia to leverage its lower labour cost compared to China. The units in Cambodia are engaged in cutting, sewing and trimming activities with majority of units involved only in sewing, earning revenue as fees for the job work. The industry caters mainly to export market and is dependent on imports for all its fabric requirements, which makes it highly susceptible to global demand and price fluctuations. Recently, the garmenting sector has witnessed a number of strikes for wage hikes since 2012-13, effecting the efficiency and productivity of the units.

The garmenting industry in Cambodia is mostly clustered around the capital city of Phnom Penh which has over 350 garment factories out of some 400 to 500 garment factories in the country. The other important garment location is Kampong Speu adjoining Phnom Penh. The key garmenting zones along with the operational SEZs are indicated in the following exhibit.

Exhibit 90: Key Garmenting zones in Cambodia



Source: <http://investvine.com/detailed-cambodia-garment-factory-map-shows-everything/>

8.1.17. Policy Framework in Cambodia

Cambodia provides a host of investment incentives comparable to other competing countries to attract export oriented investors in the country. The key benefits offered for garmenting sector are:

2. **Provision of Qualified Investment Project⁵⁴ (QIP) status:** The Council for development of Cambodia (CDC) identifies new projects as eligible QIPs based on the sector of investment and the size of investment. These QIPs are granted the following benefits:
 - a. A profit tax exemption for a period of 3 years with additional exemption period depending on size of investment
 - i. Up to US\$ 5 million – No priority period
 - ii. US\$ 5 million to 20 million – 1 year extended exemption period
 - iii. US\$ 20 million and above – 2 years extended exemption period
 - b. A special depreciation of 40% on new or used tangible properties used for manufacturing
 - c. Duty free import of production equipment, construction material, raw material and intermediate goods
 - d. A QIP shall be entitled to 100% export tax exemption
3. **Special Economic Zone (SEZ)⁵⁵ Scheme:** The units under Special economic zone (SEZ) involved in exports would be eligible for all the benefits being enjoyed by QIPs. In addition they would also enjoy the Special customs procedure being conducted within the SEZ whereby the goods would be sealed and cleared in SEZ only to minimise time.

Since Cambodia is a LDC under WTO-ASCM (Annex VII) rules, none of its export subsidies are prohibited.

8.1.18. Taxation Framework – Cambodia

Cambodia has a favourable income tax rate for corporate compared to India and China that further gives it a significant competitive margin while pricing. The various direct and indirect tax rates applicable in Cambodia are as follows:

- **Direct tax:** The corporate tax rate in Cambodia is 20% compared to India's 33% and China's 25%.

⁵⁴ <http://www.cambodiainvestment.gov.kh/investment-scheme/investment-incentives.html>

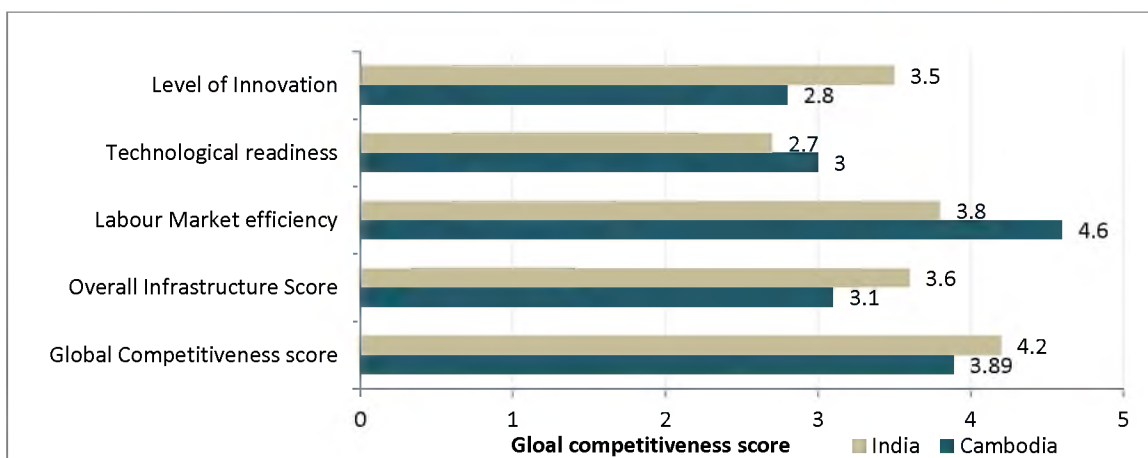
⁵⁵ <http://www.cambodiainvestment.gov.kh/incentives.html>

- **VAT:** The VAT rate applicable in Cambodia is up to 10% as compared to India’s 14% and China’s 15%, again providing a 4% to 5% margin to Cambodian manufacturers. However, as in most countries VAT is exempted on export goods, this would have little implication for export production

8.1.19. Competitive advantages

A comparison of the factors of production in Cambodia with respect to those present in India has been indicated in in the following exhibit

Exhibit 91: Global competitiveness Comparison - Cambodia vs. India



Source: World Economic Forum – Global Competitiveness report

As indicated in the exhibit above, Cambodia gains its competence from the labour market efficiencies mostly because of its cheap labour cost.

The detailed comparison on different factors of business and production has been detailed as follows.

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While India is ranked at 142 Cambodia is ranked at 135.

2. Labour cost – the competitive edge

In terms of labour cost, Cambodia enjoys a significant upper hand of having very low cost labour. Cambodia has the third lowest minimum wage for clothing industry at US\$ 128 per month which amounts to US\$ 0.64 per hour per operator compared to India, Vietnam and China that have higher wage rates. This has been the key reason for shifting of garment manufacturing from Taiwan and China to Cambodia. However, the country lacks the skill set of garmenting industry and most of the workers

are only skilled for basic sewing works. As a result most of the organisations have to bring in supervisory and management staff from the neighbouring Vietnam or China. The productivity of the country is also lower compared to neighbouring Vietnam and China.

The Country has recently been facing stiff resistance in form of regular strikes from the local garment workers who are demanding for higher wage rate than currently available and better working environment. The strikes have been going on and off since 2012 when they demanded a pay raise of up to US\$ 80 per month. Over the years, the demand has grown to US\$ 140 per Month by January 2015. It was then that the Cambodian government agreed to increase the pay to US\$ 128 per month fearing that further rise would drive the garmenting industry uncompetitive in the export market.

3. Transport Cost and time for exporting

Cambodia enjoys a cheap transport cost at US\$ 795 per container which is on the lower side compared to India, Bangladesh and Turkey. The growth in transportation has been limited at 2% CAGR from 2009 to 2014. The total time for exporting from Cambodia stood at 22 days which is comparable to most other competing countries, however higher than that of India. The comparison of the cost and time for exporting from Cambodia with respect to India is indicated in the following exhibit.

Exhibit 92: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Cambodia	795	22	8
2	India	1,332	17	7

Source: IMaCS analysis, World Bank

4. Raw material availability

Cambodia does not have a domestic supply of fabrics for its garmenting industry but is dependent on China, Hong Kong, Singapore, Thailand and other South Asian countries for its fabric requirements. Around 89% of textile imports coming into the country are of fabrics, indicating very high dependency of garmenting industry on imports.

5. Power cost

The cost of power for medium and large industries in Cambodia is significantly higher at ~0.22 US\$ per KWh compared to lower cost in India at 0.0.10 US\$ per KWh.

8.1.20. External factors of competitiveness

In this section, external factors that provide a country its competitive edge like the free trade agreements, International relations and specific tariffs and duties enjoyed across the world would be discussed.

1. Benefit of being a Least Developed Country (LDC):

Cambodia has per capita GDP of US\$ 745 as per 2005 prices and falls in the category of LDC. As a result it enjoys of host of trading benefits as part of the Generalised System of Preferences (GSP) with US and Europe where in it has quota free and duty free access to these garment imports market.

2. Cambodia – US trade and Investment Agreement:

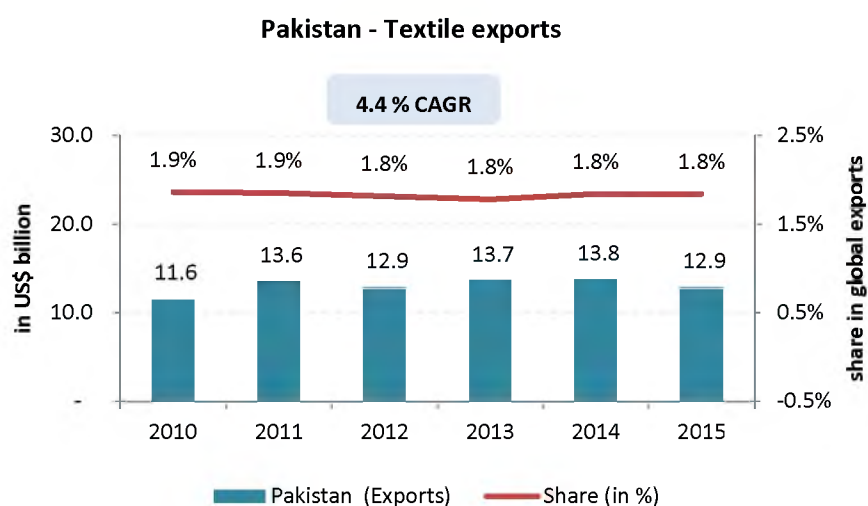
Cambodia has an on-going trade and investment agreement with US, where in US provides preferential export benefits to Cambodia by incentivising its key garment procuring brands to procure garments from Cambodia. In turn Cambodia has to work continuously towards betterment of working conditions of labours in the garmenting industry.

These are the key factors that have been promoting garmenting sector in Cambodia with 76% of the exports going to US and EU.

PAKISTAN

Pakistan textile and apparel exports is valued at US\$ 12.9 billion in 2015, growing at 4.4% CAGR during 2010 to 2014 in line with global textile trade growth of 4.7% CAGR during the same period. Pakistan has not yet achieved competitiveness in the sector and currently accounts for 1.8% of the global textile trade in 2015. The y-o-y growth of textile exports from Pakistan is indicated in in the following exhibit.

Exhibit 93: Global textile exports from Pakistan



Source: UN ComTrade, IMAcS analysis

Apparel, fabrics and made-ups make for 78% of exports from Pakistan. Pakistan enjoys a healthy share of close to 9% in global made up export trade. The sector wise presence of Pakistan in global textile trade is indicated in in the following exhibit.

Exhibit 94: Pakistan textile export sector wise

Sl. No.	Sector	Exports 2014-15 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2015)	Share in Global exports (2014)
1	Apparels	4.49	6%	35%	1%
2	Fabrics	2.7	3%	21%	2%
3	Made ups	3.14	3%	24%	9%
4	Fibre	0.16	-3%	1%	1%
5	Yarn	1.6	4%	12%	4%
6	Others	0.9	9%	7%	1%
	Total exports	12.9	4.4%	100%	1.8%

Source: IMAcS analysis, UN Comtrade

8.1.21. Pakistan textile Industry

Pakistan is one of the leading exporters of textiles and clothing. Textile Sector provides ~ 25% of Industrial value addition and accounts for close to 8% of GDP. Sector holds an average share of 54% in national exports, with providing employment to about 40% of industrial labour force. The sector consumes about 40% of banking credit to manufacturing sector.

The sector has presence across complete value chain from spinning to garmenting/ made ups. Pakistan is the 4th largest producer and 3rd largest consumer of cotton globally and based on strong supply base of cotton (both domestic & imported); the sector is dominated by cotton textiles (cotton yarn and cloth, made up textiles). Apart from these it has presence in clothing, synthetic fibres (polyester yarn and acrylic fibres), carpets, and jute products. Capacity wise the textiles industry consists of 11.3 million spindles, 03 million rotors, 350,000 power looms, 18,000 knitting machines and processing capacity of 5.2 billion sq m. It has the 700,000 industrial and domestic stitching machines⁵⁶.

The Pakistan textile industry is mainly dominated by Punjab province and among different districts in the Punjab; Faisalabad is one of the important districts where many textile firms of the country are historically concentrated. Karachi is another clustered region. The Industrial clusters have been indicated in the textile industrial clusters are shown in in the following exhibit.

Exhibit 95: Pakistan textile clusters

PROVINCE - WISE	2012-13			
	Units	Spindles 000	Rotors	Looms
SINDH	111	2188	66892	3778
BALUCHISTAN	9	130	14680	0
PUNJAB	309	7841	86538	3945
A.KASHMIR	6	94		
N.W.F.P	17	742	2798	0
TOTAL PAKISTAN	452	10995	170908	7723

Source: All Pakistan Mills Association (APTMA)

To have increased focus on garmenting, Pakistan Government has established 3 garment cities, has established three garments cities in Faisalabad, Lahore and Karachi. Faisalabad and Lahore garment cities are functional and Karachi garment city is yet to be completed.

⁵⁶ As per Pakistan Textile policy 2014-2019

8.1.22. Policy Framework - Pakistan

Government of Pakistan (GoP) keeping in view the strategic importance of textile sector, established a separate Ministry of Textile Industry (MINTEX) in September 2004. It provides various fiscal and non fiscal measures from time to time to support the sector. MINTEX has also introduced a five year textile policy. The current Textile policy 2014-2019 aims to double textiles exports from US\$13 billion per annum to US\$26 billion per annum in next five years.

Objectives of Textiles Policy 2014-19 , Ministry Of Textiles , Government of Pakistan⁵⁷

- To double value-addition from US\$1billion per million bales to US\$2 billion per million bales in five years.
- To double textiles exports from US\$13 billion per annum to US\$26 billion per annum in next five years.
- To facilitate additional investment of US\$5 billion in machinery and technology.
- To improve fibres mix in favour of non-cotton i.e. 14% to 30%.
- To improve product mix especially in the garment sector from 28% to 45%.
- To strengthen existing textile firms and establish new ones.
- SME sector will be main focus of attention to enhance growth in value-added products through support and incentives schemes.
- Schemes and initiatives will be launched for increasing usage of ICT.
- The textiles sector will be made domestically and internationally compliant especially with respect to labour and environment rules and conventions.
- Textiles units will be encouraged to use modern management practices for improving efficiency and reducing wastages.
- Clusters would be systematically developed and existing clusters will be strengthened.
- Vocational training of workers for capacity building, internships and different programmes for enhancement of skills and higher per capita productivity would be introduced.
- Facilitate the creation of 3 million new jobs.
- Promotion of speciality skills training for professionals and supervisory levels.
- Adopt measures to increase ease of doing business and reducing cost of doing business.

⁵⁷ Textiles Policy 2014-19 , Ministry Of Textiles , Government of Pakistan

1. Various Textile subsidies offered / Interventions

1. Easy Finance

- Under **Export Refinance Scheme** of State Bank of Pakistan rate is being reduced from 9.4% to 7.5% from 1st of July 2014
 - Textiles industry units in the value added sector would be provided **Long Term Financing Facility (LTFF)** for up gradation of technology from State Bank of Pakistan at the rate of 9% for 3-10 year duration (Applicable for export-oriented projects whose annual export is equivalent to a minimum of US\$5 million or at least 50% of their sales constituting exports, whichever is lower)⁵⁸
 - Textiles sector enjoyed duty free import of machinery under Textiles Policy 2009-14. This facility (SRO 809) has been extended for another two years
2. Drawback of Local Taxes and Levies (DLTL): Draw-back for local taxes and levies is given to exporters of textiles products on FOB values of their enhanced exports on an incremental basis if increased beyond 10% over previous year's exports at the following rates:
- a. Garments 4%
 - b. Made ups 2%; and
 - c. Processed fabric 1%
3. **Brand Development:** The Ministry of Textile Industry would encourage setting up Pak cotton brand, fashion labels and brands abroad to increase exports
4. **Market Support and Development:** The Ministry would ensure that participation in international exhibitions by TDAP will be carried out
5. **World Textiles Centre:** Establishment of World Textiles Centre envisages the setting up of an international buying house to attract more export orders. In the first phase, thirty renowned international buying houses will be provided free space and service.
6. **Encouraging the Opening Retail Outlets:** Opening retail sale outlets in major importing countries is the best tool for introducing and exporting high quality and branded exports of

⁵⁸ <http://www.commerce.gov.pk>

Pakistan. International presence of Pakistani firms at present is very low as compared to our competitors. To support the initiative and to motivate exporters to introduce their finished products, we will provide subsidy on these outlets up to 75%, 50%, 25% per annum of the rental cost of retail outlets or ware houses in the first, second and third year respectively in the export markets in Asia, Africa and Australia.

7. **Vocational Training Programmes:** Various programmes to support Vocational training of workers for capacity building, internships and different programmes for enhancement of skills and higher per capita productivity are announced. Textile policy 2014-2019 targets training and job creation of 3 million

Technology Up-gradation Fund Support Scheme: Main aim of the scheme is to improve overall technological configuration of the sector, remove critical imbalances in the value chain and achieve compliance with international standards. The benefits range up to 20% of grant on capital cost for up to 10 million Plant & Machinery.

8.1.23. Taxation for textile and apparel industries:

Pakistan has three different types of taxes applicable on business enterprises. These are:

1. **Direct tax** - Corporate Income Tax – Pakistan corporate tax rate is 33% on net taxable income of company. For non- residents, a 15% rate is levied on the gross amount of royalties or technical services fees, and 30% for other payments under the presumptive tax regime.
2. **Indirect taxes** -
 - a. Sales Tax - Standard sales tax rate is 16 %. However, it may vary (UP, Down, or Zero) in some specific cases.
 - b. Value-added tax (VAT) of 15 percent applies to textiles and apparel.

8.1.24. Competitive advantages

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While India is ranked at 142 Pakistan is ranked at 128.

2. Labour cost

Pakistan enjoys the benefit of having a skilled work force with a tradition of weaving and stitching going back to pre independence time. The labour cost in Pakistan is US\$ 0.62 per worker per hour which is very competitive and only Bangladesh and Cambodia enjoy cheaper labour, amongst the key competing countries. With respect to India it is just about 55% of the labour cost in India making giving it a distinct advantage when competing with India.

3. Transport Cost and time for exporting

Pakistan has the cheapest export transfer cost per container at US\$ 765 per container, second only to Vietnam at US\$ 610 per container. The cost is only 57% of what Indian exporters have to incur. When it comes to time to export, Pakistan is fairly competitive at an average of 20.7 days to export when the average of the six competing countries is 20.4 days.

Exhibit 96: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Pakistan	765	20.7	8
2	India	1,332	17	7

Source: iMaCS analysis, World Bank

4. Raw material availability

Pakistan has a distinct advantage when it comes to raw material with a significant cotton acreage and man-made fibres production to cater to its textile industry demands. Pakistan produced 10.6 million bales of cotton in 2014 making it the 4th highest cotton fibre producer in the world. It has a capacity for production of 600,000 MT of synthetic yarn and filament.

The imports in the textile sector of Pakistan indicate that most of its purchases are of fibres and yarn, indicating that the country has industry across the value chain at both fabric and garmenting level. The import pie for textile sector is shown as in the following exhibit.

Exhibit 97: Pakistan Textile import spread



Source: UN Comtrade

The exhibit above indicates that the Pakistan is dependent on fibre and yarn imports to cater to its export market requirement.

5. Power cost

With hikes in power cost across Pakistan effected in 2013 and 2014, the industrial power cost in Pakistan has gone up from 0.105 US\$ per KWh to US\$ 0.14⁵⁹ per KWh, which is marginally higher than the prevailing rate of India – US\$ 0.10 US\$ per KWh. The rate is also competitive with Bangladesh which face power tariff of US\$ 0.15 per KWh.

6. Summary of Competitiveness

Pakistan derives its competitiveness in its made up and fabric segment owing to its high quality cotton production and availability of strong infrastructure of higher width looms used for making made ups. In addition, Pakistan also has a skilled work force with weaving and tailoring being a traditional activity amongst the workforce.

⁵⁹ <http://www.iesco.com.pk/index.php/customer-services/tariff-guide>

8.1.25. External factors of competitiveness

While the previous section discussed how Pakistan fared on internal factors of competitiveness, in this sections, the externals factors that provide a country its competitive edge like the free trade agreements, International relations and specific tariffs and duties enjoyed across the world would be discussed.

1. GSP plus preferential treatment with EU:

Pakistan received the GSP plus status from EU in Dec 2013. This provides Pakistan with duty free access into EU markets. This has already started resulting in increased exports to an extent of around US\$1Bn during January to October 2014 compared to the same period in 2013. Pakistan along with Bangladesh are the only countries among the competing countries enjoying the GSP + benefits currently providing them a competitive edge over other competing countries in the EU market. It is expected that GSP plus, would help Pakistan increase its textile and garment exports by 15%⁶⁰ adding another USD 1.5 billion in 2014-15.

2. Free Trade Agreements:

Pakistan has signed and implemented various FTA agreements. The impact of these FTAs on the textile and apparel exports from Pakistan has been discussed as follows:

Key trade agreements –

- **Agreement on South Asian Free Trade Area (SAFTA):** Pakistan along with Bangladesh, India, Sri Lanka, Nepal and Afghanistan signed SAFTA in 2006. As part of it, countries would reduce tariff on import of non-sensitive goods by 0% to 5% over a span of 3 years. As per the latest discussions Readymade garments and textile products come under non sensitive items for the major countries.
- **Pak-China Free Trade Agreement in Goods & Investment (PCFTA):** Pakistan and China Signed the FTA in 2006 and its scope were further increased in 2007. In the overall package Pakistan gets market access at zero duty on cotton fabrics, bed-linen and other home textiles from 10% - 16% tariffs (2005). China will also reduce its tariff by 50% on knitwear; woven garments etc.

⁶⁰ Source: https://www.tdap.gov.pk/eu-atp-assets/EU_GSP_Plus_FAQ.pdf

Pakistan has given market access to China mainly on textile machineries (Machines for extruding, drawing, texturing or cutting manmade textile materials, weaving , Knitting , ancillary machines etc., HS code 8444/45/46/47/48,49,51 , reducing tariff from Zero duty from 5%-25%. However, China is a major beneficiary of this FTA. As China's specific provision of low tariffs and other exemptions to the ASEAN and APTA countries, has eroded the FTA preferences of Pakistan to some extent. In the Chinese market, Pakistan exporters mainly face competition from India (APTA member), Bangladesh (APTA) and Egypt in the Chinese market. At product level, Pakistani grey fabric and cotton yarn faces higher competition from India, Bangladesh and Egypt.

- ***Pak-Malaysia Trade Agreements:*** The Comprehensive Free Trade Agreement (FTA) for Closer Economic Partnership between Pakistan and Malaysia It was signed on 08-11-2007 at Kuala Lumpur Malaysia. For trade in Goods Pakistan will eliminate tariff on 43.2% of the current imports from Malaysia by 2012. On the other hand Malaysia will eliminate tariff on 78% of imports from Pakistan

Preferential Trade Agreement:

- **Pak- Mauritius:** Pakistan signed Preferential Trade Agreement with Republic of Mauritius on 30th July 2007 and became operational in Nov 2007. Under the Agreement, Pakistan offered concessions to Mauritius on 130 items / tariff lines i.e. 1.9% of its total existing national tariff lines, whereas Mauritius has given concession on 102 items / tariff lines i.e. 1.64% of its total existing national tariff lines. Pakistan Margin of Preference offer to Mauritius 35% to 50% on import tariff of 25% for HS code 61 & 62. Mauritius MOP 50% & 100% on custom duty of 15% & 30% for HS 5701/02/03, & 6302/03/04.
- **Pakistan-Indonesia Preferential Trade Agreement:** Pakistan-Indonesia PTA came in to force from 2012. Import duty in range of 0%, 5% & 9% for various textile products from Pakistan. Preferential duty of 20 % instead of Standard rate of 25% for textile and apparel imports from Indonesia
- **Developing 8 Preferential Trade Agreement (D-8 PTA):** The agreement was signed in 2006 by Turkey, Egypt, Indonesia, Iran, Malaysia, Nigeria and Pakistan to remove all Non-tariff Barriers and reduce tariffs in a step wise manner over a period of 8 and 4 years for LDCs and other

countries respectively. The various levels for reduction of tariff are indicated in in the following exhibit.

Exhibit 98: Tariff reduction plan – of D-8 PTA

Applicable rate of tariff	Revised rate of tariff
Over 25%	25%
15% to 25%	15%
Less than 15%	6% to 10%

Source: WTO

3. Other Free Trade Agreements:

Apart from above there exist Pak-Sri Lanka Free Trade Agreement and Pakistan Iran PTA.

VIETNAM

Textile and apparel exports from Vietnam have been valued at US\$ 22.8 billion for 2013, growing at 14.5% CAR during 2010 to 2014. Vietnam had a share of 3.1% in global textile trade in 2014. The growth trends of textile exports from Vietnam is shown in in the following exhibit.

Exhibit 99: Global textile exports from Vietnam



Source: UN ComTrade, IMAcS analysis

Vietnam is the low cost garmenting centre which became the centre of attraction of investors in Hong Kong, China and Taiwan when the competitive labour cost in China and Taiwan went up reducing the margin of manufacturer exporters. The sector wise presence of Vietnam in global textile trade is indicated in in the following exhibit.

Exhibit 100: Vietnam- textile export sector wise

Sl. No.	Sector	Exports 2013-14 (US\$ billion)	CAGR 2010-14	Share in Domestic textile exports (2013)	Share in Global exports (2014)
1	Apparels	18.4	16%	81%	4.2%
2	Fabrics	0.8	4%	4%	0.7%
3	Made ups	0.3	-11%	1%	0.9%
4	Fibre	0.2	13%	1%	0.6%
5	Yarn	2.1	14%	10%	4.8%
6	Others	0.8	13%	4%	1.1%
	Total exports	22.9	14.5%	100%	3.1%

Source: IMAcS analysis, UN ComTrade

As witnessed in in the following exhibit, ~81% of the textile exports from Vietnam are of garments and apparels, growing at a CAGR 16% per annum during 2010 to 2014.

8.1.26. Vietnam textile Industry

Vietnam’s garment and textile industry has been one of the country’s leading sectors, playing an important role in national socio-economic development. Vietnam’s textile and garment sector has witnessed high and sustained growth over the past years, recording growth of more than 15% annually between 2001 and 2014, remaining the chief contributor to Vietnam’s economy and playing an increasingly large role in the country’s economy. Textile and garment exports accounts for a significant proportion of Vietnam’s GDP (approximately 15%) and total exports (about 18%). The industry employs more than 7.7 million people working in 4,000 textile and garment enterprises. It produces products that are exported to over 50 countries around the world, with the U.S. as the largest importer of Vietnamese textile products

Vietnam’s Ministry of Industry and Trade has formulated a textile and garment industry development plan for 2020, with a vision for 2030.

The plan lays out a series of milestones to be reached by 2015, 2020 and 2030 with respect to localization rate within the industry, annual production growth rates, export goals etc. Export turnover is predicted to reach US\$ 40 billion during the 2020-2025 period – this will require 12 billion square meters of fabric and five million workers. It is also predicted that the domestic market will see a growth rate of 9-10% during the 2013-2015 period and 10-12% during the 2016-2020 period. Detail is exhibited in in the following exhibit.

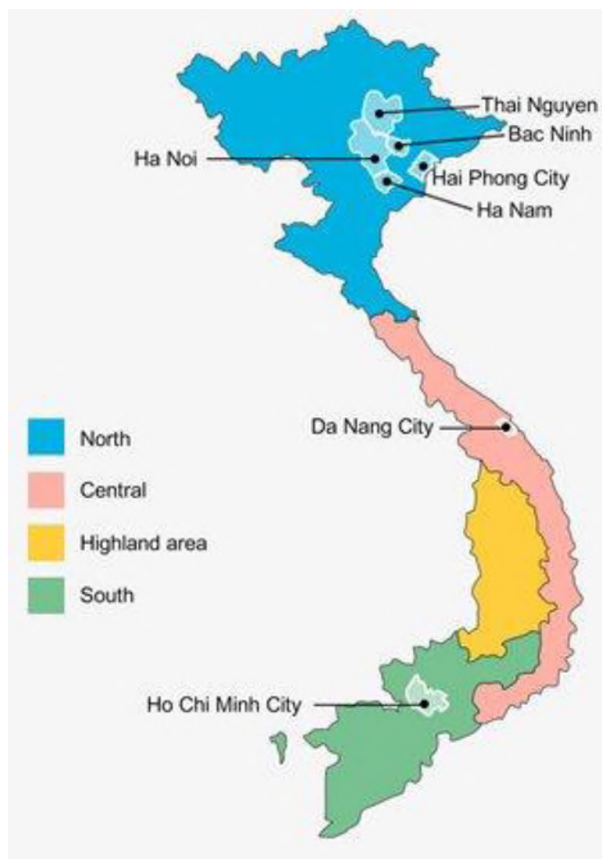
Exhibit 101: Textile and Garment vision - 2030 for Vietnam

Norm	Unit	2015	2020	2030
1. Export Value	US\$ billion	23-24	36-38	64-67
Ratio of export value against that of the wholly country	%	15-16	13-14	9-10
Percentage annual growth (Export goals)	%	10-11	19-21	25-28
2. Number of labourers	in million	2.5	3.3	4.4
3. Major products				
- Fibre cotton	1,000 tons	8	15	30
- Synthetic fibre, yarn	1,000 tons	400	700	1,500
- Yarn (pulled from shorten fibre)	1,000 tons	900	1,300	2,200
- Kinds of fabric	million m ²	1,500	2,000	4,500
- Garment products	million products	4,000	6,000	9,000
4. Localization rate	%	55	65	70

Source: http://www.asemconnectvietnam.gov.vn/Law.aspx?ZID1=10&ID1=2&MaVB_id=2264

The textile industry of Vietnam is mostly clustered around two key locations of Ha Noi in the North region and Ho Chi Minh City in the Southern region. In addition to these, the state run Vietnam National Textile and Garment Group (VINATEX) is mostly concentrated in the central region around Da Nang City. The key garmenting locations in Vietnam is indicated in in the following exhibit.

Exhibit 102: Textile clusters of Vietnam



Ho Chi Minh City (formerly Saigon) is the heart of Vietnam's industrial development. The city and its surrounding provinces regularly attract nearly two thirds of the overseas FDI going to Vietnam.⁶¹

Vietnam has about 290 industrial parks (IPs) designated for the manufacturing sector, of which 180 are in operation and 109 are undergoing land clearance or are under construction. As of June 2014, there were more than 5,000 IP-based foreign-invested projects, with accumulated FDI of US\$ 77 billion accounting for about 80% of FDI in the manufacturing sector⁶². The average occupancy rate in operating

⁶¹ business-in-asia.com/industrial_estates_asia.html

⁶² economists-pick-research.hktdc.com

industrial parks fell from 74% in 2007 to 65% in 2010⁶³. Nearly 50 industrial parks have no tenants. The performance of the industrial parks is also highly uneven across regions. In 2010, some 84% of the export turnover from industrial parks was generated in under 50% of the parks⁶⁴.

These Industrial Parks are preferred by foreign manufacturers, as they provide ready-built factories along with utilities and infrastructure, including electricity, telecommunications and sewage treatment, all of which are well-managed. A number of the IPs established in the Economic Zones is classified as Encouraged Investment Locations – areas where special tax incentives are available. For example, investment incentives are available in the IPs in Haiphong's Dinh Vu-Cat Hai Economic Zone, where investors are entitled to the tax incentives applied to the Economic Zone.

Vietnam's Economic regions⁶⁵ :

- Northern region : Hai Duong, Bac Ninh , Hung Yen , Hai phong Province
- Central region : Tay Ninh, Binh Dinh Province
- Central Highlands economic region : Lam Dong Province
- Southern region : Ho Chi Min , Binh Duong Provinces
- The Mekong Delta KER : Ca Mau, An Giangs, Kein Giang Provinces
- The North Central region : Yen Dinh, Quang Binh, Ha Tinh, Quang Tri, Nghe An Provinces

Most of the present zones are based in the key economic regions, i.e. in the South (124), North (52), and Central Vietnam (23).⁶⁶

8.1.27. Policy Framework – Vietnam

1. Export subsidies, finance, and guarantees

The Vietnam Development Bank (VDB), provides export credits, investment credit guarantees, and export project performance security. It provides interest rate support (of 4 percentage points) to clients contracting medium- and long-term loans with the VDB. No export guarantee schemes are operated by

⁶³ According to the VDR (2012), international experience suggests a 75% occupancy rate may be needed for an industrial park to be viable in the long run

⁶⁴ These parks are located in Ha Noi, Ho Chi Minh City, and six surrounding provinces

⁶⁵ Vietnam Trade Promotion Agency (VIETRADE)

the Government or a government agency. No preferential treatment is accorded to export credit guarantee activities.⁶⁷

2. Export promotion and marketing assistance

Vietnam promulgated a national trade promotion programme in November 2005 and modified in May 2009. The programme constituted the framework for state-funded trade promotion activities from 2006 to 2010, such as the hiring of domestic and foreign experts to advise on export development or product quality improvements; the organization of trade fairs and exhibitions and sponsoring the participation of Vietnamese enterprises at such events in Vietnam and abroad; surveys in overseas markets; and the establishment of trade promotion centres. The funding for different activities were at different rates for instance – 100% funding is available for set up of pavilion but only 50% is available to cover the cost of hiring of consultants by the beneficiary enterprises.⁶⁸. As part of the modification in 2009, trade promotion assistance was also extended to local business men and trade promotion agencies to facilitate their participation in National trade promotion programmes through capital support from central budget.

3. Economic Zones and Industrial parks

Vietnam has about 290 industrial parks (IPs) designated for the manufacturing sector, of which 180 are in operation and 109 are undergoing land clearance or are under construction. Most of the present zones are based in the key economic regions, i.e. in the South (124), North (52), and Central Vietnam (23). These are classified as four different types depending on the targeted segment. However, the policy support extended to each of those except High tech zones is similar. These are:

1. Industrial zones:
2. Export processing zones
3. Economic Zones
4. High tech zones

These development zones enjoy the following benefits for textile sector:

1. Lower taxation on Industries employing minorities and women
2. Duty re-imburement on imports used in exports

⁶⁷ TRADE POLICY REVIEW REPORT BY THE SECRETARIAT (WTO)

⁶⁸ TRADE POLICY REVIEW REPORT BY THE SECRETARIAT (WTO)

3. Enterprises in the export-processing zones are exempt from import and export duties for goods imported from, or exported to, foreign countries.⁶⁹ However, they are liable to pay all duties if the product is sold in domestic market.
4. Provision on plug and play infrastructure – These Industrial parks and Economic zones provides ready built in factories with all the utilities and infrastructure, including electricity, telecommunications and sewage treatment.
5. Reduced Corporate Income tax rate of 20% for zones in areas with difficult and especially difficult social economic conditions.

8.1.28. Taxation Framework – Vietnam

Corporate income tax in Vietnam is currently levied at 22% reduced from 25% in January 2015. There are further plans to cut it down to 20% by 2016.⁷⁰ In addition, some CIT exemptions or reductions are available to investment projects that satisfy certain conditions, such as investment in particularly encouraged sectors (e.g. energy-saving products) or encouraged locations, in new hi-tech companies or enterprises otherwise involved in research and development, the development of infrastructure of special importance, or the production of software are entitled to a corporate tax rate of 10% for 15 years. The same tax rate is also applicable to enterprises providing education, vocational training, health care services, or sports services, or enterprises operating in geographical areas with "extreme socio-economic difficulties"⁷¹

In principle, the tax rate is applied from the first year in which the enterprise has turnover, but time-limited tax exemptions or tax reductions (50%) may apply, subject to certain conditions. Enterprises employing ethnic minorities or predominantly female workers are entitled to tax reductions. Vietnam also uses tax incentives to promote environmental protection activities such as the treatment of waste.

In addition to these direct taxes Vietnam has also has the Indirect Value Added Tax (VAT). Vietnam charges value added tax on products at slabs of 0% , 5% and 10% with the standard rate applicable of 10% as compared to other countries where VAT rates usually go high to around 15%

⁶⁹ In accordance with Decree No. 87/2010/ND-CP of 1 October 2010, enterprises located in the industrial zones are not allowed to import duty-free equipment, machinery, or specialized means of transport for the implementation of their projects

⁷⁰ Rates applied to the prospecting, exploration, and mining of rare natural resources, crude oil, and natural gas range from 32% to 50% depending on the specific project and business establishment

⁷¹ Otherwise, the tax rate for new enterprises in areas of socio-economic difficulty is 20%.

8.1.29. Competitive advantages

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While India is ranked at 142 Vietnam is ranked at 72.

2. Labour cost

Vietnam enjoys the benefit of cheap labour compared to India and China, which is making it the key manufacturing destination. However, with rapid industrialisation especially with the coming of electronics industry and automobile industry, there are ample opportunities for the Vietnamese workforce across industry. With growing awareness, the country is facing with steady salary growth of close to 15% per annum. The labour cost in Vietnam is US\$ 0.74 per worker per hour in 2014 which is competitive with respect to China, Turkey and India but costlier when compared to Bangladesh, Pakistan and Cambodia.

3. Transport cost and time to export

Vietnam has the cheapest export transfer cost per container at US\$ 610 per container which is less than half the cost incurred by Indian exporters. The cost is also very competitive with respect to other competing countries where the average cost hovers around US\$ 800. When it comes to time to export, Vietnam is fairly competitive at an average of 21 days to export when the average of the six competing countries is 20.4 days. Vietnam also has an upper hand when it comes to documentation, with only five documentation works required for export compared to 7 to 8 required by other countries.

Exhibit 103: Comparison of cost of exports - 2014

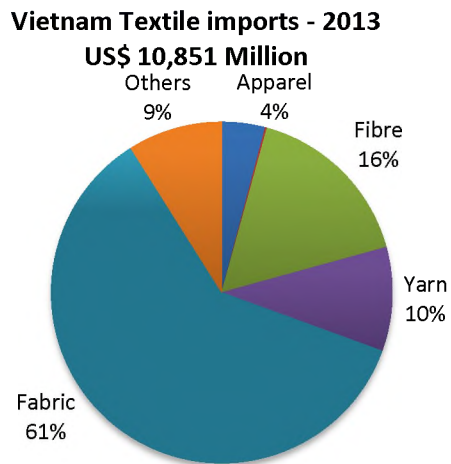
Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Vietnam	610	21	5
2	India	1,332	17	7

Source: IMaCS analysis, World Bank

4. Raw material availability

Vietnam is dependent on imports for catering to its growing export market demand. The Country is not a major producer of fibres and imports both fibres and fabrics from China, Taiwan, India and Thailand to cater to the export demands. The sector wise import for 2013 is indicated in in the following exhibit.

Exhibit 104: Vietnam textile import spread



Source: UN Comtrade

The exhibit above indicates that the Vietnam is dependent on fabric imports to cater to its garment exports market.

5. Power cost

The cost of Industrial power was recently increased by 7.5% in Vietnam to reduce the losses being incurred by the State run Vietnam Electricity Group. The revised pricing averages around US\$ 0.07 per KWh (VND 1622⁷² per KWh). It is lower than the prices prevailing in India and other competing countries of Pakistan, Bangladesh and Cambodia, thus retaining the cost advantage for the country.

6. Summary of Competitiveness

Vietnam drives its competitiveness for the garmenting industry from two key factors - its low cost labour force which is skilled in both as garmenting operators as well as supervisory roles and the easy to use plug and play infrastructure that the Government has provided at many of its Industrial parks. These bring down the cost and time for establishment bringing down various risk associated with construction for the investing country thereby attracting investment in the sector.

⁷² Source: <http://www.moit.gov.vn/en/News/545/the-average-retail-price-of-electricity-up-to-1-835vnd-kwh-until-2015.aspx>

8.1.30. External factors of competitiveness

1. Regional trade agreements

The key foreign and regional trade agreements that impact the garmenting and textile exports out of Vietnam have been discussed as follows:

1. Vietnam-EU Free Trade Agreement (EVFTA): With the EU being the second largest importer of Vietnam's textiles and garments, a FTA between the two would further boost Vietnam's garment and textile industry. It is expected that exports from Vietnam to the EU would increase by 20% during 2013-2020 as the value of textiles and garments exports is projected to increase from US\$ 2.7 billion to US\$ 3.2 billion. Concerning major export products like apparel, footwear and seafood (except for canned tuna and fish balls); the EU will lift all import taxes for Vietnam in seven years after the agreement takes effect. Currently average tariff rate is 9.6 %.

2. Trans-Pacific Partnership (TPP): Vietnam's potential Trans-Pacific Partnership (TPP) with 11 countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the USA) which is still under negotiations has already showing signs of strong growth of Vietnam's apparel & textiles exports to these countries. According to the Vietnam Textile and Apparel Association, the sector's export turnover in the first six months was 12.18 billion US\$, up 10.26% compared to the same period last year. The industry is expected to bring home 28 billion US\$ this year.⁷³ The agreement would create a free trade area with a population of 800 million, accounting for 30% of the world trade turnover and nearly 40% of the world economic output⁷⁴. Many of Vietnam's products will be able to take advantage of zero per cent tariff rates in the U.S. where currently the average tariff tax rates are 17.5. The pending TPP is expected to be completed this year and will create an important momentum for economic ties between Vietnam and TPP member countries.

3. Vietnam South Korea FTA: the FTA was signed in May 2015. Vietnam's FTA with South Korea is expected to almost triple bilateral trade value during 2015-2020, to reach US\$20 billion by 2020. Garment and textile industry is expected to be amongst several Vietnamese industries, which are likely to be positively impacted by the FTA. Also under the FTA between **Vietnam and the Eurasian Customs Union**, signed in December 2014. Vietnam's exports, including textiles and garments, as well as seafood, wooden furniture, and agricultural products, are benefiting from preferential tariffs and are expected to increase by 30% during 2013-2020.

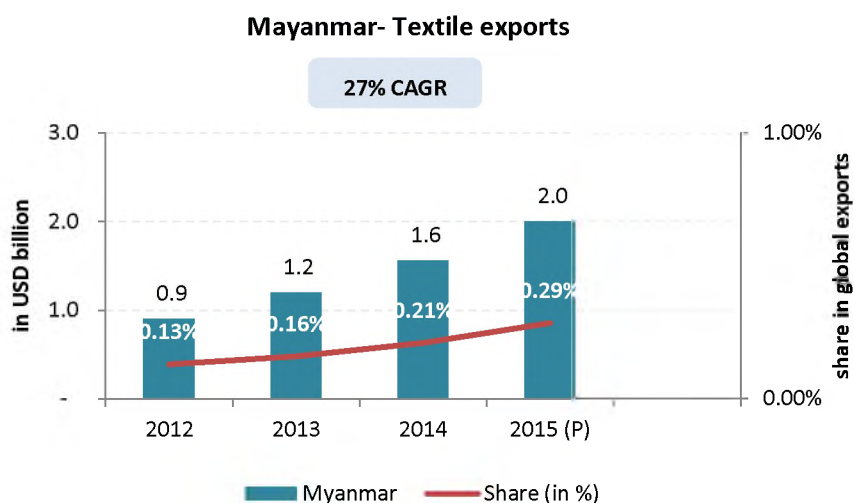
⁷³ Ministry of planning and investment, Government of Vietnam (MPI.GOV.VN), Vietnam Textile and Apparel Association (VITAS)

⁷⁴ Ministry of planning and investment, Government of Vietnam (MPI.GOV.VN)

MYANMAR

Textile and apparel exports from Myanmar have witnessed significant growth since 2011 and with the new civilian government at the helm during 2016, the country is further expected strengthen manufacturing and exports. Textile exports have been valued at US\$ 1.96 billion for 2014, with a share of less than 1% in global textile trade in 2014. Though share is less the trade has witnessed a CAGR of 27% during 2011 and 2014. Textile exports of Myanmar accounts for 6% of its total exports of the country in 2014 and it is among the five strategic areas identified for the growth in exports.

Exhibit 105: Global textile exports from Myanmar



Source: Myanmar Garment Manufacturers association, IMaCS analysis

Myanmar is one of the low cost garmenting centres with relatively labour force. With growing focus on industrialization by the government, Myanmar is catching the eye of the world as a potential destination for export manufacturing. Companies from Thailand, China, Korea and Japan have already set up units in Myanmar. Due to various sanctions and international limitations owing to the previously existing military rule in Myanmar, most of the work being done in Myanmar is limited to Cut, Make and Pack (CMP). Most of the textile units in Myanmar are located close to ports and along the Thailand border. The local industry is constrained by outdated technology and most of the players take up job work from Thailand based units. The textile exports from Myanmar are mostly of knitted and woven apparel under the chapters 61 and 62. The key export destinations are Japan, S. Korea, E.U., China and USA.

8.1.31. Myanmar textile Industry

Apparel manufacturing has been one of the upcoming sectors in Myanmar with many foreign owned garmenting factories coming up in the SEZs close to Yangoon at Thilawa, Pathein, Baga and Hpa-An. There are approximately 350 garmenting units in Myanmar with majority of them being privately held. These units are located in and around Yangoon area.



Garmenting is seen as one of the stepping stones for the newly formed Myanmar government as it would not only promote exports from Myanmar but would also provide employment to the large unemployed work-force, thereby bringing both economic up-gradation and social upliftment in

Myanmar. To achieve this, the Government has two priorities on economic and industrial front - (1) opening of imports into Myanmar and (2) Investment Liberization. With this aim the Government has taken a number of pro-investment and pro-industrialization steps to attract foreign investments, promote local players in garmenting and create a overall favourable environment for businesses and industries. These include:

1. Banking reforms which now allow private banks to engage in international financial transactions
2. Drafting of new Myanmar company's Act which will help in modernising company structures and make foreign shareholding easier thus attracting FDIs
3. Enactment of the new foreign investment law in 2012.
4. Development of new exports strategy

With the policy initiatives Myanmar is looking at attracting new foreign investments to promote its manufacturing and industrial sectors. Myanmar was aiming at achieving investment of USD 6 billion for 2015-16 and had received investments up to USD 4.9 bn till Dec 2015. Most of the investments have been in the textile sector and either direct foreign investment or through JV.

8.1.32. Policy Framework – Myanmar

Policy support programmes being run by the Myanmar Government that aims at benefiting exports are:

2. National export strategy for textile and garmenting sector –

Myanmar has come up with a National export strategy, where in they have identified five strategic focus areas for textile and garmenting sector in Myanmar –

- a. Production mode – transition from CMP to FOB model
- b. Volume – ramping up of production volume
- c. Quality – establishment of industry-wide quality standards
- d. Knit products – development of capacity for production of knit garments
- e. Design – development of design capacity

The Government aims at achieving this goal through provision of easy financial support in terms of telegraphic transfers, back to back letter of credits and letter of credits, to provide the local firms with globally competitive financial support. In addition, it is also promoting movement from CMP to FOB. Most of the players in Myanmar either have a CMP setup or CMP and raw material procurement setup

(termed – FOB I). Developing capabilities for product designing, sourcing strategies and shipment and distribution networks including merchandising strategies is the focus area for this transition.

3. Benefits provided under SEZs

Based on the new SEZ law enacted in 2011, the exporters doing business within an SEZ are eligible for the following benefits:

- a. Income tax exemption for the first five years on profits from exports
- b. 50% reduction in income tax for the next five years on profits from exports
- c. 50% reduction on income tax for profit from exports, for re-investments
- d. Exemption from tariff for procurement of raw material, machinery, equipments for export oriented manufacturing

4. Export promotion and marketing assistance

The government is working on simplifying the exports procedures and documentation requirements. In addition, it is also working on exempting goods from export licensing and simplifying the process for export licences so as to benefit the exporters. In addition, trainings, workshops and trade fairs are conducted routinely to enable private sector participation in foreign trade.

5. Upskilling of labour force

Myanmar has close to 80% labour force participation; however a majority of the population is still unskilled with low wage rates. Although the employment rates are lower, the employment is mostly informal with many workers not getting work for only a limited period. The focus is on upskilling through various modular courses and promoting school and college enrolments. In addition new labour laws have been enacted and are being implemented to upgrade the social and work environment for labourers. However, these are still not fully in place and have to be more stringently implemented in coming years.

8.1.33. Taxation Framework – Myanmar

Corporate income tax in Myanmar is currently levied at 25% for entities that enjoy benefits under Myanmar Foreign Investment Law (MFIL) and 35% for other foreign units/ non resident units. In addition the manufacturing units are also subject to a commercial tax at 5%.

8.1.34. Competitive advantages

1. Ease of doing Business

The World Bank rates all the 185 countries on the parameters to ascertain the ease of doing business with the country. While India is ranked at 142, Myanmar is ranked at 167.

2. Labour cost

Myanmar has one of the lowest labour wage rates at US\$ 0.35⁷⁵ per worker per hour, as proposed by the Government in a bid to attract investments into the garmenting sector. This makes Myanmar very competitive compared to the competing countries China, Turkey, Vietnam, India and Bangladesh.

3. Transport cost and time to export

Myanmar has one of the cheapest export transfer cost per container at US\$ 620 per container which is less than half the cost incurred by Indian exporters. The cost is also very competitive with respect to other competing countries where the average cost hovers around US\$ 800. When it comes to time to export, Myanmar is fairly competitive at an average of 20 days to export when the average of the six competing countries is 20.4 days. Myanmar requires 8 documents to be filed for exports.

Exhibit 106: Comparison of cost of exports - 2014

Sl. No.	Country	Cost of export per container (US\$)	Time for export (Days)	No. Of documents for export
1	Myanmar	620	20	8
2	India	1,332	17	7

Source: IMaCS analysis, World Bank

4. Raw material availability

Myanmar garmenting industry mostly does CMP (Cut, Make and Pack) for foreign brands and other players. As a result it procures most of its raw material is supplied by the vendors providing the job work.

⁷⁵ <http://www.reuters.com/article/us-myanmar-economy-wages-idUSKCN0QY0A620150829>

5. Power cost

The cost of Industrial power in Myanmar averages around US\$ 0.038 to 0.083 per KWh. It is much lower than the prices prevailing in India and other competing countries of Vietnam, Pakistan, Bangladesh and Cambodia, thus retaining the cost advantage for the country.

6. Summary of Competitiveness

Myanmar drives its competitiveness for the garmenting industry from two key factors - its low cost labour force and cheap power. However, with recent reforms, the country has to streamline its investment and export procedures to attract new players and provide the existing ones with a significant competing edge. Many foreign investors from S. Korea, Japan and Thailand are already investing into capacity building in Myanmar and the exports are expected to witness robust growth in the coming years.

8.1.35. External factors of competitiveness

1. 1. GSP plus preferential treatment with EU:

Myanmar received the GSP plus status from EU in 2014. This provides Myanmar with duty free access into EU markets. Myanmar along with Bangladesh and Pakistan are the only countries among the competing countries enjoying the GSP + benefits currently providing them a competitive edge over other competing countries in the EU market.

2. Benefit of LDC status

Myanmar is one of the least developed countries and accordingly enjoys the preferential treatments for exporting to different regions in the world including US.

3. Regional trade agreements

1. *Myanmar ASEAN FTA* Myanmar is a member of the ASEAN free trade agreement, which helps it procure duty free inputs from the ASEAN region and conduct duty free export to the ASEAN region.

APPENDIX 8: HS code wise textile and apparel trade analysis - India and World

Exhibit 107: Indian textile products - Export competitiveness level

HS code	2009	2010	2011	2012	2013	2014	Export competitive in last 2 years?
5001	1.43%	0.04%	0.40%	0.79%	0.82%	0.87%	No
5002	0.64%	0.24%	0.16%	0.14%	0.16%	0.07%	No
5003	9.85%	16.36%	16.66%	19.24%	23.39%	19.01%	Yes
5004	0.62%	1.06%	0.69%	0.43%	0.19%	0.50%	No
5005	1.35%	1.80%	1.94%	0.92%	2.01%	1.70%	No
5006	4.37%	2.76%	5.55%	2.48%	2.76%	7.50%	Yes
5007	12.91%	13.83%	10.38%	6.97%	6.94%	6.76%	Yes
5101	0.04%	0.05%	0.04%	0.02%	0.01%	0.00%	No
5102	0.29%	0.06%	0.25%	0.26%	0.06%	0.03%	No
5103	1.20%	1.60%	6.63%	6.75%	6.69%	7.58%	Yes
5104	8.56%	12.90%	8.56%	7.90%	8.03%	4.57%	Yes
5105	2.67%	2.50%	2.31%	2.87%	2.44%	2.27%	No
5106	0.53%	1.07%	1.15%	0.79%	1.10%	1.49%	No
5107	2.05%	2.13%	4.27%	4.39%	3.58%	4.19%	Yes
5108	0.86%	0.08%	0.01%	0.01%	0.01%	0.00%	No
5109	0.12%	0.16%	0.63%	0.69%	0.18%	0.13%	No
5110	0.15%	0.13%	4.82%	0.01%	0.64%	0.69%	No
5111	1.05%	1.12%	0.72%	0.49%	0.63%	0.72%	No
5112	1.12%	1.29%	1.26%	1.10%	1.05%	1.25%	No
5113	0.83%	0.43%	0.39%	0.63%	0.75%	0.50%	No
5201	12.91%	21.84%	16.96%	19.73%	26.55%	21.36%	Yes
5202	4.71%	10.14%	9.73%	14.52%	19.29%	14.80%	Yes
5203	0.28%	0.23%	0.17%	0.08%	0.26%	0.43%	No
5204	5.50%	6.83%	13.24%	12.25%	11.82%	11.11%	Yes
5205	14.81%	22.89%	21.44%	25.39%	32.07%	36.12%	Yes
5206	1.05%	1.15%	1.94%	1.71%	1.47%	2.09%	No
5207	19.86%	14.21%	3.94%	5.72%	1.86%	1.56%	No
5208	4.85%	4.69%	6.00%	6.12%	5.89%	6.83%	Yes
5209	3.37%	3.33%	4.19%	6.09%	6.26%	6.53%	Yes
5210	0.61%	0.77%	0.96%	0.86%	1.09%	1.04%	No
5211	1.13%	1.21%	1.73%	2.26%	2.63%	3.37%	No
5212	9.14%	10.52%	11.48%	13.62%	17.36%	20.80%	Yes
5301	0.20%	0.42%	0.08%	0.09%	0.16%	0.17%	No
5302	0.59%	10.05%	1.33%	0.58%	0.45%	1.15%	No
5303	3.45%	9.52%	5.21%	24.72%	17.84%	54.61%	Yes
5304	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	No
5305	19.50%	21.96%	27.93%	30.20%	33.04%	36.48%	Yes
5306	0.30%	0.50%	1.05%	0.35%	0.37%	0.48%	No
5307	9.96%	16.85%	11.71%	75.72%	55.15%	65.88%	Yes
5308	7.51%	4.73%	5.96%	7.82%	8.70%	7.27%	Yes
5309	3.05%	2.62%	3.02%	3.69%	4.28%	4.75%	Yes
5310	35.21%	54.01%	59.74%	69.90%	69.06%	75.49%	Yes
5311	0.22%	0.34%	1.19%	0.91%	0.93%	0.93%	No
5401	0.78%	0.89%	1.25%	1.15%	1.07%	0.91%	No
5402	2.84%	4.79%	6.28%	7.39%	8.25%	8.44%	Yes
5403	3.83%	4.27%	5.45%	5.68%	5.83%	5.58%	Yes
5404	0.65%	0.82%	0.69%	0.60%	0.59%	0.55%	No
5405	0.30%	0.09%	0.00%	0.00%	0.02%	0.00%	No
5406	2.64%	5.65%	1.52%	0.96%	0.72%	0.58%	No
5407	8.31%	7.41%	6.47%	4.70%	5.36%	5.88%	Yes
5408	2.91%	3.71%	2.29%	1.51%	1.42%	2.06%	No
5501	0.75%	5.15%	2.46%	1.22%	1.33%	1.86%	No
5502	0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	No
5503	4.53%	4.71%	4.58%	4.64%	5.95%	6.96%	Yes
5504	10.82%	11.22%	10.11%	12.11%	15.20%	18.81%	Yes
5505	6.73%	7.64%	8.12%	7.24%	5.33%	3.58%	Yes
5506	2.87%	2.21%	0.78%	1.89%	2.31%	1.64%	No
5507	1.49%	0.79%	0.19%	0.02%	0.35%	0.20%	No
5508	0.50%	0.50%	1.04%	0.95%	0.77%	0.61%	No
5509	7.70%	8.60%	10.07%	8.24%	9.19%	12.53%	Yes
5510	10.59%	10.65%	13.49%	9.04%	7.58%	11.83%	Yes

HS code	2009	2010	2011	2012	2013	2014	Export competitive in last 2 years?
5511	0.87%	0.91%	1.13%	1.45%	1.98%	4.89%	No
5512	8.45%	3.69%	2.54%	3.30%	2.49%	3.20%	No
5513	0.92%	0.91%	1.21%	1.70%	1.91%	1.58%	No
5514	0.93%	0.69%	1.92%	2.45%	2.59%	2.42%	No
5515	9.10%	12.79%	15.08%	14.99%	15.26%	16.60%	Yes
5516	0.69%	0.59%	0.77%	1.79%	2.36%	2.66%	No
5601	0.74%	0.84%	1.09%	1.61%	1.63%	1.44%	No
5602	0.44%	0.59%	0.57%	0.75%	0.59%	0.48%	No
5603	0.26%	0.43%	0.46%	0.44%	0.56%	0.59%	No
5604	0.20%	0.07%	0.23%	0.16%	0.16%	0.13%	No
5605	4.17%	2.59%	2.72%	2.73%	2.91%	4.44%	No
5606	0.45%	0.46%	0.52%	0.65%	0.35%	0.38%	No
5607	4.64%	6.10%	6.27%	6.45%	6.58%	6.60%	Yes
5608	2.74%	2.88%	3.01%	2.93%	2.81%	3.32%	No
5609	1.48%	1.47%	1.38%	2.73%	3.64%	3.78%	Yes
5701	22.34%	21.28%	15.22%	24.82%	28.04%	28.44%	Yes
5702	9.38%	7.62%	7.60%	7.94%	9.49%	9.92%	Yes
5703	3.10%	4.72%	5.49%	6.01%	6.74%	7.05%	Yes
5704	0.26%	3.02%	0.52%	0.76%	1.59%	9.04%	No
5705	19.42%	19.45%	15.30%	16.60%	21.93%	23.90%	Yes
5801	0.86%	0.95%	0.77%	0.52%	1.25%	1.43%	No
5802	0.70%	1.10%	1.44%	2.14%	2.49%	1.68%	No
5803	2.12%	3.31%	4.75%	3.53%	2.92%	3.53%	No
5804	0.72%	1.01%	0.82%	0.83%	1.03%	0.76%	No
5805	1.52%	3.28%	9.61%	2.06%	1.88%	1.26%	No
5806	0.88%	1.33%	1.22%	0.98%	1.07%	0.91%	No
5807	0.69%	0.66%	0.74%	0.83%	1.03%	0.99%	No
5808	2.62%	3.43%	2.52%	2.68%	3.03%	3.12%	No
5809	4.38%	3.95%	7.70%	9.70%	18.40%	8.81%	Yes
5810	6.59%	6.88%	6.55%	7.96%	12.05%	14.56%	Yes
5811	0.29%	0.29%	0.29%	1.20%	0.37%	0.40%	No
5901	2.84%	1.16%	1.02%	1.20%	1.77%	2.39%	No
5902	0.76%	0.72%	0.79%	1.03%	1.69%	2.44%	No
5903	0.44%	0.85%	0.70%	0.91%	1.12%	2.51%	No
5904	0.06%	0.03%	0.11%	0.21%	0.17%	0.21%	No
5905	0.23%	0.76%	0.31%	0.05%	0.18%	0.27%	No
5906	0.72%	0.94%	0.91%	0.78%	0.63%	0.57%	No
5907	0.36%	0.24%	0.41%	0.37%	0.38%	0.37%	No
5908	14.31%	10.65%	9.98%	9.95%	8.93%	11.66%	Yes
5909	1.10%	0.65%	0.64%	0.79%	0.55%	0.66%	No
5910	0.70%	0.53%	0.65%	0.52%	0.55%	0.53%	No
5911	0.24%	0.28%	0.31%	0.39%	0.53%	0.45%	No
6001	1.01%	0.71%	1.28%	0.54%	0.39%	0.36%	No
6002	1.83%	2.02%	2.00%	1.57%	1.34%	1.13%	No
6003	1.44%	1.16%	1.11%	0.69%	0.50%	0.59%	No
6004	0.08%	0.09%	0.11%	0.19%	0.29%	0.65%	No
6005	0.31%	0.13%	0.06%	0.04%	0.08%	0.06%	No
6006	0.62%	0.84%	1.32%	1.22%	1.42%	1.51%	No
6101	0.61%	0.31%	0.41%	0.41%	0.31%	0.55%	No
6102	0.52%	0.20%	0.25%	0.19%	0.40%	0.40%	No
6103	2.23%	1.84%	1.66%	1.54%	1.72%	2.61%	No
6104	2.00%	1.53%	1.48%	1.31%	1.47%	1.92%	No
6105	7.61%	7.34%	8.98%	7.60%	8.25%	9.54%	Yes
6106	7.59%	6.10%	5.92%	4.26%	4.78%	4.31%	Yes
6107	7.37%	5.50%	5.53%	5.91%	7.15%	8.09%	Yes
6108	5.34%	2.87%	4.05%	4.18%	4.59%	4.93%	Yes
6109	6.31%	4.91%	5.27%	6.23%	7.05%	7.71%	Yes
6110	0.68%	0.53%	0.55%	0.47%	0.58%	0.73%	No
6111	7.75%	6.99%	8.61%	9.52%	10.75%	11.86%	Yes
6112	0.28%	0.17%	0.32%	0.60%	0.43%	0.28%	No
6113	0.09%	0.03%	0.08%	0.07%	0.06%	0.07%	No
6114	3.49%	3.06%	4.15%	5.30%	8.06%	10.65%	Yes
6115	0.39%	0.33%	0.36%	0.36%	0.54%	0.59%	No
6116	0.32%	0.60%	0.74%	0.63%	0.63%	0.66%	No
6117	1.12%	1.02%	1.37%	0.58%	1.50%	3.82%	No
6201	0.28%	0.11%	0.11%	0.12%	0.18%	0.18%	No
6202	0.13%	0.13%	0.10%	0.10%	0.09%	0.10%	No
6203	2.24%	1.93%	2.15%	2.55%	2.82%	3.02%	No

HS code	2009	2010	2011	2012	2013	2014	Export competitive in last 2 years?
6204	4.34%	3.93%	4.73%	4.54%	4.62%	4.66%	Yes
6205	6.70%	6.43%	7.00%	7.95%	8.86%	9.72%	Yes
6206	13.67%	13.87%	14.67%	11.85%	12.98%	13.95%	Yes
6207	2.45%	2.14%	2.35%	3.58%	4.96%	4.93%	Yes
6208	5.51%	4.52%	5.97%	7.27%	7.93%	7.16%	Yes
6209	7.10%	6.57%	8.52%	9.69%	13.45%	15.12%	Yes
6210	0.08%	0.05%	0.07%	0.15%	0.20%	0.11%	No
6211	1.88%	1.85%	3.89%	6.04%	7.11%	9.60%	Yes
6212	0.52%	0.51%	0.52%	0.88%	1.00%	1.02%	No
6213	3.75%	2.34%	3.17%	3.22%	2.83%	3.01%	No
6214	21.97%	17.88%	17.80%	17.00%	17.89%	16.51%	Yes
6215	1.04%	0.88%	1.20%	0.18%	0.21%	0.26%	No
6216	1.80%	1.65%	1.61%	1.80%	2.13%	2.28%	No
6217	2.46%	1.94%	2.00%	2.52%	1.61%	2.46%	No
6301	2.16%	2.11%	2.95%	2.82%	3.36%	3.40%	Yes
6302	3.28%	5.45%	7.34%	7.35%	6.51%	6.96%	Yes
6303	3.60%	3.68%	4.12%	3.67%	3.37%	3.30%	Yes
6304	28.05%	26.77%	25.02%	28.76%	33.40%	31.65%	Yes
6305	7.43%	6.86%	10.16%	10.97%	12.46%	14.91%	Yes
6306	0.27%	0.27%	0.31%	0.29%	0.29%	0.35%	No
6307	3.84%	3.73%	3.78%	3.92%	4.05%	3.59%	Yes
6308	0.58%	0.49%	1.05%	0.90%	0.98%	0.77%	No
6309	2.88%	1.81%	1.90%	1.63%	1.87%	2.30%	No
6310	1.31%	0.97%	2.83%	2.30%	3.81%	5.77%	Yes
Grand Total	4.06%	4.35%	4.55%	4.74%	5.40%	5.56%	Yes

Source: UN Comtrade; IMAcS Analysis

Global textile and apparel trade – HS code wise analysis

Exhibit 108: Product wise Global textile export trends
(US\$ billion)

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
5001-Fibre	SILK-WORM COCOONS SUITABLE FOR REELING	0.0	0.0	0.0	-1%	0.0%
5002-Fibre	RAW SILK (NOT THROWN)	0.4	0.4	0.4	8%	0.1%
5003-Fibre	SLK WASTE (INCLD COCOONS NT SUTBLE FR RELNGYARN WSTE AND GARNTS STOCK)	0.1	0.1	0.1	21%	0.0%
5004-Yarn	SLK YARNS(OTHR THN YRN SPUN FROM SLK WSTE)NT PUT UP FOR RETAIL SALE	0.3	0.4	0.3	3%	0.0%
5005-Yarn	YRN SPN FRM SLK WST NT PUT UP FR RETAL SLE	0.1	0.1	0.1	-2%	0.0%
5006-	SLK YRN AND YRN SPUN FROM SLK WAST PUT UP FOR RETAIL SALE,SLK-WORM GUT	0.0	0.0	0.0	11%	0.0%
5007-	WOVEN FABRICS OF SILK OR OF SILK WASTE	2.1	2.0	1.8	-3%	0.2%
5101-Fibre	WOOL NOT CARDED OR COMBED	4.3	4.2	3.9	10%	0.5%
5102-Fibre	FINE/COARSE ANML HAIR NT CRDED/COMBED	0.1	0.3	0.3	41%	0.0%
5103-Fibre	WASTE OF WOOL OR OF FINE OR COARSE ANIMAL HAIR, INCLUDING YARN WASTE BUT EXCLUDING GARNETTED STOCK	0.1	0.1	0.1	8%	0.0%
5104-Fibre	GRNTD STOCK OF WOOL/FINE/COARSE ANML HAIR	0.0	0.0	0.0	-2%	0.0%
5105	WOOL AND FINE OR COARSE ANIMAL HAIR, CARDED OR COMBED (INCLUDING COMBED	2.0	2.1	2.1	10%	0.3%
5106-Yarn	YRN OF CRDED WOOL NT PUT UP FR RETAIL SALE	0.9	0.8	0.8	4%	0.1%
5107-Yarn	YRN OF CMBD WOOL NT PUT UP FR RETAIL SALE	1.8	1.6	1.6	3%	0.2%
5108-Yarn	YARN OF FINE ANIMAL HAIR (CARDED OR COMBED), NOT PUT UP FOR RETAIL SALE	0.7	0.8	0.8	12%	0.1%
5109-Yarn	YARN OF WOOL OR FINE ANIMAL HAIR, PUT UP FOR RETAIL SALE	0.3	0.5	0.5	17%	0.1%
5110-Yarn	YRN OF COARSE ANML HAIR/OF HORS HAIR(INCL GMPD HORSHAIR YARN)W/N PUT UP FR RETL SALE	0.0	0.0	0.0	7%	0.0%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
5111-Fabric	WOVEN FABRICS OF CARDED WOOL OR OF CARDED FINE ANIMAL HAIR	1.2	1.2	1.2	1%	0.2%
5112-Fabric	WOVN FBRCs OF CMBD WOOL/FINE ANML HAIR	2.7	2.6	2.6	2%	0.3%
5113-Fabric	WOVN FBRCs OF CORSE ANML HAIR/OF HORS HAIR	0.0	0.0	0.0	2%	0.0%
5201-Fibre	COTTON, NOT CARDED OR COMBED	18.5	17.0	13.2	11%	1.8%
5202-Fibre	COTON WAST(INCL YARN WAST AND GRNTED STOCK)	0.6	0.6	0.4	5%	0.1%
5203-Fibre	COTTON, CARDED OR COMBED	0.8	0.3	0.2	-4%	0.0%
5204-Yarn	COTON SEWNG THRED W/N PUT UP FOR RETL SALE	0.2	0.2	0.2	3%	0.0%
5205-Yarn	COTN YRN(OTHR THN SWNG THRD)CNTNG 85% OR MORE BY WT OF COTON NT PUT UP FR RETL SALE	12.5	14.9	12.6	9%	1.7%
5206-Yarn	COTON YRN(OTHR THN SEWNG THRD)CONTNG COTON <85% BY WT NT PUT FOR RETAIL SALE	1.5	1.9	1.5	10%	0.2%
5207-Yarn	COTTON YARN (OTHER THAN SEWING THREAD) PUT UP FOR RETAIL SALE	0.3	0.3	0.3	2%	0.0%
5208-Fabric	WOVN FBRCs OF COTON CONTNG>=85% BY WT OF COTON WEGHNG NT MORE THN 200 G/M2	14.7	16.7	14.5	5%	1.9%
5209-Fabric	WOVN FBRCs OF COTTON, CONTNG >=85% COTN BY WT WEIGHING>200 GM PER SQM	8.7	9.1	8.4	4%	1.1%
5210-Fabric	WOVN FBRCs CONTNG<85% COTON,MXD MAINLY OR SOLELY WTH MANMADE FBRS WEGHNG<=200G/M2	2.5	2.6	2.6	6%	0.3%
5211-Fabric	WOVN FBRCs OF COTON,CONTNG<85% COTTON,MXD MAINLY WTH MNMD FBRS WEIGHING>200 G/M2	2.8	3.2	3.4	15%	0.5%
5212-Fabric	OTHER WOVEN FABRICS OF COTTON	0.8	1.0	0.9	4%	0.1%
5301-Fibre	FLUX,RAW OR PRCSsd BUT NT SPUN;FLAX TOW AND WAST(INCL YARN WAST AND GARNTTD STOCK)	0.5	0.6	0.8	18%	0.1%
5302-Fibre	TRUE HEMP(CANABIS SATIVAL)RAW/PROCESSED BUT NOT SPUN TOW AND WASTE OF TRUE HEMP (INCL YARN WASTE AND GARNETTED STOCK)	0.0	0.0	0.0	-15%	0.0%
5303-Fibre	JUTE AND OTHR TXTL BAST FBRS(EXCL FLAX,TRUE HEMP AND RAMIE)RAW/PRCSsd BUTNT SPUN;TOW AND WASTE(INCL YARN WASTE AND GARNTTD ST	0.2	0.3	0.2	-5%	0.0%
5304-		0.0	0.0	0.0	33%	0.0%
5305-Fibre	COCONUT,ABACA,RAMIE AND OTHR VGTBL TXTL FBRS N.E.S.OR INCLUDED,RAW OR PRCSsd, TOW,NOILS AND WASTE OF THESE FIBRS	0.4	0.4	0.5	16%	0.1%
5306-Yarn	FLAX YARN	0.5	0.5	0.5	17%	0.1%
5307-Yarn	YARN OF JUTE OR OF OTHER TEXTILE BAST FIBRES OF HEADING 5303	0.4	0.5	0.6	13%	0.1%
5308-Yarn	YARN OF OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN	0.1	0.1	0.1	2%	0.0%
5309-Fabric	WOVEN FABRICS OF FLAX	1.1	1.1	1.1	4%	0.2%
5310-Fabric	WOVEN FABRICS OF JUTE OR OF OTHER TEXTILE BASE FIBRES OF HEADING 5303	0.2	0.2	0.2	2%	0.0%
5311-Fabric	WOVEN FABRICS OF OTHER VEGETABLE TEXTILE FIBRES; WOVEN FABRICS OF PAPER YARN	0.4	0.6	0.7	23%	0.1%
5401-Yarn	SEWING THREAD OF MAN-MADE FILAMENTS, WHETHER OR NOT PUT UP FOR RETAIL SALE	1.2	1.2	1.2	6%	0.2%
5402-Yarn	SYNTHTC FILAMNT YRN(OTHR THN SEWNG THRD) NOT PUT UP FOR RETAIL SALE INCL SYNTHETIC MONOFILAMENT OF LESS THAN 67 DECITEX	15.4	16.1	14.7	7%	2.0%
5403-Yarn	ARTIFICIAL FILAMENT YARN(EXCL SEWING THREAD),NOT PUT UP FOR RETAIL SALE,INCL ARTIFICIAL MONOFILAMENT OF < 67 DECI	1.1	1.1	1.0	6%	0.1%
5404-Yarn	SYNTHTC MONFLMNT OF>=67 DCTX AND OF CRSS-	1.2	1.2	1.3	6%	0.2%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
5405-Yarn	SCTNL DIMNSN<=1MM;STRP ETC(E.G.ARTFCL STRW)OF SYNTHC TXTL MTRLS OF WDT<= ARTFCL MONFLMNT OF>=67 DCTX,HVNG CRSS-SCTNL DMNSN<=1MM;STRP ETC(E.G.ARTFCL STRW)OF ARTFCL TXTL MTRLS OF WDT <=	0.0	0.0	0.0	-6%	0.0%
5406-Yarn	MAN-MADE FILAMENT YARN (OTHER THAN SEWING THREAD), PUT UP FOR RETAIL SALE	0.1	0.1	0.1	12%	0.0%
5407-Fabric	WOVN FBRCs OF SYNTHC FILAMENT YARN INCL WOVN FBRCs OBTND FROM MTRLS OF HDG NO.5404	21.7	23.3	20.6	4%	2.8%
5408-Fabric	WOVEN FABRICS OF ARTIFICIAL FILAMENT YARN,	1.3	1.3	1.3	4%	0.2%
5501-Fibre	SYNTHETIC FILAMENT TOW	0.9	0.9	0.9	9%	0.1%
5502-Fibre	ARTIFICIAL FILAMENT TOW	2.8	3.1	3.0	6%	0.4%
5503-Fibre	SYNTHETIC STAPLE FIBRES, NOT CARDED, COMBED OR OTHERWISE PROCESSED FOR SPINNING	5.9	6.4	4.9	6%	0.6%
5504-Fibre	ARTIFICIAL STAPLE FIBRES, NOT CARDED, COMBED OR OTHERWISE PROCESSED FOR	1.7	1.5	1.1	3%	0.1%
5505-Fibre	WASTE (INCLUDING NOILS, YARN WASTE AND GARNETTED STOCK) OF MAN-MADE FIBRES	0.3	0.3	0.2	1%	0.0%
5506-Fibre	SYNTHETIC STAPLE FIBRES, CARDED COMBED OR OTHERWISE PROCESSED FOR SPINNING	0.3	0.2	0.2	6%	0.0%
5507-Fibre	ARTIFICIAL STAPLE FIBRES, CARDED, COMBED OR OTHERWISE PROCESSED FOR SPINNING	0.0	0.0	0.0	4%	0.0%
5508-Yarn	SEWING THREAD OF MAN-MADE STAPLE FIBRES, WHETHER OR NOT PUT UP FOR RETAIL SALE	0.9	0.9	0.8	2%	0.1%
5509-Yarn	YARN(OTHR THN SWNG THREAD)OF SYNTHC STAPLE FIBRES,NOT PUT UP FOR RETAIL SALE	6.4	6.3	4.9	4%	0.7%
5510-Yarn	YARN(OTHR THN SWNG THREAD)OF ARTFCL STAPLE FIBRES NOT PUT UP FR RTL SALE	1.8	1.7	1.0	-6%	0.1%
5511-Yarn	YARN(OTHR THN SWNG THREAD)OF MAN-MADE STAPLE FIBRES PUT UP FOR RTL SALE	0.4	0.4	0.5	12%	0.1%
5512-Fabric	WOVEN FABRICS OF SYNTHETIC STAPLE FIBRES, CONTAINING 85% OR MORE BY WEIGHT OF SYNTHETIC STAPLE FIBRES	2.9	3.1	2.9	6%	0.4%
5513-Fabric	WOVN FBRCs OF SYNTHC STAPLE FIBRES CNTNGLESS THN 85% BY WT OF SUCH FIBRES,MXD MNLYOR SOLELY WTH COTTON OF WT<=170	3.2	3.3	3.7	8%	0.5%
5514-Fabric	WVN FBRCs OF SYNTHC STPL FBRS CNTNG< 85% BY WT OF SUCH FBRS MXD MAINLY/SOLELY WITH COTTON OF A WT EXCDG 170 G/M2	1.7	1.8	1.7	7%	0.2%
5515-Fabric	OTHER WOVEN FABRICS OF SYNTHETIC STAPLE FIBRES	3.6	3.7	3.6	8%	0.5%
5516-Fabric	WOVEN FABRICS OF ARTIFICIAL STAPLE FIBRES	2.7	3.1	3.7	16%	0.5%
5601-Others	WADDING OF TEXTILE MATERIALS AND ARTICLES THEREOF; TEXTILE FIBRES, NOT EXCEEDING 5 MM IN LENGTH (FLOCK), TEXTILE DUST A	2.2	2.2	2.1	-2%	0.3%
5602-Others	FELT, WHETHER OR NOT IMPREGNATED, COATED, COVERED OR LAMINATED	1.0	1.2	1.2	6%	0.2%
5603-Others	NONWOVENS, WHETHER OR NOT IMPREGNATED, COATED, COVERED OR LAMINATED	13.1	14.1	14.0	8%	1.9%
5604-Yarn	RUBR THRD AND CORD, TXTL COVRD;TXTL YRN AND STRIP AND THE LIKE OF HEDNG NO.5404/5405 IMPRGNTD COTD,COVRD/SHTHD WTH RUBR/P	0.4	0.4	0.4	9%	0.1%
5605-Yarn	MTLSD YRN,W/N GMPD BEING TXTL YRN/STRP/ THELIKE OF HD 5404/5405 COMBND WTH METL IN THE FORM OF THRED,STRP/PWDR/COVRD	0.2	0.3	0.3	11%	0.0%
5606-Yarn	GMPD YRN AND STRP ETC OF 5404/5405,(EXCL OF 5605 AND GMPD HORSHAIR YRN);CHENL YRN (INCL FLOCK CHENL YRN); LOOPWALE-YRN	0.6	0.6	0.6	5%	0.1%
5607-Others	TWNE,CORDGE,ROP AND CBLs,W/N PLTDD/BRDD AND W/ NIMPRGNTD,COTD,COVRD/SHTHD WTH RUBR/PLSTCS	2.3	2.4	2.3	7%	0.3%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
5608-Others	KNOTD NTNG OF TWNE CORDGE/ROPE;MDE UP FSHNG NETSAND OTR MDE UP NETS OF TXTL MATRLS	1.5	1.6	1.6	9%	0.2%
5609-Yarn	ARTCLS OF YRN,STRP/THE LIKE OF HDNG NO. 5404/5405 TWINE,CORDGE,ROP/CBLS N.E.S.	0.4	0.4	0.4	13%	0.1%
5701-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, KNOTTED, WHETHER OR NOT MADE UP	1.5	1.6	1.4	2%	0.2%
5702-Others	CRPTS AND OTHR TXTL FLR CVRNGS,WVN NOT TUFTED/FLOCKED,W/N MADE UP,INCL"KELEM" "SCHUMACKS","KARAMANIE"	4.1	4.5	4.5	10%	0.6%
5703-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, TUFTED, WHETHER OR NOT MADE UP	6.3	6.7	6.9	5%	0.9%
5704-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, OF FELT, NOT TUFTED OR FLOCKED, WHETHER OR NOT MADE UP	0.7	0.7	0.7	3%	0.1%
5705-Others	OTHER CARPETS AND OTHER TEXTILE FLOOR COVERINGS, WHETHER OR NOT MADE UP	1.6	1.7	1.7	5%	0.2%
5801-Fabric	WOVEN PILE FABRICS AND CHENILLE FABRICS, OTHER THAN FABRICS OF HEADING 5802 OR 5806	2.9	2.9	2.6	-1%	0.4%
5802-Fabric	TERRY TOWELLING AND SMLR WVN TERRY FBRCs, EXCPT NARROW FBRCs OF HDG 5806;TUFTED TXTL FBRCs,EXCPT PRDCTS OF HDNG NO 5	0.2	0.2	0.2	-9%	0.0%
5803-Fabric	GAUZE, OTHER THAN NARROW FABRICS OF HEADING 5806	0.1	0.1	0.1	22%	0.0%
5804-Fabric	TULLES AND OTHR NET FBRCs EXCL WOVN KNITD OR CROCHTD FBRCs LACE IN THE PC IN STRPS/ IN MOTFS EXCL FBRCs OF HEDG NO.6002	1.5	1.6	1.7	14%	0.2%
5805-Others	HND-WVN TAPESTRIES OF THE TYPE GOBELINS, FLNDRS ETC AND NEEDLE-WRKD TAPESTRIES (E.G. PETIT POINT CROSS STITCH),W/N MADE U	0.0	0.0	0.0	8%	0.0%
5806-Fabric	NARROW WOVEN FABRICS OTHER THAN GOODS OF HEADING 5807; NARROW FABRICS CONSISTING OF WARP WITHOUT WEFT ASSEMBLED	3.1	3.4	3.4	7%	0.4%
5807-Others	LABELS, BADGES AND SIMILAR ARTICLES OF TEXTILE MATERIALS, IN THE PIECE, IN STRIPS OR CUT TO SHAPE OR SIZE, NOT EMBROI	1.2	1.3	1.1	2%	0.2%
5808-Others	BRAIDS IN THE PIECE; ORNAMENTAL TRIMMINGS IN THE PIECE, WITHOUT EMBROIDERY, OTHER THAN KNITTED OR CROCHETED; TASSELS,	0.5	0.5	0.5	1%	0.1%
5809-Fabric	WVN FBRCs OF MTL THRD AND MTLSD YARN OF HDG 5605 OF A KND USED IN APPAREL AS FRNSHG FBRCs/FOR SMLR PURPOSES N.E.S./INCLU	0.0	0.0	0.0	-8%	0.0%
5810-Others	EMBRDRY IN THE PIECE,IN STRIPS/IN MOTIFS	2.1	2.2	2.0	2%	0.3%
5811-Others	QUILTED TEXTILE PRODUCTS IN THE PIECE, COMPOSED OF ONE OR MORE LAYERS OF TEXTILE MATERIALS ASSEMBLED WITH PADDING BY	0.3	0.3	0.3	-2%	0.0%
5901-Fabric	TEXTILE FABRICS COATED WITH GUM OR AMYLACEOUS SUBSTANCES, OF A KIND USED FOR THE OUTER COVERS OF BOOKS OR THE LIK	0.5	0.5	0.6	6%	0.1%
5902-Fabric	TYRE CORD FABRIC OF HIGH TENACITY YARN OF NYLON OR OTHER POLYAMIDES, POLYESTERS OR VISCOSE RAYON	2.9	2.9	2.4	3%	0.3%
5903-Fabric	TXTL FBRCs IMPRGNTD,COATD,CVRD/LAMNTD WTH PLASTICS EXCL THOSE OF HDG NO. 5902	11.5	12.2	11.5	8%	1.5%
5904	LINOLEUM, WHETHER OR NOT CUT TO SHAPE; FLOOR COVERINGS CONSISTING OF A COATING OR COVERING APPLIED ON A TEXTILE BACKI	0.2	0.4	0.4	9%	0.0%
5905-Others	TEXTILE WALL COVERINGS	0.1	0.1	0.1	4%	0.0%
5906-Others	RUBBERISED TEXTILE FABRICS, OTHER THAN THOSE OF HEADING 5902	1.4	1.4	1.3	8%	0.2%
5907-Others	TXTL FBRCs OTHRWISE IMPRGNTD,COATED/CVRD;	0.8	0.9	0.9	6%	0.1%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
	PAINTED CANVAS BEING THEATRICAL SCENERY, STUDIO BACK-CLOTHS OR THE LIKE					
5908-Others	TXTL WICKS,WOVEN,PLAITED/KNITTED,FOR LAMPSSTOVES,LIGHTERS,CANDLES ETC;INCANDESCENT GAS MANTLES ETC,W/N IMPREGNATED	0.0	0.0	0.0	1%	0.0%
5909-Others	TEXTILE HOSE PIPING AND SIMILAR TEXTILE TUBING, WITH OR WITHOUT LINING, ARMOUR OR ACCESSORIES OF OTHER MATERIALS	0.4	0.4	0.5	10%	0.1%
5910-Others	TRNSMSN/CONVYR BLTS/BLTNG OF TXTL MATRL WH/NT IMPRGNTD COTD,COVRD/LAMNTD WTH PLSTCOR RINFRCD WTH MTL/OTHR MATRL	0.5	0.5	0.5	8%	0.1%
5911-Others	TEXTILE PRODUCTS AND ARTICLES, FOR TECHNICAL USES, SPECIFIED IN NOTE 7 TO THIS CHAPTER	4.3	4.5	4.6	6%	0.6%
6001-Fabric	PILE FABRICS INCLUDING"LONG PILE" FABRICS AND TERRY FABRICS,KNITTED/CROCHE	3.8	4.1	3.9	9%	0.5%
6002-Fabric	KNITD OR CROCHETED FBRCs OF WIDTH <30 CM ,CONTNG ELASTOMERIC YARN/RUBR>=5% BY WT , EXCPT HDG NO 6001	0.4	0.4	0.4	-4%	0.1%
6003-Fabric	KNITD OR CROCHETED FBRCs OF A WIDTH<30CM, EXCPT HDG NO 6001 OR 6002	0.2	0.2	0.2	4%	0.0%
6004-Fabric	KNITD OR CROCHETED FBRCs OF WIDTH.30CM , CONTNG ELASTOMERIC YARN/RUBR>=5% BY WT, EXCPT HDGNO. 6001	6.2	7.0	5.3	2%	0.7%
6005-Fabric	WARP KNIT FABRICS (INCLUDING THOSE MADE ON GALLOON KNITTING MACHINES), OTHER THAN THOSE OF HEADINGS 6001 TO 6004	3.1	3.4	3.2	8%	0.4%
6006-Fabric	OTHER KNITTED OR CROCHETED FABRICS	13.8	14.9	13.6	7%	1.8%
6101-Apparel	MEN'S/BOYS' OVERCOATS,CAR-COATS,CAPEs (INCL SKI-JCKTS),WIND-CHEATERS,WIND JCKTS ETC,KNITD/CRCHTD,EXCL OF HDG NO 6103	1.7	1.9	1.9	6%	0.3%
6102-Apparel	WOMENS OR GIRLSOVERCOATS, CAR-COATS, CAPEs, CLOAKs, ANORAKs (INCLUDING SKIJACKETS), WIND-CHEATERS, WIND-JAC	2.2	2.1	2.5	6%	0.3%
6103-Apparel	MEN'S OR BOYS' SUITS, ENSEMBLES, JACKETS, BLAZERS, TROUSERS, BIBAND BRACE OVERALLS, BREECHES AND SHORTS (OTHER THAN SWIM	14.8	17.1	13.5	9%	1.8%
6104-Apparel	WOMENS OR GIRLSSUITS, ENSEMBLES, JACKETS, BLAZERS, DRESSES, SKIRTS, DIVIDED SKIRTS, TROUSERS, BIB AND BRACE OVE	39.2	44.8	39.2	13%	5.2%
6105-Apparel	MEN'S/BOYS'SHIRTS,KNITTED/CROCHETED	8.1	8.7	8.7	6%	1.2%
6106-Apparel	WOMENS OR GIRLSBLOUSES, SHIRTS AND SHIRT-BLOUSES, KNITTED OR CROCHETED	5.6	5.7	5.2	-3%	0.7%
6107-Apparel	MEN'S/BOYS'UNDERPANTS,BRIEFs,NIGHTSHIRTS, PYJAMAs,BATHROBES ETC,KNITD/CRCHTD	5.3	6.1	6.5	11%	0.9%
6108-Apparel	WOMENS OR GIRLSSLIPs, PETTICOATs, BRIEFs, PANTIEs, NIGHT DRESSES, PYJAMAs, NEGLIGEES, BATHROBES, DRESSING GOWNs	10.2	11.7	12.2	6%	1.6%
6109-Apparel	T-SHRTS,SNGLTs AND OTHR VESTs,KNITD/CRCHTD	37.1	42.0	42.7	7%	5.7%
6110-Apparel	JERSEYs, PULLOVERs, CARDIGANs, WAISTCOATs AND SIMILAR ARTICLEs, KNITTED OR CROCHETED	45.8	49.5	51.0	5%	6.8%
6111-Apparel	BABIEsGARMENTs AND CLOTHING ACCESSORIEs, KNITTED OR CROCHETED	5.5	6.2	6.4	6%	0.9%
6112-Apparel	TRACK SUITs, SKI SUITs AND SWIMWEAR, KNITTED OR CROCHETED	4.2	4.5	4.4	3%	0.6%
6113-Apparel	GRMNts,MADE UP OF KNITD/CRCHTD FABRICs OF HDNG NO. 5903 5906 OR 5907	1.1	0.8	0.9	4%	0.1%
6114-Apparel	OTHER GARMENTs, KNITTED OR CROCHETED	5.2	5.7	6.1	9%	0.8%
6115-Apparel	PANTYHOSE, TIGHTs, STOCKINGs, SOCKs AND OTHER HOSIERY, INCLUDING GRADUATED COMPRESsION HOSIERY (FOR EXAMPLE, STOCKING	12.7	13.7	13.5	6%	1.8%
6116-Apparel	GLOVES, MITTENS AND MITTs, KNITTED OR	3.8	4.0	4.0	14%	0.5%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
	CROCHETED					
6117-Apparel	OTHER MADE UP CLOTHING ACCESSORIES, KNITTED OR CROCHETED; KNITTED OR CROCHETED PARTS OF GARMENTS OR OF CLOTHING AC	2.8	3.0	3.1	9%	0.4%
6201-Apparel	MEN'S/BOY'S OVRCOTS,CARCOTS,CAPES,CLOAKS ANORAKS(INCL SKI-JACKETS),WIND CHETRS,WINDJACKETS AND SMLR ARTCLS EXCPTG HDG 620	11.2	12.5	13.0	10%	1.7%
6202-Apparel	WOMENS OR GIRLSOVERCOATS, CAR-COATS, CAPES, CLOAKS, ANORAKS (INCLUDING SKI-JACKETS), WIND-CHEATERS, WINDJACKETS	12.8	14.8	16.7	11%	2.2%
6203-Apparel	MEN'S OR BOYS' SUITS,ENSEMBLES,JACKETS BLAZERS,TROUSERS,BIB AND BRACE OVERALLS BREECHES AND SHORTS(OTHER THAN SWIMWEA	40.4	44.3	47.0	6%	6.3%
6204-Apparel	WOMENS OR GIRLSSUITS, ENSEMBLES, JACKETS, BLAZERS, DRESSES, SKIRTS, DIVIDED SKIRTS, TROUSERS, BIB AND BRACE OVE	51.4	55.8	61.3	6%	8.2%
6205-Apparel	MEN'S OR BOY'S SHIRTS	13.6	14.7	14.9	6%	2.0%
6206-Apparel	WOMENS OR GIRLSBLOUSES, SHIRTS AND SHIRT-BLOUSES	11.1	12.7	12.3	4%	1.6%
6207-Apparel	MEN'S OR BOYS' SINGLETS AND OTHER VESTS UNDERPANTS,BRIEFS,NIGHT-SHIRTS,PYJAMAS, BATHROBES,DRESSING GOWNS AND SIMILAR A	1.3	1.3	1.3	0%	0.2%
6208-Apparel	WOMENS OR GIRLSSINGLETS AND OTHER VESTS, SLIPS, PETTICOATS, BRIEFS, PANTIES, NIGHTDRESSES, PYJAMAS, NEGLIGES, BA	2.1	2.3	2.4	2%	0.3%
6209-Apparel	BABIESGARMENTS AND CLOTHING ACCESSORIES	2.0	2.2	2.3	3%	0.3%
6210-Apparel	GARMENTS, MADE UP OF FABRICS OF HEADING 5602, 5603, 5903, 5906 OR 5907	10.3	11.7	11.9	9%	1.6%
6211-Apparel	TRCK SUITS,SKI SUITS AND SWMWEAR,OTHR GRMNTS	10.0	10.8	10.9	7%	1.5%
6212-Apparel	BRSSRS,GRDLS,CORSTS,BRCs,SUSPNDRS,GRTRS AND SMLR ARTCLS AND PRTS THROF,W/N KNNTD/CROCHTD	9.8	10.8	10.8	6%	1.4%
6213-Apparel	HANDKERCHIEFS	0.3	0.3	0.3	6%	0.0%
6214-Apparel	SHWLS,SCRVS,MUFLRS,MNTLS,VELS AND THE LIKE	4.5	5.3	5.2	11%	0.7%
6215-Apparel	TIES, BOW TIES AND CRAVATS	1.0	1.0	1.0	0%	0.1%
6216-Apparel	GLOVES, MITTENS AND MITTS	1.0	1.0	1.0	9%	0.1%
6217-Apparel	OTHER MADE UP CLOTHING ACCESSORIES; PARTS OF GARMENTS OR OF CLOTHING ACCESSORIES, OTHER	2.3	2.4	1.9	1%	0.3%
6301-Madeup	BLANKETS AND TRAVELLING RUGS	4.4	4.8	5.1	11%	0.7%
6302-Madeup	BED LINEN, TABLE LINEN, TOILET LINEN AND KITCHEN LINEN	18.5	20.7	21.0	8%	2.8%
6303-Madeup	CURTAINS (INCLUDING DRAPES) AND INTERIOR BLINDS; CURTAIN OR BED VALANCES	4.0	4.7	4.5	6%	0.6%
6304-Madeup	OTHER FURNISHING ARTICLES, EXCLUDING THOSE OF HEADING 9404	4.9	5.6	5.4	8%	0.7%
6305-Others	SACKS AND BAGS, OF A KIND USED FOR THE PACKING OF GOODS	4.5	5.2	4.8	10%	0.6%
6306-Others	TARPAULINS, AWNINGS AND SUNBLINDS; TENTS; SAILS FOR BOATS, SAILBOARDS OR LANDCRAFT; CAMPING GOODS	3.6	3.9	4.1	8%	0.5%
6307-Others	OTHER MADE UP ARTICLES, INCLUDING DRESS PATTERNS	10.4	11.7	11.9	7%	1.6%
6308-Others	SETS CONSISTING OF WOVEN FABRIC AND YARN, WHETHER OR NOT WITH ACCESSORIES, FOR MAKING UP INTO RUGS, TAPESTRIES, EMB	0.1	0.1	0.1	6%	0.0%
6309-Others	WORN CLOTHING AND OTHER WORN ARTICLES	4.0	4.4	3.9	8%	0.5%
6310-Others	USED/NEW RAGS,SCRP TWNE,CORDGE,ROPE AND CBLs AND WORN OUT ARTCLS OF TWNE,CORDGE, ROPE/CBLs,OF TEXTILE MATERIALS	0.7	0.7	0.6	7%	0.1%

HS code	Description	2012	2013	2014	CAGR-5 years	World exports share
Grand Total	539.95	705	769	749	7%	100%

Source: UN Comtrade; iMaCS Analysis

India's export performance HS code wise

Exhibit 109: Indian textile product export trends
(US\$ billion)

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
5001-Fibre	SILK-WORM COCOONS SUITABLE FOR REELING	0.00	0.00	0.00	-10%	0%
5002-Fibre	RAW SILK (NOT THROWN)	0.00	0.00	0.00	-31%	0%
5003-Fibre	SLK WSTE (INCLD COCOONS NT SUTBLE FR RELNGYARN WSTE AND GARNTS STOCK)	0.01	0.02	0.02	38%	0%
5004-Yarn	SLK YARNS(OTHR THN YRN SPUN FROM SLK WSTE)NT PUT UP FOR RETAIL SALE	0.00	0.00	0.00	-4%	0%
5005-Yarn	YRN SPN FRM SLK WST NT PUT UP FR RETAL SLE	0.00	0.00	0.00	2%	0%
5006-	SLK YRN AND YRN SPUN FROM SLK WAST PUT UP FOR RETAIL SALE,SLK-WORM GUT	0.00	0.00	0.00	24%	0%
5007-	WOVEN FABRICS OF SILK OR OF SILK WASTE	0.15	0.14	0.12	-15%	0%
5101-Fibre	WOOL NOT CARDED OR COMBED	0.00	0.00	0.00	-55%	0%
5102-Fibre	FINE/COARSE ANML HAIR NT CRDED/COMBED	0.00	0.00	0.00	-9%	0%
5103-Fibre	WASTE OF WOOL OR OF FINE OR COARSE ANIMAL HAIR, INCLUDING YARN WASTE BUT EXCLUDING GARNETTED STOCK	0.01	0.01	0.01	57%	0%
5104-Fibre	GRNTD STOCK OF WOOL/FINE/COARSE ANML HAIR	0.00	0.00	0.00	-13%	0%
5105	WOOL AND FINE OR COARSE ANIMAL HAIR, CARDED OR COMBED (INCLUDING COMBED	0.06	0.05	0.05	7%	0%
5106-Yarn	YRN OF CRDED WOOL NT PUT UP FR RETAIL SALE	0.01	0.01	0.01	28%	0%
5107-Yarn	YRN OF CMBD WOOL NT PUT UP FR RETAIL SALE	0.08	0.06	0.07	19%	0%
5108-Yarn	YARN OF FINE ANIMAL HAIR (CARDED OR COMBED), NOT PUT UP FOR RETAIL SALE	0.00	0.00	0.00	-74%	0%
5109-Yarn	YARN OF WOOL OR FINE ANIMAL HAIR, PUT UP FOR RETAIL SALE	0.00	0.00	0.00	19%	0%
5110-Yarn	YRN OF COARSE ANML HAIR/OF HORS HAIR(INCL GMPD HORSHAIR YARN)W/N PUT UP FR RETL SALE	0.00	0.00	0.00	44%	0%
5111-Fabric	WOVEN FABRICS OF CARDED WOOL OR OF CARDED FINE ANIMAL HAIR	0.01	0.01	0.01	-6%	0%
5112-Fabric	WOVN FBRCS OF CMBD WOOL/FINE ANML HAIR	0.03	0.03	0.03	4%	0%
5113-Fabric	WOVN FBRCS OF CORSE ANML HAIR/OF HORS HAIR	0.00	0.00	0.00	-8%	0%
5201-Fibre	COTTON, NOT CARDED OR COMBED	3.65	4.51	2.82	23%	7%
5202-Fibre	COTON WAST(INCL YARN WAST AND GRNTD STOCK)	0.08	0.12	0.06	30%	0%
5203-Fibre	COTTON, CARDED OR COMBED	0.00	0.00	0.00	4%	0%
5204-Yarn	COTON SEWNG THRED W/N PUT UP FOR RETL SALE	0.02	0.02	0.02	19%	0%
5205-Yarn	COTN YRN(OTHR THN SWNG THRD)CNTNG 85% OR MORE BY WT OF COTON NT PUT UP FR RETL SALE	3.16	4.77	4.10	27%	11%
5206-Yarn	COTON YRN(OTHR THN SEWNG THRD)CONTNG COTON <85% BY WT NT PUT FOR RETAIL SALE	0.03	0.03	0.03	23%	0%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
5207-Yarn	COTTON YARN (OTHER THAN SEWING THREAD) PUT UP FOR RETAIL SALE	0.02	0.01	0.00	-39%	0%
5208-Fabric	WOVN FBRCs OF COTON CONTNG>=85% BY WT OF COTON WEGHNG NT MORE THN 200 G/M2	0.90	0.98	0.99	13%	3%
5209-Fabric	WOVN FBRCs OF COTTON, CONTNG >=85% COTN BY WT WEIGHNG>200 GM PER SQM	0.53	0.57	0.54	18%	1%
5210-Fabric	WOVN FBRCs CONTNG<85% COTON,MXD MAINLY OR SOLELY WTH MANMADE FBRS WEGHNG<=200G/M2	0.02	0.03	0.03	18%	0%
5211-Fabric	WOVN FBRCs OF COTON,CONTNG<85% COTTON,MXD MAINLY WTH MNMD FBRS WEIGHNG>200 G/M2	0.06	0.08	0.12	43%	0%
5212-Fabric	OTHER WOVEN FABRICS OF COTTON	0.11	0.17	0.18	23%	0%
5301-Fibre	FLUX,RAW OR PRCSSD BUT NT SPUN;FLAX TOW AND WAST(INCL YARN WAST AND GARNTTD STOCK)	0.00	0.00	0.00	14%	0%
5302-Fibre	TRUE HEMP(CANABIS SATIVAL)RAW/PROCESSED BUT NOT SPUN TOW AND WASTE OF TRUE HEMP (INCL YARN WASTE AND GARNETTED STOCK)	0.00	0.00	0.00	-3%	0%
5303-Fibre	JUTE AND OTHR TXTL BAST FBRS(EXCL FLAX,TRUE HEMP AND RAMIE)RAW/PRCSSD BUTNT SPUN;TOW AND WASTE(INCL YARN WASTE AND GARNTTD ST	0.01	0.01	0.02	18%	0%
5304-		-	-	-	0%	0%
5305-Fibre	COCONUT,ABACA,RAMIE AND OTHR VGTBL TXTL FBRS N.E.S.OR INCLUDED,RAW OR PRCSSD, TOW,NOILS AND WASTE OF THESE FBRS	0.11	0.14	0.16	29%	0%
5306-Yarn	FLAX YARN	0.00	0.00	0.00	29%	0%
5307-Yarn	YARN OF JUTE OR OF OTHER TEXTILE BAST FIBRES OF HEADING 5303	0.05	0.02	0.02	-5%	0%
5308-Yarn	YARN OF OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN	0.01	0.01	0.01	1%	0%
5309-Fabric	WOVEN FABRICS OF FLAX	0.04	0.05	0.05	14%	0%
5310-Fabric	WOVEN FABRICS OF JUTE OR OF OTHER TEXTILE BASE FIBRES OF HEADING 5303	0.09	0.09	0.08	10%	0%
5311-Fabric	WOVEN FABRICS OF OTHER VEGETABLE TEXTILE FIBRES; WOVEN FABRICS OF PAPER YARN	0.00	0.01	0.01	65%	0%
5401-Yarn	SEWING THREAD OF MAN-MADE FILAMENTS, WHETHER OR NOT PUT UP FOR RETAIL SALE	0.01	0.01	0.01	9%	0%
5402-Yarn	SYNTHTC FILAMNT YRN(OTHR THN SEWNG THRD) NOT PUT UP FOR RETAIL SALE INCL SYNTHETIC MONOFILAMENT OF LESS THAN 67 DECITEX	1.14	1.33	1.20	32%	3%
5403-Yarn	ARTIFICIAL FILAMENT YARN(EXCL SEWING THREAD),NOT PUT UP FOR RETAIL SALE,INCL ARTIFICIAL MONOFILAMENT OF < 67 DECI	0.06	0.06	0.06	14%	0%
5404-Yarn	SYNTHTC MONFLMNT OF>=67 DCTX AND OF CRSS- SCTNL DIMNSN<=1MM;STRP ETC(E.G.ARTFCL STRW)OF SYNTHTC TXTL MTRLS OF WDTH<=	0.01	0.01	0.01	2%	0%
5405-Yarn	ARTFCL MONFLMNT OF>=67 DCTX,HVNG CRSS- SCTNL DMNSN<=1MM;STRP ETC(E.G.ARTFCL STRW)OF ARTFCL TXTL MTRLS OF WDTH <=	0.00	0.00	0.00	-61%	0%
5406-Yarn	MAN-MADE FILAMENT YARN (OTHER THAN SEWING THREAD), PUT UP FOR RETAIL SALE	0.00	0.00	0.00	-18%	0%
5407-Fabric	WOVN FBRCs OF SYNTHTC FILAMENT YARN	1.02	1.25	1.20	-3%	3%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
	INCL WOVN FBRCs OBTND FROM MTRLS OF HDG NO.5404					
5408-Fabric	WOVEN FABRICS OF ARTIFICIAL FILAMENT YARN,	0.02	0.02	0.03	-3%	0%
5501-Fibre	SYNTHETIC FILAMENT TOW	0.01	0.01	0.02	31%	0%
5502-Fibre	ARTIFICIAL FILAMENT TOW	0.00	0.00	0.00	-33%	0%
5503-Fibre	SYNTHETIC STAPLE FIBRES, NOT CARDED, COMBED OR OTHERWISE PROCESSED FOR SPINNING	0.27	0.38	0.33	14%	1%
5504-Fibre	ARTIFICIAL STAPLE FIBRES, NOT CARDED, COMBED OR OTHERWISE PROCESSED FOR	0.21	0.23	0.21	15%	1%
5505-Fibre	WASTE (INCLUDING NOILS, YARN WASTE AND GARNETTED STOCK) OF MAN-MADE FIBRES	0.02	0.01	0.01	-11%	0%
5506-Fibre	SYNTHETIC STAPLE FIBRES, CARDED COMBED OR OTHERWISE PROCESSED FOR SPINNING	0.00	0.00	0.00	-5%	0%
5507-Fibre	ARTIFICIAL STAPLE FIBRES, CARDED, COMBED OR OTHERWISE PROCESSED FOR SPINNING	0.00	0.00	0.00	-31%	0%
5508-Yarn	SEWING THREAD OF MAN-MADE STAPLE FIBRES, WHETHER OR NOT PUT UP FOR RETAIL SALE	0.01	0.01	0.00	5%	0%
5509-Yarn	YARN(OTHR THN SWNG THREAD)OF SYNTHTC STAPLE FIBRES,NOT PUT UP FOR RETAIL SALE	0.52	0.57	0.58	14%	2%
5510-Yarn	YARN(OTHR THN SWNG THREAD)OF ARTFCL STAPLE FIBRES NOT PUT UP FR RTL SALE	0.16	0.13	0.11	-5%	0%
5511-Yarn	YARN(OTHR THN SWNG THREAD)OF MAN-MADE STAPLE FIBRES PUT UP FOR RTL SALE	0.01	0.01	0.02	57%	0%
5512-Fabric	WOVEN FABRICS OF SYNTHETIC STAPLE FIBRES, CONTAINING 85% OR MORE BY WEIGHT OF SYNTHETIC STAPLE FIBRES	0.09	0.08	0.09	-13%	0%
5513-Fabric	WOVEN FBRCs OF SYNTHTC STAPLE FIBRES CNTNGLESS THN 85% BY WT OF SUCH FIBRES,MXD MNLYOR SOLELY WTH COTTON OF WT<=170	0.05	0.06	0.06	20%	0%
5514-Fabric	WVN FBRCs OF SYNTHTC STPL FBRS CNTNG< 85% BY WT OF SUCH FBRS MXD MAINLY/SOLELY WITH COTTON OF A WT EXCDG 170 G/M2	0.04	0.05	0.04	30%	0%
5515-Fabric	OTHER WOVEN FABRICS OF SYNTHETIC STAPLE FIBRES	0.54	0.57	0.60	21%	2%
5516-Fabric	WOVEN FABRICS OF ARTIFICIAL STAPLE FIBRES	0.05	0.07	0.10	52%	0%
5601-Others	WADDING OF TEXTILE MATERIALS AND ARTICLES THEREOF; TEXTILE FIBRES, NOT EXCEEDING 5 MM IN LENGTH (FLOCK), TEXTILE DUST A	0.04	0.04	0.03	12%	0%
5602-Others	FELT, WHETHER OR NOT IMPREGNATED, COATED, COVERED OR LAMINATED	0.01	0.01	0.01	8%	0%
5603-Others	NONWOVENS, WHETHER OR NOT IMPREGNATED, COATED, COVERED OR LAMINATED	0.06	0.08	0.08	28%	0%
5604-Yarn	RUBR THRD AND CORD, TXTL COVRD; TXTL YRN AND STRIP AND THE LIKE OF HEDNG NO.5404/5405 IMPRGNTD COTD, COVRD/SHTHD WTH RUBR/P	0.00	0.00	0.00	-1%	0%
5605-Yarn	MTLSD YRN, W/N GMPD BEING TXTL YRN/STRP/ THE LIKE OF HD 5404/5405 COMBND WTH METL IN THE FORM OF THRED, STRP/PWDR/COVRD	0.01	0.01	0.01	13%	0%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
5606-Yarn	GMPD YRN AND STRP ETC OF 5404/5405,(EXCL OF 5605 AND GMPD HORSHAIR YRN);CHENL YRN (INCL FLOCK CHENL YRN); LOOPWALE-YRN	0.00	0.00	0.00	1%	0%
5607-Others	TWNE,CORDGE,ROP AND CBLs,W/N PLTD/BRDD AND W/ NIMPRGNTD,COTD,COVRD/SHTHD WTH RUBR/PLSTCS	0.15	0.16	0.15	14%	0%
5608-Others	KNOTD NTNG OF TWNE CORDGE/ROPE;MDE UP FSHNG NETSAND OTR MDE UP NETS OF TXTL MATRLS	0.04	0.04	0.05	12%	0%
5609-Yarn	ARTCLS OF YRN,STRP/THE LIKE OF HDNG NO. 5404/5405 TWINE,CORDGE,ROP/CBLS N.E.S.	0.01	0.02	0.02	36%	0%
5701-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, KNOTTED, WHETHER OR NOT MADE UP	0.36	0.44	0.40	7%	1%
5702-Others	CRPTS AND OTHR TXTL FLR CVRNGS,WVN NOT TUFTED/FLOCKED,W/N MADE UP,INCL "KELEM" "SCHUMACKS", "KARAMANIE"	0.33	0.43	0.45	11%	1%
5703-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, TUFTED, WHETHER OR NOT MADE UP	0.38	0.45	0.49	24%	1%
5704-Others	CARPETS AND OTHER TEXTILE FLOOR COVERINGS, OF FELT, NOT TUFTED OR FLOCKED, WHETHER OR NOT MADE UP	0.01	0.01	0.07	111%	0%
5705-Others	OTHER CARPETS AND OTHER TEXTILE FLOOR COVERINGS, WHETHER OR NOT MADE UP	0.27	0.38	0.40	9%	1%
5801-Fabric	WOVEN PILE FABRICS AND CHENILLE FABRICS, OTHER THAN FABRICS OF HEADING 5802 OR 5806	0.02	0.04	0.04	10%	0%
5802-Fabric	TERRY TOWELLING AND SMLR WVN TERRY FBRCs, EXCPT NARROW FBRCs OF HDG 5806;TUFTED TXTL FBRCs,EXCPT PRDCTS OF HDNG NO 5	0.00	0.00	0.00	1%	0%
5803-Fabric	GAUZE, OTHER THAN NARROW FABRICS OF HEADING 5806	0.00	0.00	0.00	33%	0%
5804-Fabric	TULLES AND OTHR NET FBRCs EXCL WOVN KNITD OR CROCHTD FBRCs LACE IN THE PC IN STRPS/ IN MOTFS EXCL FBRCs OF HEDG NO.6002	0.01	0.02	0.01	15%	0%
5805-Others	HND-WVN TAPESTRIES OF THE TYPE GOBELINS, FLNDRS ETC AND NEEDLE-WRKD TAPESTRIES (E.G. PETIT POINT CROSS STITCH),W/N MADE U	0.00	0.00	0.00	4%	0%
5806-Fabric	NARROW WOVEN FABRICS OTHER THAN GOODS OF HEADING 5807; NARROW FABRICS CONSISTING OF WARP WITHOUT WEFT ASSEMBLED	0.03	0.04	0.03	8%	0%
5807-Others	LABELS, BADGES AND SIMILAR ARTICLES OF TEXTILE MATERIALS, IN THE PIECE, IN STRIPS OR CUT TO SHAPE OR SIZE, NOT EMBROI	0.01	0.01	0.01	10%	0%
5808-Others	BRAIDS IN THE PIECE; ORNAMENTAL TRIMMINGS IN THE PIECE, WITHOUT EMBROIDERY, OTHER THAN KNITTED OR CROCHETED; TASSELS,	0.01	0.02	0.01	5%	0%
5809-Fabric	WVN FBRCs OF MTL THRD AND MTLSD YARN OF HDG 5605 OF A KND USED IN APPAREL AS FRNSHG FBRCs/FOR SMLR PURPOSES N.E.S./INCLU	0.00	0.00	0.00	6%	0%
5810-Others	EMBRDRY IN THE PIECE,IN STRIPS/IN	0.17	0.27	0.29	20%	1%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
	MOTIFS					
5811-Others	QUILTED TEXTILE PRODUCTS IN THE PIECE, COMPOSED OF ONE OR MORE LAYERS OF TEXTILE MATERIALS ASSEMBLED WITH PADDING BY	0.00	0.00	0.00	4%	0%
5901-Fabric	TEXTILE FABRICS COATED WITH GUM OR AMYLACEOUS SUBSTANCES, OF A KIND USED FOR THE OUTER COVERS OF BOOKS OR THE LIK	0.01	0.01	0.01	2%	0%
5902-Fabric	TYRE CORD FABRIC OF HIGH TENACITY YARN OF NYLON OR OTHER POLYAMIDES, POLYESTERS OR VISCOSE RAYON	0.03	0.05	0.05	26%	0%
5903-Fabric	TXTL FBRCs IMPRGNTD,COATD,CVRD/LAMNTD WTH PLASTICS EXCL THOSE OF HDG NO. 5902	0.10	0.14	0.29	52%	1%
5904	LINOLEUM, WHETHER OR NOT CUT TO SHAPE; FLOOR COVERINGS CONSISTING OF A COATING OR COVERING APPLIED ON A TEXTILE BACKI	0.00	0.00	0.00	43%	0%
5905-Others	TEXTILE WALL COVERINGS	0.00	0.00	0.00	7%	0%
5906-Others	RUBBERISED TEXTILE FABRICS, OTHER THAN THOSE OF HEADING 5902	0.01	0.01	0.01	3%	0%
5907-Others	TXTL FBRCs OTHRWSE IMPRGNTD,COATED/CVRD; PAINTED CANVAS BEING THEATRICAL SCENERY, STUDIO BACK-CLOTHS OR THE LIKE	0.00	0.00	0.00	7%	0%
5908-Others	TXTL WICKS,WOVEN,PLAIED/KNITTED,FOR LAMPSTOVES,LIGHTERS,CANDLES ETC;INCANDESCENT GAS MANTLES ETC,W/N IMPREGNATED	0.00	0.00	0.01	-4%	0%
5909-Others	TEXTILE HOSE PIPING AND SIMILAR TEXTILE TUBING, WITH OR WITHOUT LINING, ARMOUR OR ACCESSORIES OF OTHER MATERIALS	0.00	0.00	0.00	-1%	0%
5910-Others	TRNSMSN/CONVYR BLTS/BLTNG OF TXTL MATRL WH/NT IMPRGNTD COTD,COVRD/LAMNTD WTH PLSTCOR RINFRCD WTH MTL/OTHR MATRL	0.00	0.00	0.00	2%	0%
5911-Others	TEXTILE PRODUCTS AND ARTICLES, FOR TECHNICAL USES, SPECIFIED IN NOTE 7 TO THIS CHAPTER	0.02	0.02	0.02	20%	0%
6001-Fabric	PILE FABRICS INCLUDING"LONG PILE" FABRICS AND TERRY FABRICS,KNITTED/CROCHE	0.02	0.02	0.01	-12%	0%
6002-Fabric	KNITD OR CROCHETED FBRCs OF WIDTH <30 CM ,CONTNG ELASTOMERIC YARN/RUBR>=5% BY WT , EXCPT HDG NO 6001	0.01	0.01	0.00	-13%	0%
6003-Fabric	KNITD OR CROCHETED FBRCs OF A WIDTH<30CM, EXCPT HDG NO 6001 OR 6002	0.00	0.00	0.00	-13%	0%
6004-Fabric	KNITD OR CROCHETED FBRCs OF WIDTH.30CM , CONTNG ELASTOMERIC YARN/RUBR>=5% BY WT, EXCPT HDGNO. 6001	0.01	0.02	0.03	55%	0%
6005-Fabric	WARP KNIT FABRICS (INCLUDING THOSE MADE ON GALLOON KNITTING MACHINES), OTHER THAN THOSE OF HEADINGS 6001 TO 6004	0.00	0.00	0.00	-23%	0%
6006-Fabric	OTHER KNITTED OR CROCHETED FABRICS	0.17	0.21	0.20	27%	1%
6101-Apparel	MEN'S/BOYS' OVERCOATS,CAR-COATS,CAPES (INCL SKI-JCKTS),WIND-	0.01	0.01	0.01	1%	0%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
6102-Apparel	CHEATERS,WIND JCKTS ETC,KNTTD/CRCHTD,EXCL OF HDG NO 6103 WOMENS OR GIRLSOVERCOATS, CARCOATS, CAPES, CLOAKS, ANORAKS (INCLUDING SKIJACKETS), WIND-CHEATERS, WIND-JAC	0.00	0.01	0.01	-4%	0%
6103-Apparel	MEN'S OR BOYS' SUITS, ENSEMBLES, JACKETS, BLAZERS, TROUSERS, BIBAND BRACE OVERALLS, BREECHES AND SHORTS OTHER THAN SWIM	0.22	0.29	0.33	10%	1%
6104-Apparel	WOMENS OR GIRLSSUITS, ENSEMBLES, JACKETS, BLAZERS, DRESSES, SKIRTS, DIVIDED SKIRTS, TROUSERS, BIB AND BRACE OVE	0.51	0.65	0.69	11%	2%
6105-Apparel	MEN'S/BOYS'SHIRTS,KNITTED/CROCHETED	0.57	0.66	0.66	6%	2%
6106-Apparel	WOMENS OR GIRLS BLOUSES, SHIRTS AND SHIRT-BLOUSES, KNITTED OR CROCHETED	0.23	0.26	0.20	-16%	1%
6107-Apparel	MEN'S/BOYS'UNDERPANTS,BRIEFS,NIGHTSHIRTS, PYJAMAS,BATHROBES ETC,KNTTD/CRCHTD	0.30	0.42	0.45	10%	1%
6108-Apparel	WOMENS OR GIRLSSLIPS, PETTICOATS, BRIEFS, PANTIES, NIGHT DRESSES, PYJAMAS, NEGLIGEES, BATHROBES, DRESSING GOWNS	0.41	0.52	0.54	2%	1%
6109-Apparel	T-SHRTS,SNGLTS AND OTHR VESTS,KNTTD/CRCHTD	2.09	2.60	2.72	7%	7%
6110-Apparel	JERSEYS, PULLOVERS, CARDIGANS, WAISTCOATS AND SIMILAR ARTICLES, KNITTED OR CROCHETED	0.20	0.27	0.33	3%	1%
6111-Apparel	BABIESGARMENTS AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	0.52	0.66	0.70	13%	2%
6112-Apparel	TRACK SUITS, SKI SUITS AND SWIMWEAR, KNITTED OR CROCHETED	0.02	0.02	0.01	2%	0%
6113-Apparel	GRMNTS,MADE UP OF KNTTD/CRCHTD FABRICS OF HDNG NO. 5903 5906 OR 5907	0.00	0.00	0.00	-2%	0%
6114-Apparel	OTHER GARMENTS, KNITTED OR CROCHETED	0.27	0.45	0.61	35%	2%
6115-Apparel	PANTYHOSE, TIGHTS, STOCKINGS, SOCKS AND OTHER HOSIERY, INCLUDING GRADUATED COMPRESSSION HOSIERY (FOR EXAMPLE, STOCKING	0.05	0.07	0.08	15%	0%
6116-Apparel	GLOVES, MITTENS AND MITTS, KNITTED OR CROCHETED	0.02	0.03	0.03	30%	0%
6117-Apparel	OTHER MADE UP CLOTHING ACCESSORIES, KNITTED OR CROCHETED; KNITTED OR CROCHETED PARTS OF GARMENTS OR OF CLOTHING AC	0.02	0.05	0.12	39%	0%
6201-Apparel	MEN'S/BOYS' OVRCOTS,CARCOTS,CAPES,CLOAKS ANORAKS(INCL SKI-JACKETS),WIND CHETRS,WINDJACKETS AND SMLR ARTCLS EXCPTG HDG 620	0.01	0.02	0.02	-1%	0%
6202-Apparel	WOMENS OR GIRLSOVERCOATS, CARCOATS, CAPES, CLOAKS, ANORAKS (INCLUDING SKI- JACKETS), WIND-CHEATERS, WINDJACKETS	0.01	0.01	0.02	4%	0%
6203-Apparel	MEN'S OR BOYS' SUITS,ENSEMBLES,JACKETS BLAZERS,TROUSERS,BIB AND BRACE OVERALLS BREECHES AND SHORTS(OTHER THAN SWIMWEA	0.94	1.10	1.17	9%	3%
6204-Apparel	WOMENS OR GIRLSSUITS, ENSEMBLES, JACKETS, BLAZERS, DRESSES, SKIRTS, DIVIDED SKIRTS, TROUSERS, BIB AND BRACE	2.26	2.46	2.58	6%	7%

HS code	Description	2012	2013	2014	CAGR-5 years	Share in Indian textile exports
	OVE					
6205-Apparel	MEN'S OR BOY'S SHIRTS	0.98	1.13	1.14	9%	3%
6206-Apparel	WOMENS OR GIRLS BLOUSES, SHIRTS AND SHIRT-BLOUSES	1.29	1.60	1.58	3%	4%
6207-Apparel	MEN'S OR BOYS' SINGLETS AND OTHER VESTS UNDERPANTS,BRIEFS,NIGHT-SHIRTS,PYJAMAS, BATHROBES,DRESSING GOWNS AND SIMILAR A	0.05	0.06	0.06	12%	0%
6208-Apparel	WOMENS OR GIRLSSINGLETS AND OTHER VESTS, SLIPS, PETTICOATS, BRIEFS, PANTIES, NIGHTDRESSES, PYJAMAS, NEGLIGES, BA	0.15	0.18	0.16	7%	0%
6209-Apparel	BABIESGARMENTS AND CLOTHING ACCESSORIES	0.19	0.28	0.31	17%	1%
6210-Apparel	GARMENTS, MADE UP OF FABRICS OF HEADING 5602, 5603, 5903, 5906 OR 5907	0.02	0.02	0.01	16%	0%
6211-Apparel	☐☐☐	0.60	0.76	0.97	46%	3%
6212-Apparel	BRSSRS,GRDLS,CORSTS,BRCS,SUSPNDRS,GR TRS AND SMLR ARTCLS AND PRTS THROF,W/N KNNTD/CROCHTD	0.09	0.11	0.11	20%	0%
6213-Apparel	HANDKERCHIEFS	0.01	0.01	0.01	1%	0%
6214-Apparel	SHWLS,SCRVS,MUFLRS,MNTLS,VELS AND THE LIKE	0.77	0.94	0.85	5%	2%
6215-Apparel	TIES, BOW TIES AND CRAVATS	0.00	0.00	0.00	-24%	0%
6216-Apparel	GLOVES, MITTENS AND MITTS	0.02	0.02	0.02	11%	0%
6217-Apparel	OTHER MADE UP CLOTHING ACCESSORIES; PARTS OF GARMENTS OR OF CLOTHING ACCESSORIES, OTHER	0.06	0.04	0.05	0%	0%
6301-Madeup	BLANKETS AND TRAVELLING RUGS	0.12	0.16	0.17	21%	0%
6302-Madeup	BED LINEN, TABLE LINEN, TOILET LINEN AND KITCHEN LINEN	1.32	1.31	1.41	24%	4%
6303-Madeup	CURTAINS (INCLUDING DRAPES) AND INTERIOR BLINDS; CURTAIN OR BED VALANCES	0.15	0.16	0.15	4%	0%
6304-Madeup	OTHER FURNISHING ARTICLES, EXCLUDING THOSE OF HEADING 9404	1.41	1.88	1.67	10%	4%
6305-Others	SACKS AND BAGS, OF A KIND USED FOR THE PACKING OF GOODS	0.47	0.61	0.67	24%	2%
6306-Others	TARPULINS, AWNINGS AND SUNBLINDS; TENTS; SAILS FOR BOATS, SAILBOARDS OR LANDCRAFT; CAMPING GOODS	0.01	0.01	0.01	12%	0%
6307-Others	OTHER MADE UP ARTICLES, INCLUDING DRESS PATTERNS	0.41	0.47	0.41	5%	1%
6308-Others	SETS CONSISTING OF WOVEN FABRIC AND YARN, WHETHER OR NOT WITH ACCESSORIES, FOR MAKING UP INTO RUGS, TAPESTRIES, EMB	0.00	0.00	0.00	12%	0%
6309-Others	WORN CLOTHING AND OTHER WORN ARTICLES	0.06	0.08	0.09	3%	0%
6310-Others	USED/NEW RAGS,SCRP TWNE,CORDGE,ROPE AND CBLs AND WORN OUT ARTCLS OF TWNE,CORDGE, ROPE/CBLs,OF TEXTILE MATERIALS	0.02	0.02	0.03	39%	0%
Grand Total		33.4	40.2	38.6	12%	100%

Source: UN Comtrade, IMaCS Analysis

Exhibit 110: Share of textile exports by HS codes

2014	Share of HS code in world exports	Share of Indian product category in world exports
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HS code	<1%	1-2%	3-4%	>5-%	<1%	1-2%	3-4%	>5%
5001-Fibre	0%					1%		
5002-Fibre	0%				0%			
5003-Fibre	0%							19%
5004-Yarn	0%					1%		
5005-Yarn	0%					2%		
5006-	0%							7%
5007-	0%							7%
5101-Fibre		1%			0%			
5102-Fibre	0%				0%			
5103-Fibre	0%							8%
5104-Fibre	0%							5%
5105	0%					2%		
5106-Yarn	0%					1%		
5107-Yarn	0%						4%	
5108-Yarn	0%				0%			
5109-Yarn	0%				0%			
5110-Yarn	0%					1%		
5111-Fabric	0%					1%		
5112-Fabric	0%					1%		
5113-Fabric	0%					1%		
5201-Fibre		2%						21%
5202-Fibre	0%							15%
5203-Fibre	0%							
5204-Yarn	0%							11%
5205-Yarn		2%						36%
5206-Yarn	0%					2%		
5207-Yarn	0%					2%		
5208-Fabric		2%						7%
5209-Fabric		1%						7%
5210-Fabric	0%					1%		
5211-Fabric	0%						3%	
5212-Fabric	0%							21%
5301-Fibre	0%				0%			
5302-Fibre	0%					1%		
5303-Fibre	0%							55%
5304-	0%				0%			
5305-Fibre	0%							36%
5306-Yarn	0%				0%			
5307-Yarn	0%							66%
5308-Yarn	0%							7%
5309-Fabric	0%							5%
5310-Fabric	0%							75%
5311-Fabric	0%					1%		
5401-Yarn	0%					1%		
5402-Yarn		2%						8%
5403-Yarn	0%							6%
5404-Yarn	0%					1%		
5405-Yarn	0%				0%			

2014 HS code	Share of HS code in world exports				Share of Indian product category in world exports			
	<1%	1-2%	3-4%	>5%	<1%	1-2%	3-4%	>5%
5406-Yarn	0%					1%		
5407-Fabric			3%					6%
5408-Fabric	0%					2%		
5501-Fibre	0%					2%		
5502-Fibre	0%				0%			
5503-Fibre		1%						7%
5504-Fibre	0%							19%
5505-Fibre	0%						4%	
5506-Fibre	0%					2%		
5507-Fibre	0%				0%			
5508-Yarn	0%					1%		
5509-Yarn		1%						13%
5510-Yarn	0%							12%
5511-Yarn	0%							5%
5512-Fabric	0%						3%	
5513-Fabric		1%				2%		
5514-Fabric	0%					2%		
5515-Fabric		1%						17%
5516-Fabric		1%					3%	
5601-Others	0%					1%		
5602-Others	0%				0%			
5603-Others		2%				1%		
5604-Yarn	0%				0%			
5605-Yarn	0%				4%	4%	4%	4%
5606-Yarn	0%				0%			
5607-Others	0%							7%
5608-Others	0%						3%	
5609-Yarn	0%						4%	
5701-Others	0%							28%
5702-Others		1%	1%	1%				10%
5703-Others	1%	1%	1%	1%				7%
5704-Others	0%							9%
5705-Others	0%							24%
5801-Fabric	0%					1%		
5802-Fabric	0%					2%		
5803-Fabric	0%						4%	
5804-Fabric	0%					1%		
5805-Others	0%					1%		

2014 HS code	Share of HS code in world exports				Share of Indian product category in world exports			
	<1%	1-2%	3-4%	>5%	<1%	1-2%	3-4%	>5%
5806-Fabric	0%					1%		
5807-Others	0%					1%		
5808-Others	0%						3%	
5809-Fabric	0%							9%
5810-Others	0%							15%
5811-Others	0%				0%			
5901-Fabric	0%					2%		
5902-Fabric	0%					2%		
5903-Fabric		2%					3%	
5904	0%				0%			
5905-Others	0%				0%			
5906-Others	0%					1%		
5907-Others	0%				0%			
5908-Others	0%							12%
5909-Others	0%					1%		
5910-Others	0%					1%		
5911-Others		1%			0%			
6001-Fabric		1%			0%			
6002-Fabric	0%					1%		
6003-Fabric	0%					1%		
6004-Fabric		1%				1%		
6005-Fabric	0%	0%			0%			
6006-Fabric		2%				2%		
6101-Apparel	0%	0%				1%		
6102-Apparel	0%	0%			0%			
6103-Apparel		2%					3%	
6104-Apparel				5%		2%		2%
6105-Apparel		1%						10%
6106-Apparel		1%					4%	4%
6107-Apparel		1%						8%
6108-Apparel		2%						5%
6109-				5%				8%

2014 HS code	Share of HS code in world exports				Share of Indian product category in world exports			
	<1%	1-2%	3-4%	>5%	<1%	1-2%	3-4%	>5%
Apparel								
6110-Apparel				6%		1%		1%
6111-Apparel		1%						12%
6112-Apparel		1%			0%			
6113-Apparel	0%				0%			
6114-Apparel		1%						11%
6115-Apparel		2%				1%		
6116-Apparel		1%				1%		
6117-Apparel	0%						4%	
6201-Apparel		2%			0%			
6202-Apparel		2%			0%			
6203-Apparel				6%			3%	
6204-Apparel				8%				5%
6205-Apparel		2%						10%
6206-Apparel		2%						14%
6207-Apparel	0%							5%
6208-Apparel	0%							7%
6209-Apparel	0%							15%
6210-Apparel		2%			0%			
6211-Apparel		1%						10%
6212-Apparel		1%				1%		
6213-Apparel	0%						3%	
6214-Apparel		1%						17%
6215-Apparel	0%				0%			
6216-Apparel	0%					2%		
6217-Apparel	0%					2%		
6301-Madeup		1%					3%	
6302-Madeup			3%					7%
6303-Madeup		1%					3%	
6304-Madeup		1%						32%
6305-Others		1%						15%
6306-		1%			0%			

2014 HS code	Share of HS code in world exports				Share of Indian product category in world exports			
	<1%	1-2%	3-4%	>5%	<1%	1-2%	3-4%	>5%
Others								
6307- Others		2%					4%	
6308- Others	0%					1%		
6309- Others		1%				2%		
6310- Others	0%							6%

Source: IMaCS Analysis

Exhibit 111: Growth trends in textile exports by HS Code

2014 HS code	World growth rates – 5-year CAGR					Growth Rates of Indian product categories				
	-ve-0%	1-2%	3-5%	6-8%	>9%	-ve-0%	1-2%	3-5%	6-8%	>9%
5001-Fibre	-1%					-10%				
5002-Fibre				8%		-31%				
5003-Fibre					21%					38%
5004-Yarn			3%			-4%				
5005-Yarn	-2%						2%			
5006-					11%					24%
5007-	-3%					-15%				
5101-Fibre					10%	-55%				
5102-Fibre					41%	-9%				
5103-Fibre				8%						57%
5104-Fibre	-2%					-13%				
5105-					10%				7%	
5106-Yarn			4%							28%
5107-Yarn			3%							19%
5108-Yarn					12%	-74%				
5109-Yarn					17%					19%
5110-Yarn				7%						44%
5111-Fabric		1%				-6%				
5112-Fabric		2%						4%		
5113-Fabric		2%				-8%				
5201-Fibre					11%					23%
5202-Fibre			5%							30%
5203-Fibre	-4%							4%		
5204-Yarn			3%							19%
5205-Yarn					9%					27%
5206-Yarn					10%					23%
5207-Yarn		2%				-39%				
5208-Fabric			5%							13%
5209-Fabric			4%							18%
5210-Fabric				6%						18%
5211-Fabric					15%					43%
5212-Fabric			4%							23%
5301-Fibre					18%					14%
5302-Fibre	-15%					-3%				

2014 HS code	World growth rates - 5-year CAGR					Growth Rates of Indian product categories				
	-ve-0%	1-2%	3-5%	6-8%	>9%	-ve-0%	1-2%	3-5%	6-8%	>9%
5303-Fibre	-5%									18%
5304-					33%	0%				
5305-Fibre					16%					29%
5306-Yarn					17%					29%
5307-Yarn					13%	-5%				
5308-Yarn		2%					1%			
5309-Fabric			4%							14%
5310-Fabric		2%								10%
5311-Fabric					23%					65%
5401-Yarn				6%						9%
5402-Yarn				7%						32%
5403-Yarn				6%						14%
5404-Yarn				6%			2%			
5405-Yarn	-6%					-61%				
5406-Yarn					12%	-18%				
5407-Fabric			4%			-3%				
5408-Fabric			4%			-3%				
5501-Fibre					9%					31%
5502-Fibre				6%		-33%				
5503-Fibre				6%						14%
5504-Fibre			3%							15%
5505-Fibre		1%				-11%				
5506-Fibre				6%		-5%				
5507-Fibre			3%			-31%				
5508-Yarn		2%						5%		
5509-Yarn			4%							14%
5510-Yarn	-7%					-5%				
5511-Yarn					12%					57%
5512-Fabric				6%		-13%				
5513-Fabric				8%						20%
5514-Fabric				7%						30%
5515-Fabric				8%						21%
5516-Fabric					16%					52%
5601-Others	-2%									12%
5602-Others				6%					8%	
5603-Others				8%						28%
5604-Yarn					9%	-1%				
5605-Yarn					11%					13%
5606-Yarn			5%				1%			
5607-Others				7%						14%
5608-Others					9%					12%
5609-Yarn					13%					36%
5701-Others		2%							7%	
5702-Others					10%					11%
5703-Others			5%							24%
5704-Others			3%							111%
5705-Others			5%							9%
5801-Fabric	-1%									10%
5802-Fabric	-9%						1%			1%
5803-Fabric					22%					33%

2014 HS code	World growth rates - 5-year CAGR					Growth Rates of Indian product categories				
	-ve-0%	1-2%	3-5%	6-8%	>9%	-ve-0%	1-2%	3-5%	6-8%	>9%
5804-Fabric					14%					15%
5805-Others				8%				4%		
5806-Fabric				7%					8%	
5807-Others		2%								10%
5808-Others		1%						5%		
5809-Fabric	-8%								6%	
5810-Others		2%								20%
5811-Others	-2%							4%		
5901-Fabric				6%			2%			
5902-Fabric			3%							26%
5903-Fabric				8%						52%
5904-					9%					43%
5905-Others			4%						7%	
5906-Others				8%				3%		
5907-Others				6%					7%	
5908-Others		1%				-4%				
5909-Others					10%	-1%				
5910-Others				8%			2%			
5911-Others				6%						20%
6001-Fabric					9%	-12%				
6002-Fabric	-4%					-13%				
6003-Fabric			4%			-13%				
6004-Fabric		2%								55%
6005-Fabric				8%		-23%				
6006-Fabric				7%						27%
6101-Apparel				6%			1%			
6102-Apparel				6%				-4%		
6103-Apparel					9%					10%
6104-Apparel					13%					11%
6105-Apparel				6%					6%	
6106-Apparel	-3%					-16%				
6107-Apparel					11%					
6108-Apparel				6%			2%			
6109-Apparel				7%					7%	
6110-Apparel			5%					3%		
6111-Apparel				6%						13%
6112-Apparel			3%				2%			
6113-Apparel			4%			-2%				
6114-Apparel					9%					35%
6115-Apparel				6%						15%
6116-Apparel					14%					30%
6117-Apparel					9%					39%
6201-Apparel					10%	-1%				
6202-Apparel					11%			4%		
6203-Apparel				6%						9%
6204-Apparel				6%					6%	
6205-Apparel				6%						9%
6206-Apparel			4%					3%		
6207-Apparel	0%									12%
6208-Apparel		2%							7%	

2014	World growth rates - 5-year CAGR					Growth Rates of Indian product categories				
HS code	-ve-0%	1-2%	3-5%	6-8%	>9%	-ve-0%	1-2%	3-5%	6-8%	>9%
6209-Apparel			3%							17%
6210-Apparel					9%					16%
6211-Apparel				7%						46%
6212-Apparel				6%						20%
6213-Apparel				6%			1%			
6214-Apparel					11%			5%		
6215-Apparel	0%					-24%				
6216-Apparel					9%					11%
6217-Apparel		1%				0%				
6301-Madeup					11%					21%
6302-Madeup				8%						24%
6303-Madeup				6%				4%		
6304-Madeup				8%						10%
6305-Others					10%					24%
6306-Others				8%						12%
6307-Others				7%				5%		
6308-Others				6%						12%
6309-Others				8%				3%		
6310-Others				7%						39%

Source: IMaCS Analysis, UN Comtrade