FINAL STUDY REPORT

Existing and Prospective FTAs and their Impact on Indian Textiles Exports

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Ministry of Textiles

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Contents

List of Abbreviations Used

AGOA	African Growth Opportunity Act
APTA	Asia Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BIT	Bilateral Investment Treaties
BTIA	Broad-based Trade and Investment Agreement
CAFTA-DR	Dominican Republic – Central America Free Trade Agreement
CAGR	Compound Annual Growth Rate
CBTPA	Caribbean Basin Trade Partnership Act
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
COMESA	Common Market for Eastern and Southern Africa
CTSH	Change in Tariff Sub-Heading
DFQF	Duty Free Quota Free
DGCIS	Directorate General of Commercial Intelligence and Statistics
Dtex	Decitex
EAC	East African Community
EBA	Everything But Arms
EL / EXC	Excluded
EPA	Economic Partnership Agreement
EU	European Union
FOB	Free-On-Board
FTA	Free Trade Agreement
GOI	Government of India
GPA	Government Procurement Agreement
GSP	Generalized System of Preferences
GVC	Global Value Chain
HOPE	Haitian Hemispheric Opportunity through Partnership Encouragement Act
HS	Harmonized System
HSL (A/B/C)	Highly Sensitive List (A/B/C)
IPR	Intellectual Property Rights
ISDS	Integrated Skill Development Scheme
LAC	Latin America & the Caribbean

LDC	Least Developed Countries
MFA	Multi Fibre Arrangement
MFN	Most Favoured Nation
MMF	Man-Made Filament
MRA	Mutual Recognition Agreements
NAFTA	North American Free trade Area
NES	Not Elsewhere Specified
NT (1/2)	Normal Track (1/2)
PTA	Preferential Trade Agreement
QVC	Qualifying Value Content
RCEP	Regional Comprehensive Economic Partnership
RoO	Rules of Origin
RTA	Regional Trade Agreements
SACU	Southern African Customs Union
SAFTA	South Asian Free Trade Area
SEN.	Sensitive
SSA	Sub Saharan Africa
ST	Sensitive Track
T&A	Textiles & Apparel
TIFA	Trade and Investment Framework Agreement
TPP	Trans-Pacific Partnership
TRQ	Tariff Rate Quota
TTIP	Trans-Atlantic Trade and Investment Partnership
TUFS	Technology Upgradation Fund Scheme
UN Comtrade Database	United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization
YOY	Year-On-Year

Executive Summary

Trade agreements provide preferential market access to nations leading to various economic and dynamic benefits ranging from trade creation, market expansion to capital accumulation and productivity improvement. Such market access also leads to increasing participation of developing and less developed countries in the world market. There are several types of market access arrangements such as PTA, FTA, CECA, CEPA, Customs Union, Common Market, TIFA, BIT, etc. each with their own implementation framework and scope. Apart from that some developed countries extend special status programmes like GSP, GSP+, EBA, etc. to select developing countries and LDCs. Several agreements like TPPA and EU-Vietnam FTA have been concluded recently while some are under various stages of discussion and negotiation such as TTIP and RCEP. This indicates the growing importance of regional collaboration to improve the trade and investment. Ratification of these trade agreements will impact global trade flow in a meaningful manner.

For textile and apparel articles, which are price sensitive commodities, trade agreements hold special importance. In search of low cost manufacturing base, the textile and apparel manufacturing industry has continued to move from one part of the world to the other. Zero duty access from a country to a major market is an important reason for relocation of manufacturing base to that country. Countries such as Bangladesh, Turkey, Cambodia, etc. have successfully developed textile and apparel sectors leveraging their duty free status to EU or USA which are the largest consumption bases. In comparison, India does not have duty free access to these markets, which gives other competing countries a major competitive advantage over India.

India's Positioning in Global Textile and Apparel Trade

The global trade of textile and apparel was worth US$ 773 billion in 2013 which has grown at a rate of 4% per annum. India is the second largest exporter of textile and apparel in the world with a share of approx. 5%. Indian exports for textile and apparel have grown from US$ 31 billion in 2010-11 to US$ 42 billion in 2014-15 registering a CAGR of 8%. USA, UAE, China, UK and Bangladesh are 5 largest markets for Indian textile and apparel exports. India is a net exporter in the textile and apparel segment. In 2014-15, India imported US$ 6 billion of textile and apparel goods against exports of US$ 42 billion.

Global and Regional Demand for Indian Textile and Apparel Products

The top exported categories of India include cotton fibre, yarn and woven fabrics, MMF yarn & woven fabrics, knitted garments like T-Shirts, woven garments like women's skirts & blouses, men's shirts and bed linen, furnishing articles, etc. Key global markets of India's textile and apparel products are:

- Fibre: - China, Bangladesh and Pakistan
- Yarn: - China, Turkey, Egypt and Brazil
- Fabrics: - Sri Lanka, Bangladesh and U.A.E.
- Garments: - USA, Germany, U.K. and U.A.E.
- Home Textile: - USA, Germany and U.K.

Within the region (i.e. South Asia and South East Asia), India majorly exports cotton fibre, yarn and woven fabrics, synthetic staple fibre, MMF yarn and woven fabrics, knitted fabrics and woven garments like women's skirts & dresses. Key regional markets of India's textile and apparel products are:

- Fibre: - Bangladesh, Pakistan and Nepal
- Yarn: - Bangladesh, Pakistan and Vietnam
- Fabrics: - Sri Lanka, Bangladesh, Afghanistan and Vietnam
- Garment: - Malaysia, Afghanistan and Singapore

India's Product Strength and Weakness

	Strength	Weakness
Spun Yarn	Cotton & Cotton blended yarn	Viscose yarn, Blended yarn, Spandex yarn and Specialty yarn
Filament	Polyester texturized yarn and Partially oriented yarn	Nylon, High Tenacity yarn, Functional filament yarn
Fabric	Woven – cotton & blended	Laminated & coated fabric, Knits & Nonwovens
Apparel	Women's suits & dresses, Men's shirts, Babies' cotton garments and T-shirts	Intimate wear, Sportswear, Outerwear & Winter wear and Western suits
Technical textiles	Packtech (Sacks and bags)	All other type of high end value added technical textiles e.g. Geotextiles, Industrial textiles, Filters, Protective wear, etc.

Benchmarking of India's Textile and Apparel Sector with Key Competing Nations

	Bangladesh	China	India	Vietnam
Cotton Scenario (Values for 2015)				
Lint Production ('000 bales)	125	27,000	29,500	4
Mill Use ('000 bales)	4,550	34,500	26,250	4,750
Exports ('000 bales)	0	50	4,700	0
Imports ('000 bales)	4,500	5,750	950	5,000
Harvested Area ('000 acres)	111	9,143	29,652	5
Yield (Kg/hectare)	606	1,588	536	430
MMF Production (Values for 2014)				
Acrylic	-	640	92	-
Polyester staple	136	9,030	1,310	250
Polyester filament	70	23,909	3,070	171
Nylon s+f[1]	-	1,955	102	49
Polypropylene s+f	-	700	41	-
Cellulosic s+f	-	3,103	498	-
Factor Cost				
Labour cost (US$/ month)	100	500-550	140-160	180
Power cost (US cents / Kwh)	7.5	15-16	9	8
Lending rate (Local currency)	13%	5-6%	12-13%	6-7%
Scale and Level of Integration				

[1] s+f denotes staple fibre and filament

	Bangladesh	China	India	Vietnam
Fibre	Limited cotton production Relies on imported cotton Second largest producer of jute	Second largest producer of Cotton Largest producer of wool Largest producer of silk Largest producer of man-made fibres	Largest producer of cotton Largest producer of jute Second largest producer of silk Second largest producer of man-made fibre	Limited cotton production Relies on imported cotton 6th largest producer of silk Also produces man-made fibres
Yarn	6 million ring spindles 230,000 OE Rotors	120 million ring spindles 2.4 million rotors	50 million ring spindles 814,000 OE Rotors	6 million ring spindles 103,000 OE rotors
Weaving	17,250 shuttle-less looms 13,500 shuttle looms	620,000 shuttle-less looms 650,000 shuttle looms	135,000 shuttle-less looms 23.7 lakh shuttle looms	2,500 shuttle-less looms 17,000 shuttle looms Large volume of fabric is also imported
Garments	Export oriented garment industry Apparel exports: US$ 26 Bn. (2013)	Largest manufacturer and exporter in the world. Apparel exports: US$ 170 Bn. (2013)	Apparel exports: US$ 16 Bn. (2014)	Export oriented garment industry. Apparel exports: US$ 17 Bn. (2013)
Textile and Apparel Exports Scenario				
Historic Trend of T&A Exports (US$ Mn.)				
2013	28,041	305,544	40,191	21,534
2012	24,357	277,993	32,682	18,150
2011	24,314	275,109	33,374	16,760
Break-up of T&A Exports (2013)				
Fibre	169	3,261	5,499	164
Filament	3	5,276	1,414	486
Yarn	433	9,125	5,654	1,585
Fabric	91	67,951	5,142	1,152
Apparel	26,234	185,762	15,702	16,745
Home Textiles	666	20,413	5,227	525
Others	415	13,757	1,554	876
Total	**28,010**	**305,544**	**40,191**	**21,534**
Key Products and Markets (2013)				
Key Products	• Men's suits, jackets, trousers, woven (18%) • T-shirts, singlet, vests, etc., knitted (17%) • Jerseys, Cardigans, Knitted (14%) • Women's suits ensembles, woven (11%) • Men's or boy's shirts (8%)	• Women's suits ensembles, etc., knitted (10%) • Jerseys, Cardigans, Knitted (8%) • Women's suits ensembles, woven (7%) • Men's suits ensembles, woven (4%) • Men's suits ensembles, knit (4%)	• Cotton yarn, >= 85% cotton, not retail (12%) • Cotton, not carded or combed (11%) • T-shirts, singlet, vests, etc., knitted (6%) • Women's suits ensembles (6%) • Other furnishing articles (5%)	• Women's suits ensembles, etc. (11%) • Jerseys, Cardigans, Knitted (10%) • Men's suits ensembles, woven (10%) • Women's suits ensembles, etc. knit (7%) • T-shirts, singlet, vests, etc., knitted (6%)
Key Markets	• USA (18%)	• USA (15%)	• USA (18%)	• USA (42%)

	Bangladesh	China	India	Vietnam
	• Germany (16%) • UK (10%) • France (7%) • Spain (6%)	• Japan (9%) • Vietnam (5%) • Germany (4%) • UK (3%)	• China (14% • UAE (17%) • UK (6%) • Bangladesh (5%)	• Japan (12%) • S. Korea (10%) • China & HK (6%) • Germany (3%)
Infrastructure Ranking by World Economic Forum (Out of 144)				
Overall Ranking	127	46	87	81
Quality of Roads	117	49	76	104
Quality of Railroad	75	17	27	52
Quality of Port	93	53	76	88
Quality of Air transport	127	58	71	87
Quality of Electric Supply	124	56	103	88
Market Access to Main Textile and Apparel Markets				
Free Trade Agreements	EU (EBA), Canada (GSP) and Turkey (GSP, LDC)	-	EU (GSP) and Japan (CEPA)	EU (GSP), Japan, Korea, India and China (ASEAN)

Analysis of India's Market Access Arrangements with Key Countries

	South Korea	Japan	Vietnam	Indonesia	Malaysia
Textile and Apparel Imports					
Value	US$ 13.2 billion (2013)	US$ 38.7 billion (2014)	US$ 12.8 billion (2013)	US$ 8.5 billion (2013)	US$ 7.6 billion (2013)
Top Categories	Apparel (54%) Fabric (12%)	Apparel (76%) Home Textiles (7%)	Fabric (69%) Fibre (14%)	Fabric (54%) Fibre (26%)	Apparel (54%) Fabric (23%)
Key Suppliers	China & HK (45%) Vietnam (17%) Indonesia (5%)	China & HK (68%) Vietnam (8%) Indonesia (4%)	China & HK (43%) S. Korea (18%) Taiwan (14%)	China & HK (38%) S. Korea (16%) Taiwan (8%)	China & HK (71%) Singapore (5%) India (4%)
Market Access Arrangement with India					
Year of Implementation	CEPA January 1, 2010	CEPA August 1, 2011	India- ASEAN CECA June 1, 2010	India- ASEAN CECA October 1, 2010	India- ASEAN CECA January 1, 2010
India's Share Change					
2009	2.8%	0.8%	1.6%	2.6%	9.6%
2014	2.6%	1.1%	4.5%	2.9%	10.6%
India's Positioning					
Exports of T&A					
2009-10	US$ 272 Million	US$ 309 Million*	US$ 150 Million	US$ 161 Million	US$ 167 Million
2014-15	US$ 367 Million	US$ 407 Million	US$ 541 Million	US$ 205 Million	US$ 314 Million
CAGR	6%	7%	29%	5%	14%
Imports of T&A					
2009-10	US$ 100 Million	US$ 96 Million*	US$ 33 Million	US$ 73 Million	US$ 39 Million
2014-15	US$ 154 Million	US$ 142 Million	US$ 113 Million	US$ 134 Million	US$ 81 Million
CAGR	9%	10%	28%	13%	16%
Key Categories of Export (2014-15)	• Texturized yarn of polyester • Combed single yarn • Woven fabric of cotton	• Single cotton yarn of combed fibres • Multiple cotton yarn of combed fibres	• Cotton, not carded or combed • Single cotton yarn of combed fibres	• Cotton, not carded or combed • Other fabric impregnated, coated, covered, etc. PVC	• Women's blouses, shirts and shirt-blouses of man-made fibres, woven • Women's skirt and divided skirt of synthetic fibres, woven

	South Korea	Japan	Vietnam	Indonesia	Malaysia
Positive Impact of Market Access Arrangement on T&A exports					
	Some categories such as woven fabric of cotton, polyester yarn and uncombed cotton yarn has reported good growth.	Some of the product categories like cotton yarn of combed fibres measuring 83.33 to 106.38 dtex, high tenacity viscose rayon type yarn and tyre cord fabric have shown a tremendous growth after implementation of the agreement.	There has been significant growth in exports from India to Vietnam after the trade agreement.	Most of the categories (incl. fibre, yarn and fabric) have shown good growth after implementation of the agreement.	Categories like cotton fibre, cotton yarn, synthetic fabric, PVC coated fabric and apparels have shown good growth since 2008-09.
Potential Categories of Exports from India					
Fibre & Filament	• Synthetic filament yarn(not sewing thread) not retail • Cotton, not carded or combed	• Synthetic filament yarn (not sewing thread), not retail	• Cotton, not carded or combed • Synthetic filament yarn (not sewing thread), not for retail	• Cotton, not carded or combed • Synthetic filament yarn (not sewing thread), not for retail	• Cotton, not carded or combed
Fabric	• Woven cotton fabric, >85% cotton, < 200g/m2	• Men's suits, jackets, blazers, trousers, etc., woven • Women's suits, jackets, blazers, dresses, skirts, etc., knit or crochet • Men's shirts, woven • Women's blouses, shirts and shirt-blouses, woven	• Woven fabrics of synthetic filament yarn • Other woven fabrics of synthetic staple fibres. • Woven cotton fabric, >85% cotton, < 200g/m2 • Woven cotton fabric nes, >85% cotton, >200g/m2	• Woven fabrics of synthetic filament yarn • Woven fabrics of cotton, >85% cotton, weighing <= 200 GSM • Woven fabrics of cotton, >85% cotton, weighing > 200 GSM	• Woven fabrics of synthetic filament yarn, incl. monofil. >67dtec • Woven cotton fabrics, >=85% cotton, <200 GSM
Apparel & Home Textiles	• Women's suits, jacket, dress, skirt, etc., woven • Men's suits, jackets, trousers etc., woven • T-shirts, singlets, tank tops etc., knit or crochet • Track suits, ski-suits &	• Bed linen, table linen, toilet linen and kitchen linen	Nil	Nil	• Knitted and Woven Women's suits, jackets, dresses, skirts, trousers, etc., knit or crochet • Men's suits, jackets, blazers, trousers, etc., woven • Shawls, scarves,

	South Korea	Japan	Vietnam	Indonesia	Malaysia
	swimwear, woven • Women's blouses, shirts and shirt-blouses, Woven • Men's shirts, Woven • Women's suit, dress, skirt, etc., knit or crochet				mufflers, mantillas, etc., woven • T-shirts, singlets and other vests, knit or crochet • Knitted and Woven Men's shirts • Track suits, ski suits and swimwear, woven • Women's slips, petticoats, panties, nightdresses, etc. knit or crochet • Bed linen, table linen, toilet linen and kitchen linen
Others	Sacks & bags of textile material for packing goods	Sacks & bags of textile material for packing goods	-	-	-

*Data for 2010-11

Recommendations to Improve India's Existing Market Access Arrangements

a. **CEPA with South Korea**
   - **Cotton Yarn**

Issue

Indian cotton yarns are currently placed in the sensitive/ exclusion list

Recommendation

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
4	Exclusion List	8%	8%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	Tariffs need to be reduced to zero immediately.
79	Sensitive List	5.2%	4.8%	Duty will be reduced to 4% (i.e. 50% of the base rate which is 8%) in 2018.	

b. **Agreement with Vietnam under ASEAN**

- **Cotton Yarn**

Issue

7 cotton yarn HS lines (10% share in Indian cotton yarn export) will continue to attract an import duty of 5% till 2024 while rest 39 HS lines currently at 3% duty will become 0 in 2019.

Recommendation

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
7	Sensitive List	5%	5%	Duty will be remain at 5% till 2024	Tariffs need to be reduced to zero immediately.
Rest 39	Normal Track 1 (NT-1)	3%	2%	Duty will be reduced to zero in 2019	

- **Cotton Fabric**

Issue

13 cotton fabric HS lines (13% share in Indian cotton fabric exports) have been kept in the exclusion list. 58 other HS lines are in Sensitive or Highly Sensitive list

Recommendations

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
13	Exclusion List	-	-	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction	Tariffs need to be reduced to zero immediately.
58	Sensitive Track (ST) or Highly Sensitive List B (HSL-B)	ST – 9%; HSLB – 9.8%	ST – 8%; HSLB – 9.4%	For 28 HS lines in ST, duty will be reduced to 5% from 2022 onwards. For 30 HS lines in HSL-B, duty will be reduced to 6% from 2025 onwards.	

c. **Agreement with Indonesia ASEAN**

- **Issue:** Safeguard measures on import of cotton yarn from India till 2017

- **Current Status:** India currently occupies 40% of Indonesia's total US$ 106 mn. import of cotton yarn under HS Codes 5205 and 5206

- **Recommendations:** Need to initiate discussion with Indonesian authorities for the removal of these safeguard measures

d. CECA with Malaysia

- **Cotton Yarn:**

Issue

5 cotton yarn HS lines which are in sensitive track currently at 6% and will reduce to 5% in Jan. 16 till Dec. 19.

Recommendations

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
5	Sensitive Track	6%	5%	Duty will get reduced to 5% from 2016 and will remain same afterwards.	Tariffs need to be reduced to zero immediately.
1	Exclusion list	10%	10%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	

- **Cotton Fabric**

Issue

15 HS lines are in sensitive track. In Chapter 60, there are 6 HS lines in exclusion list and the balance HS lines in Chapter 60 are in sensitive track.

Recommendations:

HS 2	No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
52	16	Sensitive Track	6%	5%	Duty will get reduced to 5% from 2016 and will remain same afterwards.	Tariffs need to be reduced to zero immediately.
60	6	Exclusion List	15%	15%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	

60	37	Sensitive Track	8%	6%	Duty will get reduced to 5% from 2017 and will remain same afterwards.	

- **Made-ups:**

Issue

In Chapter 63, 20 cotton made-up HS lines are in exclusion list with a current duty of 20% while the balance are in sensitive list with a current duty level of 6%.

Recommendations

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
20	Exclusion List	20%	20%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	Tariffs need to be reduced to zero immediately.
47	Sensitive Track	41 lines – 8%; 2 lines – 12%; 2 lines –10% 1 line each – 0%, 4.5%	41 lines – 6%; 2 lines – 8%; 2 lines –7% 1 line each – 0%, 4.5%	Duty will get reduced to 5% for 45 lines from July 2016 and will remain same thereafter. Duty will reduce from current rate of 4.5% to zero in 2020 for 1 line	

Impact of India's WTO Obligations on Export Subsidies

According to WTO's Agreement on Subsidies and Countervailing Measures, when the share of a developing country, with per capita income below US$ 1,000 a year, in global exports touches 3.25% in any product category for two consecutive years, thereby gaining "export competitiveness", it has to phase out export subsidies for the items eight years from the second year of breach.

USA and Turkey have contended at WTO that India's textile and apparel exports subsidies should have been ended by January, 2015. However, India's stand is that as per WTO rule book it has time until January 2018. It was also stated by India that although as a category textile and apparel may have exceeded the stipulated trade share level globally, many items within the group may not have attained export competitiveness, and, therefore, need continued support.

Since the general WTO norms permit import duty neutralization for exports, the duty drawback scheme available for the sector will not be affected. Moreover, schemes such as Technology Upgradation Fund

Scheme (TUFS) are also unlikely to be hit as they are meant for incentivizing the production, not exclusively exports.

Probable Impact of FTA with Key Markets on India's Export

a. European Union

India and EU are negotiating a Broad-based Trade and Investment Agreement (BTIA) since 2007 in which 15 rounds of negotiations have been completed without any success. The key issues being unwillingness of India to reduce tariffs in automobiles and auto components sector, wines and spirits among other factors.

However, trade gains from the BTIA is likely to be very significant specifically for textile and apparel sector. India is one of the leading supplier of textile and apparel products to EU market with a share of approx. 7.1%.

As per 2009 study by European Commission titled 'Trade Sustainability Impact Assessment for the FTA between the EU and the Republic of India' by ECORYS Netherlands, CUTS and Centad that used CGE model to quantify the impact of FTA following three scenarios were developed for projecting the impact :

	Description	Tariff Reduction	Trade Facilitation
Scenario 1	Limited FTA	90%	1% of value of trade
Scenario 2	Broad FTA Agreement	97%	2% of value of trade
Scenario 3	Broad Plus FTA Agreement	97%	2% of value of trade plus an additional 1% reduction for manufacturing sector

2014 was considered as baseline wherein short-run estimates were provided, quantifying an immediate impact of imposing the FTA in 2014:

(US$ Mn.)	2014	Scenario 1			Scenario 2			Scenario 3		
	Exports	Change %	Exports	Change	Change %	Exports	Change	Change	Exports	Change
Textile	2,695	14.5%	3,086	391	17.1%	3,156	461	19.8%	3,229	534
Apparel	5,052	30.8%	6,608	1,556	37.0%	6,921	1,869	43.4%	7,245	2,193
Total	**7,747**	**25%**	**9,694**	**1,947**	**30%**	**10,077**	**2,330**	**35%**	**10,473**	**2,726**

b. USA

USA again is an important destinations for India's textile and apparel exports. In 2014, India's T&A exports to USA reached US$ 7 billion. India is third largest supplier of textile and apparel products to USA market after China and Vietnam. India's trade of textile and apparel products to USA has grown at a CAGR of 5.5% over last 5 years. In absence of any FTA with USA, India's textile and apparel exports could at best keep the same growth rate over next 5 years. However after signing of FTA, Indian textile an d apparel exporters will get a duty advantage in the range of 10% to 32% in various product categories. This will provide a major boost to Indian exports, as the manufacturing cost in China is already increasing and India with its large and complete value chain is the only credible alternative. It is expected that FTA with USA will majorly improve India's share in USA's apparel imports. From a value of 5.8%, it could increase as high as

20% by 2025. India's share in USA's imports of textiles will also increase majorly in segments of MMF yarns and fabrics. From a present value of 9.3%, India's share could improve to 15%.

Segment	2014			2025(P) without FTA			2025(P) with FTA		
	Total Imports	**Imports from India**	**India's Share**	**Total Imports**	**Imports from India**	**India's Share**	**Total Imports**	**Imports from India**	**India's Share**
Textile	14.6 (13.2%)	1.4 (20%)	9.3%	25 (15%)	2.5 (20%)	10%	25 (15%)	3.75 (12%)	15%
Apparel & Made-ups	96.2 (86.8%)	5.6 (80%)	5.8%	142 (85%)	10.1 (80%)	7%	142 (85%)	28 (88%)	20%
Total	**110.8**	**7.0**	**6.3%**	**167**	**12.6**	**7.5%**	**167**	**31.75**	**19%**
CAGR				**3.8%**	**5.5%**		**3.8%**	**15%**	

High Potential Products and Markets for Indian Textile and Apparel Exports

Based on detailed analysis of global and Indian textile and apparel trade, following region-wise markets and products have been identified as high potential ones for India to tap:

Region	Target Categories	Target Markets
Africa	Cotton textiles	Egypt, Morocco, Tunisia and Benin
	Man-made textiles	Egypt and Morocco
	Knitted & coated fabrics	Morocco
	Apparel	South Africa and Egypt
	Home textiles	Libya and South Africa
Asia (excl. China)	Cotton textiles	Hong Kong and Turkey
	Man-made textiles	Turkey
	Knitted & coated fabrics	Hong Kong
	Apparel	Russia and UAE
	Home textiles	Russia
China	Textiles - cotton textiles, man-made textiles & knitted fabrics	China
EU-28	Finished products - apparel & home textiles	EU-28
Latin America & the Caribbean (LAC)	Cotton textiles	Mexico and Honduras
	Man-made textiles	Mexico and Honduras
	Knitted & coated fabrics	Mexico
	Apparel	Mexico and Panama
	Home textiles & made-ups	Mexico and Panama
North America	Finished products - apparel, home textiles & made-ups	USA and Canada
Oceania	Finished products - apparel, home textiles & made-ups	Australia and New Zealand

Note: HS code-wise detailing of products for each of the market is given in chapter 10

1. Project Background

1.1. Terms of Reference

Wazir Advisors was appointed by Ministry of Textiles, Government of India to undertake a study on "Existing and prospective FTAs and its impact on Indian textiles exports" under Research Export Promotion Scheme.

The terms of reference of the study were:

a. Studying existing FTAs impacting textiles and clothing exports/imports in India.

b. Competitive advantage of India's competing nations under existing FTAs

c. Study the prospective FTAs with bigger markets like US/Europe and the probable impact on Indian exports.

d. To review the existing Indian Textile exports in global scenario with the current trade and trends in the region and globally.

e. To review the India's Textile and apparel sector in line with WTO and Regional Trade Agreements and study of existing FTA's/PTAs/MRAs etc. or Commitments and as per the Foreign Investment Legislations.

f. Prospects of PTAs for textile sector with bigger markets

g. To assess the regional and global demand for Indian textiles & apparel products.

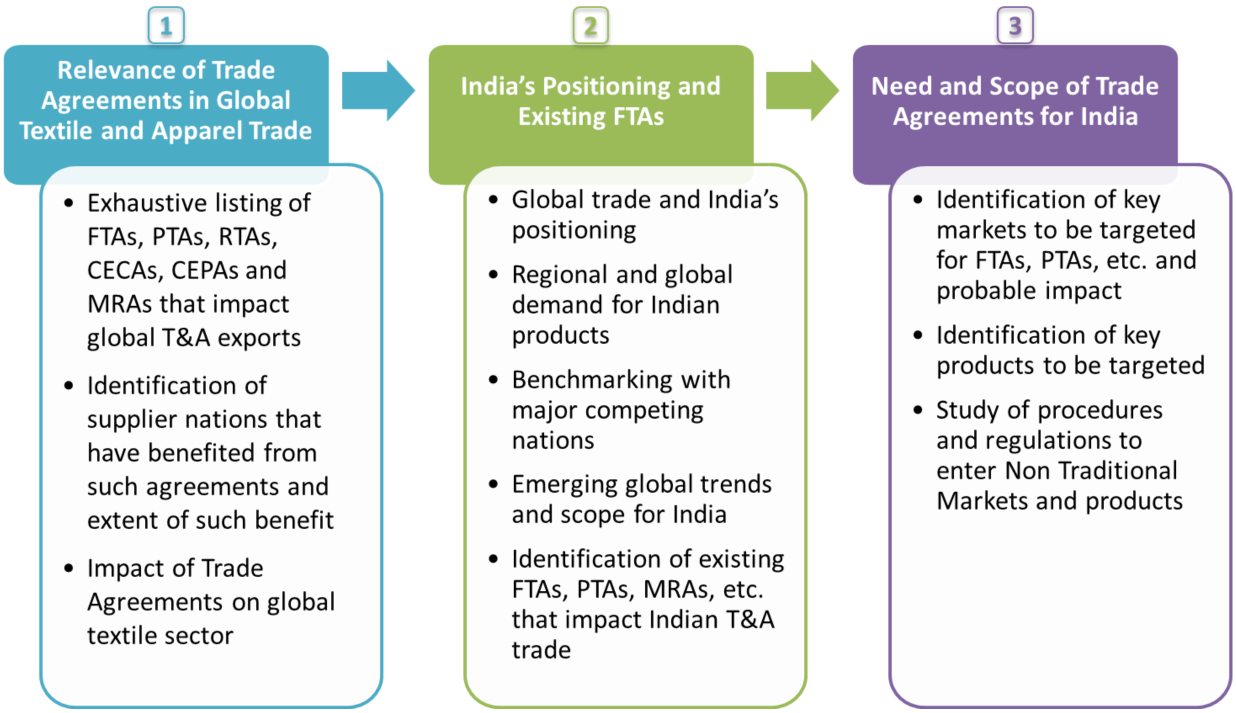
h. To map out the current situation in term of available raw materials, local skills, processing and communication infrastructure, marketing channels and appropriate technologies in Textile sector. Benchmarking of major competitive factors vis-à-vis our major competitors.

i. To identify products with higher export potential from Indian points of view and strategy thereon. To identify potential markets and conduct market demand survey in potential Non Traditional Markets including relevant trade flows, procedures and regulations.

1.2. Study Approach and Methodology

1.2.1. Approach

Following approach was adopted by Wazir Advisors to conduct the study:



1.2.2. Methodology

a. Relevance of Trade Agreements in Global Textile and Apparel Trade

- Wazir conducted a comprehensive secondary research to list out FTAs, PTAs, RTAs, CECA, CEPAs and MRAs that impact global textiles and apparel exports.
- The team then identified India's competing supplier nations that have benefitted from existing agreements and studied the extent of such benefits based on following parameters:
  - Competitive advantage
  - Effect on textile and apparel exports
  - Access to new markets and products
  - Employment generation
  - Technology upgradation and innovation

- Based on the above study, the impact of trade agreements on global textile sector wasestablished as per following aspects:
    - Effect on global trade of textiles and apparel
    - Effect on investment
    - Innovation and technology transfer

b. India’s Positioning and Existing FTAs

- Wazir team studied global trade of textiles and apparel to identify the major categories traded globally and category-wise positioning of India in global trade.
- For trade data, following databases were used:
    - Exim Databank of Ministry of Commerce (for India)
    - UN Commercial Trade Database (Global Data)
    - Office of Textiles and Apparel (for USA)
    - Eurostat (for EU)
    - Japan Customs (for Japan)
- The regional and global demand of Indian products was analyzed through a combination of secondary and primary research. Following major points were covered:
    - Identification of major product categories manufactured in India
    - Market demand of Indian products in South Asia
    - Market demand of Indian products in the world
- Benchmarking of Indian textile and apparel sector was done with that of competing nations on following aspects:
    - Available raw materials
    - Labour skills
    - Manufacturing infrastructure
    - Factor costs
    - Scale and level of integration
    - Communication infrastructure
    - Marketing channel
    - Key products
    - Key markets, etc.
- The emerging trends in global market were then identified to assess the scope for Indianproducts.

- Listing of the FTAs, PTAs, MRAs, etc. of India was done and the ones which are impacting Indian textile and apparel trade was selected.
- After this, India's textile and apparel sector was reviewed in line with WTO and Regional Trade Agreements.

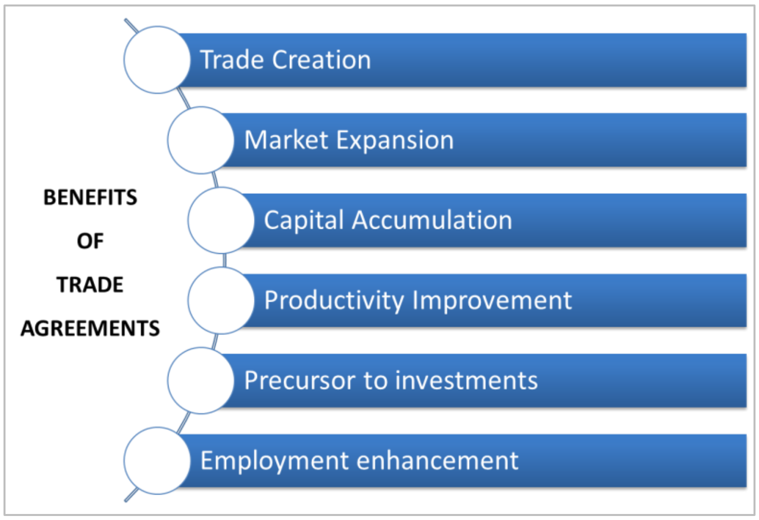
c. Need and Scope of Trade Agreements for India

- Wazir team identified major markets for India and listed down the prospective FTAs, PTAs, RTAs, CECAs, CEPAs, etc. with identified markets. The probable impact of these trade agreements on Indian exports of textiles and apparel was assessed by conducting primary and secondary research to cover the following points:
    - Demand of India's key exported products in major markets
    - Current and projected demand (or growth potential) of key textile and apparel imported products in major markets
    - Opportunity for new products in major markets
    - Duty saving, etc.
- After this, the identification and selection of key markets and products to be targeted was done. This was based on impact analysis of prospective FTAs, PTAs, etc. with major markets and on following parameters :
    - Other FTAs, PTAs, RTAs, etc. of the major markets with competing supplier nations
    - Prices offered by competing supplier nations
    - Relevant trade flows, etc.
- The team then studied the procedures and regulations to enter in potential Non Traditional Markets and products.

2. Market Access Arrangements: An Overview

2.1. Importance of Market Access for Supplier Nations

Trade agreements provide preferential market access to nations leading to various economic and dynamic benefits ranging from trade creation, market expansion to capital accumulation and productivity improvement. Such market access also lends a hand towards the increasing participation of developing and less developed countries in the world market thereby, shifting of production from developed nations to developing and least developed nations.



Moreover, fragmentation of production processes has allowed the developing nations to industrialize by joining value chains instead of building whole chains themselves hence, giving birth to the concept of Global Value Chain (GVC). The choice of locations to relocate manufacturing activities for reaping the benefits of lower production costs has been majorly influenced by the preferential access to key consumer markets.

2.2. Various Types of Market Access Arrangements

a. Preferential Trade Agreement (PTA)

In a PTA, two or more partners agree to reduce tariffs on agreed number of tariff lines. The list of products on which the partners agree to reduce duty is called positive list. However, in general PTAs do not cover substantially all trade[2].

Some examples of PTAs:

- India – Chile PTA
- India – MERCOSUR[3] PTA

[2] Source of definition: Indian Trade Portal (http://www.indiantradeportal.in)

[3] MERCOSUR is a trading bloc in Latin America comprising of Brazil, Argentina, Uruguay and Paraguay.

b. Free Trade Agreement (FTA)

FTAs are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate customs tariff and non-tariff barriers on substantial trade between them. FTAs normally cover trade in goods (such as agricultural or industrial products) or trade in services (such as banking, construction, trading etc.). FTAs can also cover other areas such as intellectual property rights (IPRs), investment, government procurement and competition policy, etc.[4]

But each member of FTA retains its own tariff, trade restrictions and commercial policies with non-member countries.

Some examples of FTAs:

- North American Free trade Area (NAFTA)[5]
- South Asian Free Trade Area (SAFTA)[6]
- India – Sri Lanka FTA

The key difference between an FTA and a PTA is that while in a PTA there is a positive list of products on which duty is to be reduced; in an FTA there is a negative list on which duty is not reduced or eliminated. Thus, compared to a PTA, FTAs are generally more ambitious in coverage of tariff lines (products) on which duty is to be reduced.

c. Comprehensive Economic Cooperation Agreement (CECA) and Comprehensive Economic Partnership Agreement (CEPA)

These two types of economic agreements between countries are almost similar in nature but CEPA has a wider scope than CECA. CECA is concerned with tariff reduction/elimination in a phased manner on all / listed tariff rate quota (TRQ) items. On the other hand, CEPA in addition to the components of CECA also covers trade in services and investment, and other areas of economic partnership.

In a comparable economic standing, CECA is considered as the first step or a stepping stone to accomplish CEPA. If negotiations can still be conducted between countries, and both parties are open to discussion and have a good economic relationship with each other, CECA can evolve into CEPA. This makes CEPA a result of on-going efforts and negotiations of two countries that started from CECA.

Some examples of CECAs and CEPAs:

- India – Singapore CECA
- India – Malaysia CECA
- India – Japan CEPA
- Japan – Vietnam CEPA

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[4] Source of definition: Indian Trade Portal (http://www.indiantradeportal.in)
[5] NAFTA comprises of Canada, Mexico and USA
[6] SAFTA comprises of India, Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka

d. Custom Union

In a Custom union, partner countries may decide to trade at zero duty among themselves while maintaining common tariffs against rest of the world. This means that members may negotiate as a single bloc with 3rd parties, such as with other trading blocs, or with the WTO. FTA and Custom Union are similar as there is tariff free movement of goods among the members but while FTA permits each member to retain its own tariff against non-members, the Customs Union adopts a common external tariff against them.

Some examples of Custom Union:

- European Union (EU)
- Southern African Customs Union (SACU)[7]
- East African Community (EAC)[8]

e. Common Market

Common Market is an agreement between two or more countries that permits the free movement of capital and labor as well as goods and services.[9] The objective of a common market is most often economic convergence and the creation of an integrated single market.

Some examples of Common Markets:

- Common Market for Eastern and Southern Africa (COMESA)
- MERCOSUR
- The current European Union developed from the European Economic Community, a form of Common Market

f. Economic Union

Economic Union is a Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions.[10]

European Union (EU) is an example of Economic Union.

g. Generalized System of Preferences (GSP)[11]

GSP is a preferential tariff system extended by developed countries (also known as preference giving countries or donor countries) to developing and least developed countries. The GSP is consistent with the World Trade Organization's (i.e. WTO) 1979 'Enabling Clause', which operates as an exception to one of

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[7] SACU comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland
[8] EAC comprises of Burundi, Kenya, Rwanda, Tanzania and Uganda
[9] Source of definition: *International Finance* by Ephraim Clark
[10] Source of definition: Indian Trade Portal (http://www.indiantradeportal.in)
[11] Source: The EU's Generalised Scheme of Preferences (GSP), European Commission - Detailed report is given in Annexure C

the pillars of the WTO system (i.e. the most-favoured nation obligation), allowing developed countries to grant differential and more favourable tariff treatment to imports from developing countries.

There are three types of preferential arrangements under GSP:

- a general arrangement - for developing countries matching certain eligibility criteria;
- GSP +: special incentive arrangement for sustainable development and good governance
- 'Everything But Arms' (EBA): special arrangement for least developed countries which grants duty-free quota-free (DFQF) access for all their exports, except for arms and ammunitions

The GSP+ status is extended by EU and Norway while the EBA status is extended by EU only.

There are presently 14 countries that benefit from the EU's GSP+ scheme. In addition, 49 least-developed countries currently benefit from the EBA preferential arrangement and receive DFQF access to the EU market via that scheme.

For example: EU has given GSP status to India, Vietnam, etc.; GSP+ status to Cape Verde, Guatemala, Pakistan, etc. and EBA status to Bangladesh, Haiti, Tanzania, etc.

Criteria for getting GSP+ status from EU:

A GSP beneficiary country may get GSP+ status if:

1) It has ratified and effectively implemented all 27 specified international conventions in the fields of core human and labour right, environment and good governance.
2) It gives an undertaking to maintain the ratification of the conventions and their implementing legislation and measures, and accept regular monitoring and review of the implementation record in accordance with the implementation provisions of the relevant conventions;
3) It is considered to be 'vulnerable'; meaning:
    a) The country is not classified as a high income country during three consecutive years by the World Bank;
    b) The country's exports to the EU are heavily concentrated in a few products - 75% of its exports to EU are concentrated in only 7 GSP sections (as defined in Annex IX) during last 3 years
    NOTE: In 2013, India's export of 7 largest GSP sections of EU imports was 68.6%; which is less than the threshold of 75%. Thus, India cannot apply for GSP+ status.
    c) The country has a low level of exports to the EU - Country holds a share of less than 6.5% of EU's overall GSP imports during last 3 years[12]

Graduation of Products:

Under the graduation mechanism, the EU's GSP scheme withdraws preferences for a product section from a certain GSP beneficiary country when the average value of EU imports of these products from that country exceed 17.5% of the total value of EU imports of that product from all GSP beneficiaries for three

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[12] In April 2015, the European Commission relaxed the vulnerability criterion by increasing the vulnerability threshold from 2% to 6.5% (Commission Delegated Regulation (EU) 2015/602 of February 9, 2015)

consecutive years (14.5% for textiles and clothing). It concerns therefore imports that are competitive on the EU market and so no longer need the GSP to boost their exports to the EU. But graduation does not applies to EBA and GSP+ countries.

Indian textile products do not get GSP advantage (applicable up to 31st December 2016) as textile (not apparel) comes under the graduated sector list of India.

h. Mutual Recognition Agreements (MRA)

MRA is an agreement between two or more parties to mutually recognize or accept some or all aspects of one another's conformity assessment results (e.g. test reports and certificates of compliance). Through MRAs products that are tested and certified before export, can enter the importing country directly without having to undergo similar conformity assessment procedures in the importing country. [13] This is done by providing for the mutual recognition by the importing parties of conformity assessment bodies and the acceptance of their test reports, of which the result shows that a product conforms to the requirements of the importing party.

Some examples for MRAs:

- USA – EU MRA
- EU – Japan MRA

i. Trade and Investment Framework Agreement (TIFA)

TIFA provide strategic frameworks and principles for dialogue on trade and investment issues [14] between countries. It is often seen as an important step towards establishing Free Trade Agreements. Some of the TIFAs are:

- US – ASEAN TIFA
- US – Malaysia TIFA

[13] Source of definition: Association of Southeast Asian Nations (ASEAN)

[14] Source of definition: Office of the United States Trade Representative

j. Bilateral Investment Treaties (BIT)

BIT is an international agreement establishing the terms and conditions for private investment by nationals and companies of one state in another state.[15]

The BIT program's basic aims are to:

- Protect investment abroad in countries where investor rights are not already protected through existing agreements (such as modern treaties of friendship, commerce, and navigation, or FTAs);
- Encourage the adoption of market-oriented domestic policies that treat private investment in an open, transparent, and non-discriminatory way; and
- Support the development of international law standards consistent with these objectives.

Some examples of BITs:

  - India – France
  - USA – Bangladesh

[15] Source of definition: Global Encyclopedia of International Economics and Taxation by - M.A. Chaudhary & Gautam Chaudhary

Table 1: Types of Market Access Arrangements- Summary

Type of Market Access	Key Feature(s)	Examples
Preferential Trade Agreement (PTA)	Tariff barrier on selected products are reduced, not eliminated, and non-tariff barriers are made less stringent	• India – Chile • India – MERCOSUR
Free Trade Agreement (FTA)	Reduction or elimination of customs tariff and non-tariff barriers on substantial trade; generally covers trade in goods and services	• NAFTA • India – Sri Lanka
Comprehensive Economic Cooperation Agreement (CECA)	Tariff reduction/elimination in a phased manner on all / listed tariff rate quota (TRQ) items	• India – Singapore • India – Malaysia
Comprehensive Economic Partnership Agreement (CEPA)	Covers components of CECA and trade in services and investment, and other areas of economic partnership	• India – Japan • India – Korea
Custom Union	Partner countries may decide to trade at zero duty among themselves, however they maintain common tariffs against rest of the world	• Southern African Customs Union
Common Market	Facilitates free trade of goods, services, labour and capital, harmonize technical standards across members etc. among partner countries	• COMESA • MERCOSUR
Economic Union	A Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions	• European Union
Special Status		
Generalized System of Preferences (GSP)	A preferential tariff system which provides for a formal system of exemption from the more general rules of the WTO, i.e. Most Favoured Nation (MFN) Principle	• EU – Kenya • Japan – Ethiopia
Generalized System of Preferences (GSP) +	• Full removal of tariffs on same product categories as those covered by the general GSP arrangement. • Granted to countries which ratify and implement international conventions relating to human and labour rights, environment and good governance	• EU – Pakistan • EU – Guatemala
Everything But Arms (EBA)	An arrangement for Least Developed Countries (LDCs), which grants Duty Free Quota Free (DFQF) access to all products, except for arms and ammunitions	• EU – Bangladesh • EU – Cambodia
Mutual Recognition Agreement (MRA)	Participating countries agree to recognize one another's conformity assessments	• US – EU • EU – Canada
Investment Related Agreements		
Trade and Investment Framework Agreement (TIFA)	Provide strategic frameworks and principles for dialogue on trade and investment issues	• US – ASEAN • US – Malaysia
Bilateral Investment Treaty (BIT)	Establishing the terms and conditions for private investment by nationals and companies of one state in another state	• India – China • US – Bangladesh

2.3. Upcoming Trade Agreements

a. Trans-Pacific Partnership (TPP)

USA is negotiating TPP agreement with 11 countries throughout Asia-Pacific Region (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam). Collectively, this agreement will cover half of the global output and 40% of world trade.

TPP countries constitute important destination for Indian products – more than a quarter of Indian exports are destined for TPP nations. USA alone is a destination for 16% of India's textile exports and 22% of India's apparel exports.

Table 2: India's Textile and Apparel Exports to TPP Countries (2013)[16]

Country	India s T&A Exports (In US$ Mn.)	Share in India s Total T&A Exports
USA	7,228	18%
Canada	486	1%
Vietnam	454	1%
Japan	445	1%
Australia	344	1%
Malaysia	319	1%
Mexico	284	1%
Peru	225	1%
Singapore	170	0.4%
Chile	135	0.3%
New Zealand	48	0.1%
Brunei Darussalam	2	0.01%
T&A Exports to TPP Nations	**10,142**	**25.23%**

TPP will open unprecedented channel for trade and investment among member nations. On the other hand Indian exports will reduce to signatory nations, because of free market access among themselves. A major gainer is expected to be Vietnam, which is already a larger garment supplier than India in USA and Japan. Getting zero-duty access to these markets will boost Vietnam's garment export tremendously. India without such advantage will not be able to compete with Vietnam in these markets.

USA has proposed Yarn-Forward Rule of Origin with some exemptions for inputs considered to be in short supply, or "not commercially available," in the region to assure that duty-preference does not go to third-parties. This will fetch investments in lower cost TPP countries such as Vietnam in upstream manufacturing process as well (yarn and fabrics), hence supporting them to develop a complete value chain.

After more than five years of negotiations, the leaders of 12 Pacific Rim countries have finally concluded the TPP negotiations on 5th October, 2015. The agreement is yet to be signed.

[16] Data Source: UN Comtrade Database

The salient features of the text[17] released pertaining to Textile and Apparel Sector are listed below:

- Duties on some products will end immediately, while some in a phased manner over 10 years. Duty phase out schedule for each country is different.
- Originating goods will be those produced entirely “yarn forward” in TPP countries.
- Cumulative rule of origin will be followed. For eg: Korea and Japan manufacture the same products in Vietnam and export them to the U.S. Since Japan is a TPP signatory, its goods will enter the American market tariff-free, while Korean products will not.
- 10% of non-originating materials is still allowed to get duty advantage (by weight); but this concession is not available for stretch yarns, fabrics or garments.
- For a ‘set’ (e.g. towel set of 3 piece) to get duty advantage, max. 10% of content could be non-originating.
- Stretch yarns and sewing threads have been provided significant protection.
- For garments, non-originating yarns and fabrics of manmade staple fibre and viscose staple fibre are allowed.
- There is a 194 item ‘Short Supply List’ which can be sourced from non-TPP countries and still get duty advantage. In this list, 8 items are ‘temporary’ with 5 year clause; rest are marked permanent.
- There is an ‘Emergency Actions’ clause under which if a country feels threatened by increased imports from a particular country; it may temporarily increase duty up to MFN level after due investigation.
- There is a site verification clause, which allows importing country’s custom officials to visit exporters and scrutinize relevant records; and take action if required.
- A separate ‘Committee on Textile and Apparel Trade’ with all TPP country representatives will be formed to review implementation, consult on technical difficulties, etc.
- US has proposed a special clause for Vietnam “EARNED IMPORT ALLOWANCE PROGRAM” which will allow trousers made in Vietnam from third country fabric to get duty free status:
    - When a Vietnamese exporter will buy 1 square meter US made cotton fabrics, he will be provided with one “fabric credit” (online system).
    - Each duty free garment imported would need at least 75% square meter equivalent fabric credits for women’s trousers or 130% for men’s trousers.
    - In simple terms “For every 0.75 (or 1.30) square meter equivalents (SME) of eligible cotton fabric imported from USA, one SME of women’s (or men’s) trousers may enter the US duty-free from Vietnam using third party yarn and fabric”. For example, a Vietnamese women’s trouser exporter needs 125 sq.m. fabric to produce 100 pairs. He will import 75% of that - 93 sq. m. fabric from USA and earn 93 credits. He may then import 125 sq.m. fabric from China, make trousers and ship to US duty free with certificate of 93 US fabric credits. Fabric imported from US can be used elsewhere, but since US fabric credit is exhausted now, hence this fabric cannot be converted and additionally exported to US duty free.

[17] Source: Office of United States Trade Representative

- There will be a cap of 15 mn. sq. m. equivalent in first year which will gradually increase to 20 mn. in 10 years.
- USA has same program with Dominican Republic and Haiti which has failed.

b. EU – Vietnam FTA

The European Union and Vietnam reached an agreement in principle for a free trade deal on 4th August, 2015, for which negotiation were launched in June 2012. The EU-Vietnam FTA has been officialy signed on 2nd December 2015. It will also cover services, investment and issues such as government procurement. Both the parties will finalise the ratification process as soon as possible for the FTA to take effect from the beginning of 2018. Nearly all custom duties- over 99% of the tariffs will be eliminated. Vietnam will liberalize 65% of import duties on EU exports to Vietnam at entry into force and the remaining duties will be eliminated due to the next ten years; EU duties will be eliminated over a seven year period.

EU is the 2nd largest market for Vietnam after USA for exports of textile and apparel products. EU has a share of about 14% of Vietnam's total T&A exports of US$ 22 billion. In 2014, Vietnam's exports of T&A products to EU was worth US$ 3 billion, growing at a CAGR of 14% since 2009. It majorly comprises of apparel products, forming about 90% share of total textile and apparel exports.

The top 5 imported T&A commodities of EU and top 5 exported T&A commodities of Vietnam are same. Thus, this FTA is expected to significantly boost the Vietnam's exports to EU.

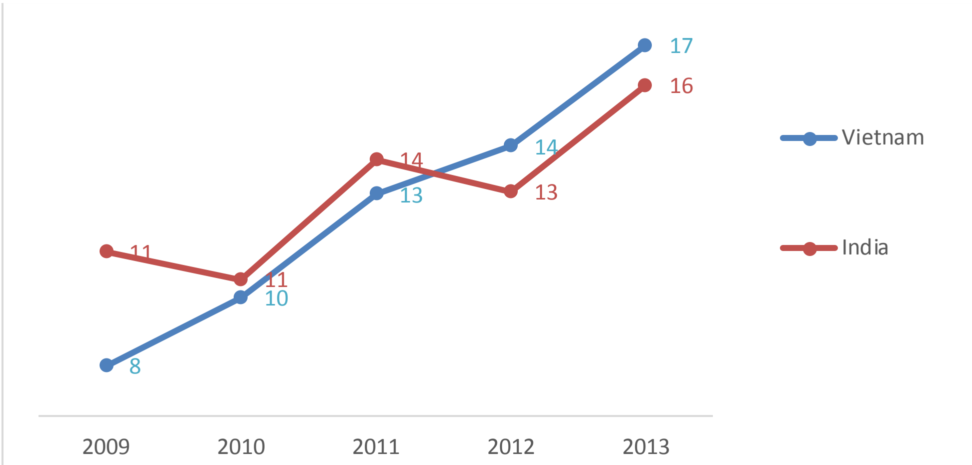
Table 3: EU's Top 5 Imported and Vietnam's Top 5 Exported T&A Commodities of 2013 (In US$ Billion)[18]

HS 4	Description	EU s Total Imports	Vietnam's Total Exports	Vietnam's Share in its Total Exports
6204	Women's suits, ensembles, dresses, skirts, etc., woven	25.3	2.4	11%
6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	22.7	2.1	10%
6109	T-shirts, singlets and other vests, knitted or crocheted	20.9	1.4	6%
6203	Men's suits, ensembles, jackets, trousers, etc., woven	20.3	2.1	10%
6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	13.3	1.4	7%

In the apparel exports, Vietnam has already surpassed India in 2012 and became 4th largest apparel exporter in the world. In addition, the exports of Vietnam is higher than Indian exports in USA market. In the near future, Vietnam is expected to become one of the key supplier of apparel to EU market also and India might lose its share to Vietnam.

[18] Data Source: UN Comtrade Database

Figure 1: Historical Trend of Apparel Exports (In US$ Billion)[19]



EU has provided trade preferences under the Generalized Scheme of Preferences (GSP) to India and Vietnam. Under the GSP status, EU provides an exemption of 20% of the applied MFN duty to the GSP countries. Till now both India and Vietnam were having preferential tariff under the GSP status, but after implementation of the EU - Vietnam FTA, Vietnam will be having a duty advantage of about 9.6% (tariff rate for most of the apparel products) over India for apparel exports.

c. Trans-Atlantic Trade and Investment Partnership (T-TIP)

T-TIP is a comprehensive high-standard trade and investment agreement being negotiated between the United States and the European Union (EU) with an aim to increase international competitiveness and boost growth. The negotiations so far are focused on regulatory issues. It indicated interest in negotiating specific sectoral commitments in textiles. The negotiations were officially launched in June 2013.

d. Regional Comprehensive Economic Partnership (RCEP)

RCEP is a proposed comprehensive free trade pact linking the economies of 16 Asia-Pacific countries. It includes 10 ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Malaysia, Singapore, Thailand, and Vietnam) and six partners with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand).

The negotiations were launched by the Leaders of the 16 participating countries on 20th November, 2012. The RCEP has already completed several rounds of negotiations in the areas of trade in goods, services and investment and was originally intended to conclude the negotiations by the end of 2015. But following the ASEAN summit in Kuala Lumpur, Malaysia on 21st November, 2015, it has been announced that the negotiators will look forward to the early conclusion of the RCEP negotiations in 2016.

[19] Data Source: UN Comtrade Database

3. Trade Agreements and Arrangement in Textiles Sector

3.1. Market Access Arrangements of Key Textile and Apparel Markets

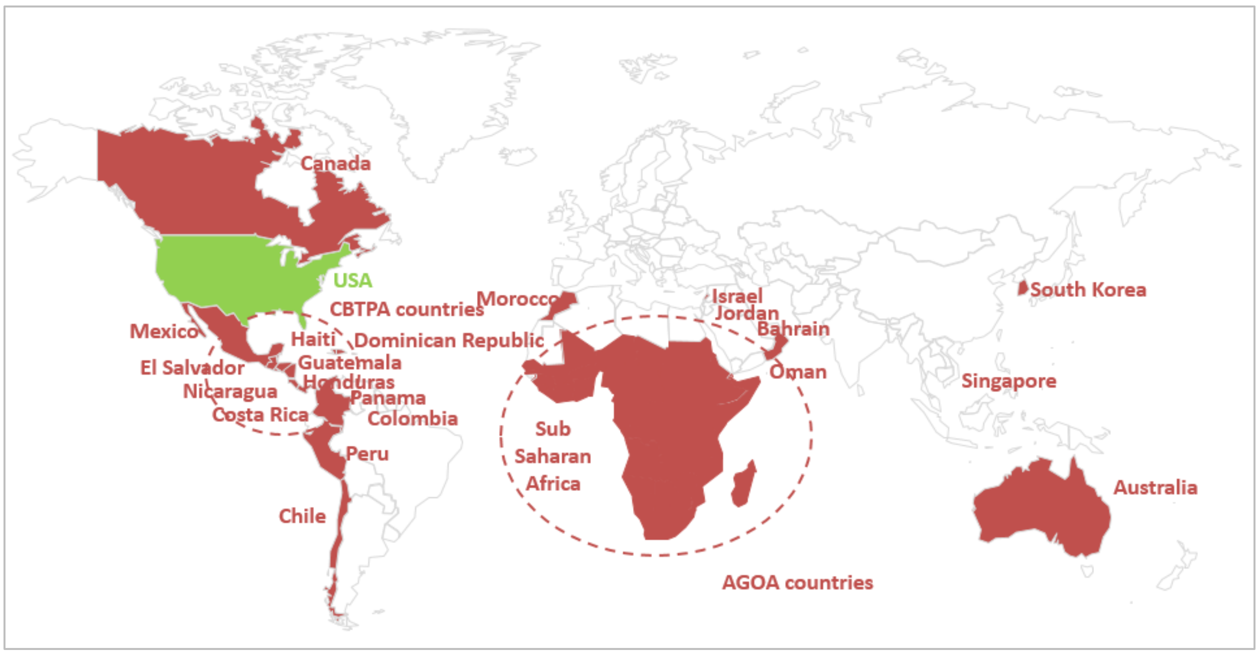
a. USA

USA is the largest market for textile and apparel in the world with share of 8% in total textile imports, 18% in total apparel imports and cumulative 14% share in total textile and apparel imports in 2014. It has various market agreements in place to facilitate imports. These agreements eliminate or reduce tariff rates, open government procurement opportunities and ease investment rules. The details of preference programs and trade agreements of US are given below:

a. Preference Programs- AGOA, CBTPA, HOPE

b. FTAs with specific countries – Australia, Singapore, Bahrain, Chile, Oman, Israel, S. Korea, Jordan, Morocco, NAFTA, CAFTA-DR

c. Trade Promotion Agreements with Colombia, Panama and Peru



b. Europe

EU-28 comprised 24% share in total textile imports, 39% share in total apparel imports and cumulative 32% share in total textile and apparel imports in 2014. It has successfully concluded a number of important trade agreements with its trading partners:

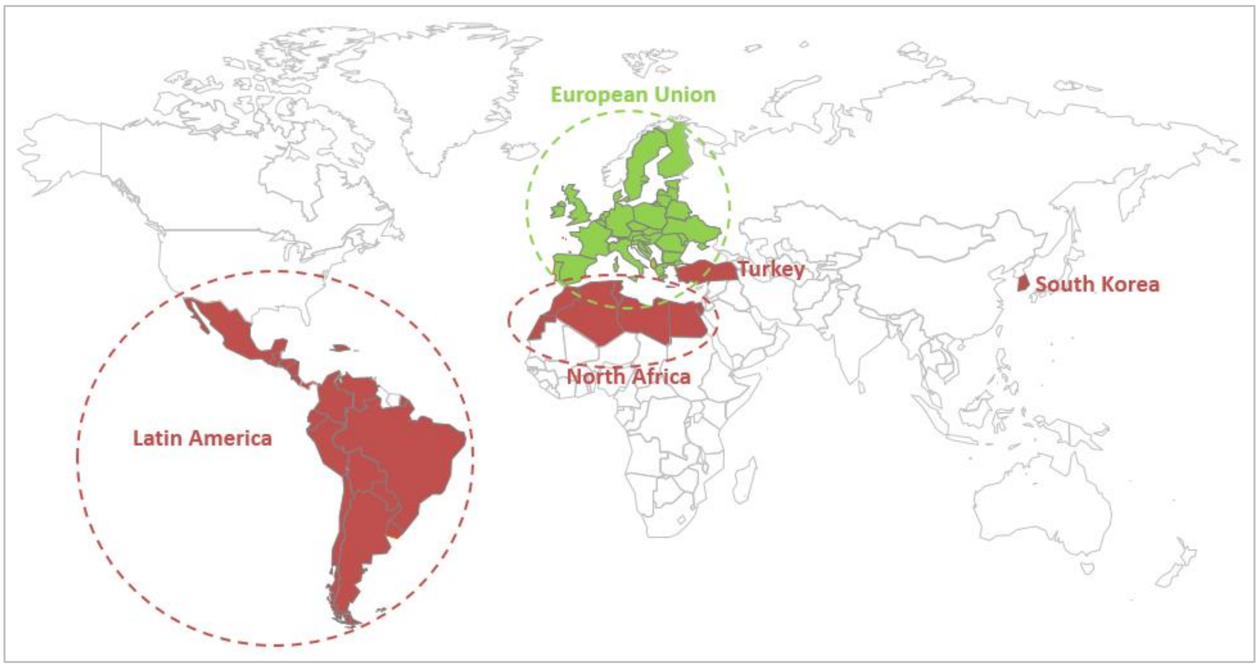
a. Economic Union

b. GSP, GSP + and EBA status to several nations

c. Customs union with Turkey

d. FTAs with South Korea and North Africa

e. Agreements with Latin American nations



c. Japan

Japan, one of the major markets of textile and apparel products, comprised 2% share in total textile imports, 7% share in total apparel imports and cumulative 5% share in total textile and apparel importsin 2014. Japan has established a network of bilateral agreements called Economic Partnership Agreements (EPAs). These EPAs provide preferential duty treatment for many textile and apparel articles that are traded among these countries. Japan has signed 15 Economic Partnership Agreements (including India) so far. Apart from that, Japan has also implemented a GSP program. It has granted preferential tariff treatment under its GSP scheme to 151[20] countries.

[20] United Nations Conference on Trade and Development (UNCTAD), Generalised System of Preferences - List of Beneficiaries

3.2. Impact of FTAs on Textile Sector

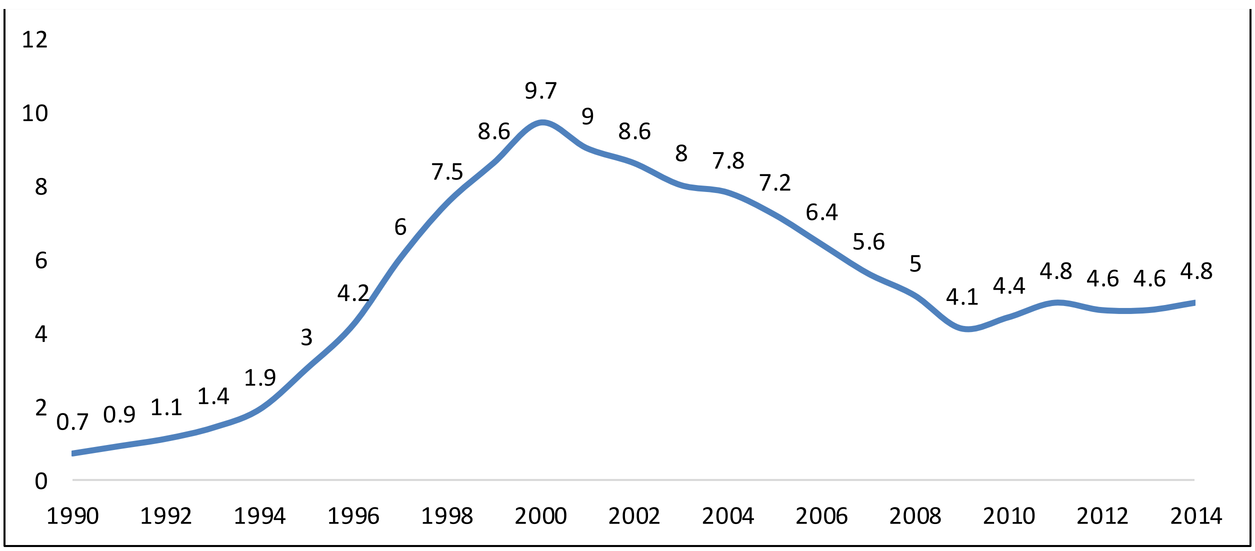
Textile and apparel articles are price sensitive commodities. In order to produce them at lower costs, the manufacturing industry has continued to shift from one part of the world to the other. As it is a labour intensive industry, several nations adopt a protected regime by imposing high import duties to safeguard the interest of domestic manufacturers. As such, FTAs have a special role to play in the development of investment and trade in several countries. Few such examples are discussed below:

Mexico: Winner under NAFTA, Loser under MFA

After signing of NAFTA in 1994, Mexico's exports increased significantly from US$ 1.9 billion in 1994 to US$ 9.7 billion in 2000. From 1998 to 2001, Mexico was the largest source of apparel imports into the USA market. The fall in Mexican apparel exports since 2001 can be largely attributed to fierce competition from China and other low-cost Asian countries including Bangladesh and Vietnam. When China joined the WTO in 2001, a number of quotas were removed in accordance with the Agreement on Textiles and Clothing (ATC), allowing China more open access to the USA market. Other factors that led to the decline in exports in the early 2000s were the temporary recession in USA and the beginning of expanded market access for the Caribbean Basin countries in 2000 under the US-Caribbean Basin Trade Partnership Act.

The end of the MFA had additional negative effects on Mexico. The majority of Mexico's exports to the US were integrated into the MFA system in Phase IV, thus insulating Mexico from competing countries subject to quotas until the end of 2004. Furthermore, most of Mexico's exports were also protected from Chinese exports in US market throughout the safeguard period 2005-08. Thus, the phase-out of MFA and the end of China safeguards in 2004 and 2008, respectively, had large impacts on Mexico's apparel exports.

Figure 2: Mexico's Textile and Apparel Exports to USA (In US$ Billion)[21]

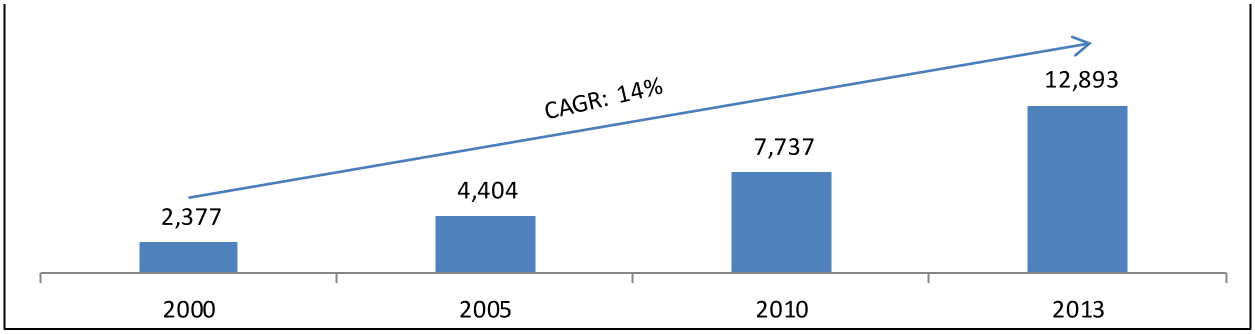


[21] Data Source: Otexa Database

Bangladesh: Leveraging EBA Status Effectively

Bangladesh has been a WTO member since 1995 and benefits from the EU's "Everything but Arms" arrangement, which grants duty free, quota free access for all exports, except arms and ammunition. The EU works closely with Bangladesh in the framework of the EU-Bangladesh Co-operation Agreement, concluded in 2001. As a result of these arrangements, apparel exports from Bangladesh to EU-28 region significantly increased from US$ 2.4 billion in 2000 to US$ 13 billion in 2013 at a CAGR of 14%.

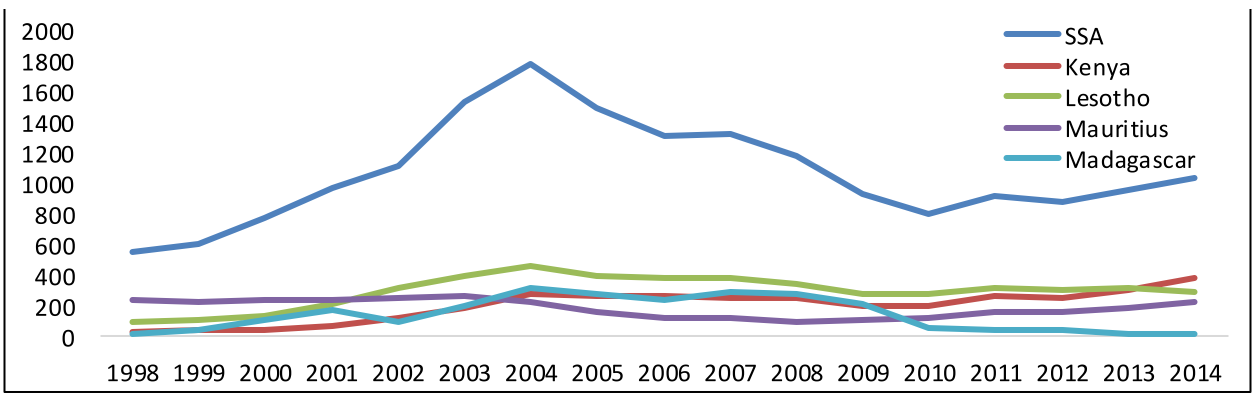
Figure 3: Bangladesh's Apparel Exports to EU-28 (In US$ Million)[22]



Sub Saharan Africa: Yet to Realize AGOA Potential

The Sub-Saharan African countries, despite having preferential market access to major markets of US under African Growth Opportunity Act (AGOA) have not been able to increase their trade share. An analysis of US imports of Apparel under AGOA indicates that the exports rose since AGOA's inceptionlate in 2000 till 2004 but thereafter failed to maintain the growth. Only few Sub Saharan African (SSA) nations viz. Kenya, Lesotho and Mauritius could take advantage offered by AGOA. However, their share of textile and apparel exports to the US market is insignificant. There are several reasons behind this ranging from lack of export infrastructure to political instability to absence of integrated capacities.

Figure 4: USA's Textile and Apparel Imports from SSA and Selected Countries (In US$ Million)[23]



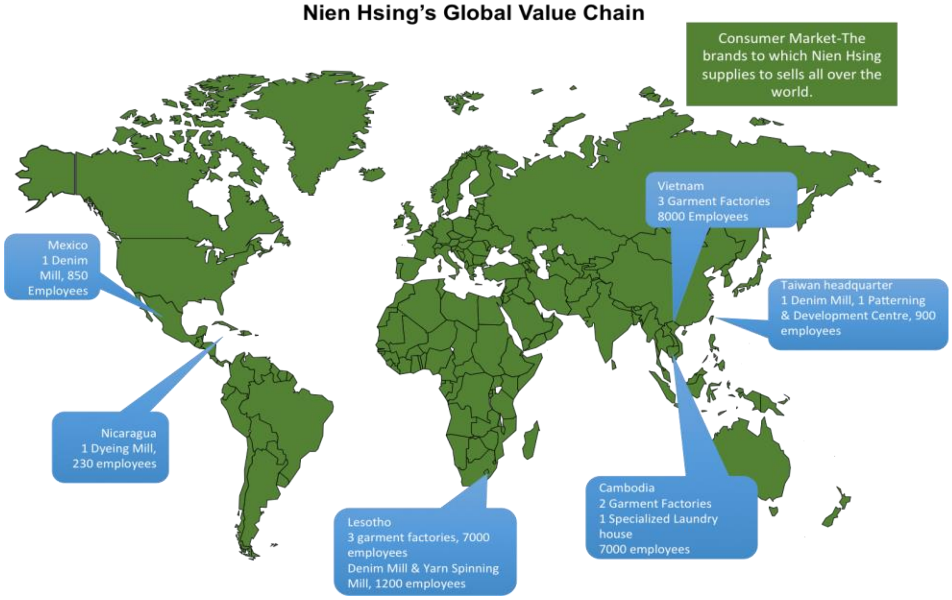
[22] Data Source: UN Comtrade Database

[23] Data Source: Otexa Database

Many multi-national textile and apparel companies have adopted multi-location manufacturing strategy to gain benefits under FTAs of different nations. These companies manage, what we refer to as Global Value Chain. An example of Global Value Chain in textile sector can be seen in the expansion of Nien Hsing[24], a Taiwan based company. Established in 1986, Nien Hsing is one of the largest denim producers in the world. It sells denim products to global brands, particularly to American buyers e.g. Gap, Levi Strauss, etc. It started its global expansion by setting up production in Lesotho in 1991, followed by Nicaragua in 1993, before expanding into Mexico, Cambodia, and Vietnam. Today, Nien Hsing runs a global production network scattered between factories in Taiwan, Vietnam, Cambodia, Lesotho, Mexico and Nicaragua. It has a workforce of 900 workers in Taiwan, 8000 workers in Vietnam, 5500 workers in Cambodia, 8200 workers in Lesotho, 840 workers in Mexico and 230 workers in Nicaragua. The network is managed from Taiwan where key activities such as marketing, sourcing of materials, and merchandising take place.

Nien Hsing's entry to Lesotho was to leverage the liberal Rules of Origin offered to the country being an LDC. Similarly, the operations in Nicaragua enjoy preferential access under CAFTA-DR Free Trade Agreement with the US, including the clause that allows it to source the fabrics and inputs from Asia and other sources for processing. In 2008, Nien Hsing decided to shift its focus on Vietnam and Cambodia driven by trade preferences these nations enjoy. Currently, with more nations gaining preferential access, Nien Hsing is evaluating alternatives to further shift and expand its production capacities.

Nien Hsing's Global Value Chain



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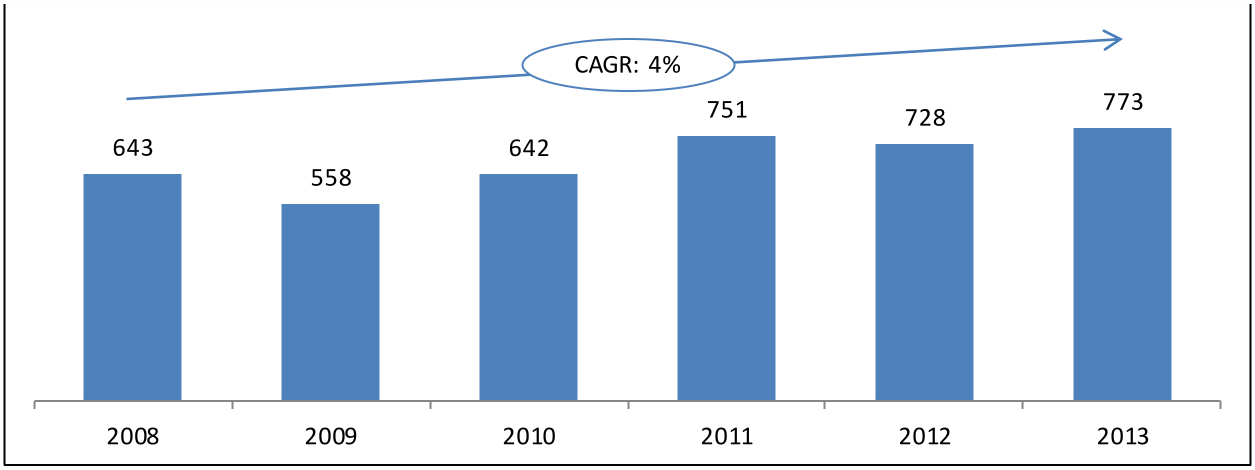
[24] International Business Review: Asian firms and the restructuring of global value chains, by Shamel Azmeh & Khalid Nadvi

4. Global Textile and Apparel Trade and India's Positioning

4.1. Global Textile and Apparel Trade[25]

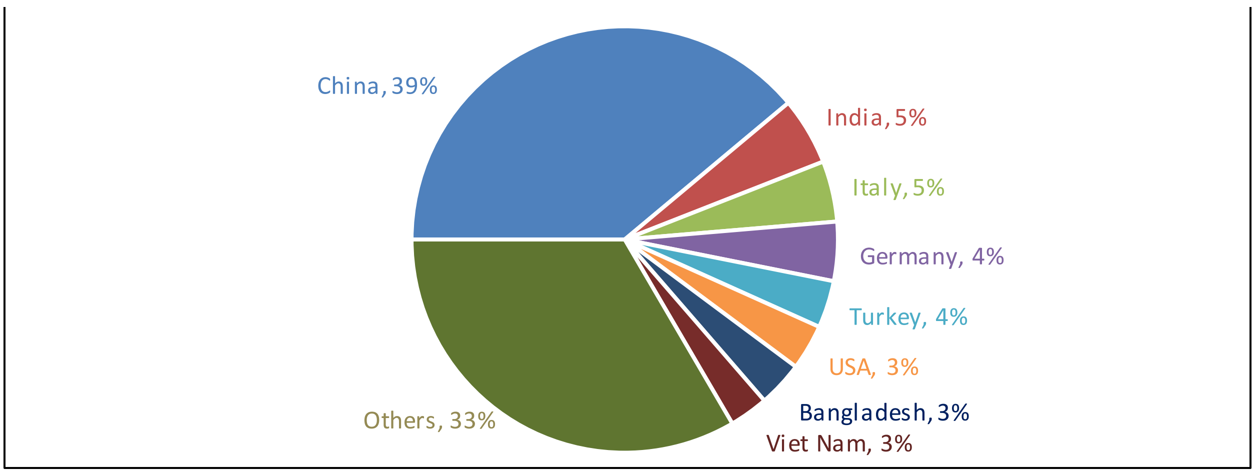
The global trade of textile and apparel was worth US$ 773 billion in 2013. This is approximately 4.6% of the trade of all commodities which is estimated at approx. US$ 17 trillion. From 2008 to 2013, the global textile and apparel trade has grown at a rate of 4% per annum.

Figure 5: Global Trade of Textile and Apparel (In US$ Billion)



The top 5 textile and apparel exporting nations are China, India, Italy, Germany and Turkey. China, the largest exporter, has a share of 39% while India is distant second with 5% share.

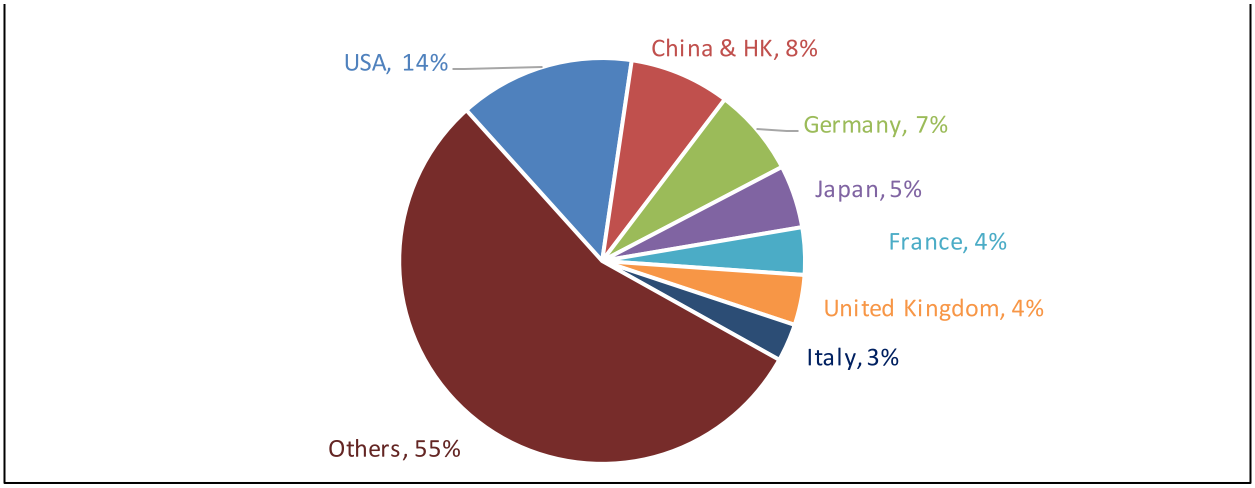
Figure 6: Major Exporting Nations (2013)



[25] Data Source: UN Comtrade Database

The top 5 textile and apparel importing nations are USA, China, Germany, Japan and United Kingdom. USA is the single largest importer with a share of approx. 14% of the total global trade.

Figure 7: Major Markets (2013)



4.2. India's Positioning[26]

India is the second largest exporter of textile & apparel in the world after China, with a share of approx. 5% of global textile and apparel trade. Indian export for textile and apparel has grown from US$ 31 billion in 2010-11 to US$ 42 billion in 2014-15 registering a CAGR of 8%. Last year India witnessed a drop in exports of yarn because of drastic fall in imports from China which constituted about 36% of the total spun yarn exports from India in 2013-14. In April 2014, the Chinese government ended its 3-year-long programme to stockpile raw cotton to support local growers. As a result, the Chinese spinning mills got access to cheaper local cotton reducing their dependence on imports. Due to the drop in exports of fibre and spun yarn, India managed to register year-on-year (YOY) growth of only 2% in 2014-15.

Table 4: India's Exports of Textile and Apparel (In US$ Million)

Category	2010 11	2011 12	2012 13	2013 14	2014 15	CAGR
Fibre	3,547	5,138	4,469	4,464	2,708	-7%
Filament	843	1,178	1,190	1,334	1,207	9%
Yarn	3,856	4,027	4,355	5,375	4,773	5%
Fabric	4,271	4,826	4,442	4,941	5,316	6%
Apparel	11,627	13,737	12,962	15,001	16,846	10%
Home Textiles	3,799	4,211	4,498	4,804	5,255	8%
Handicrafts	2,302	2,706	3,305	3,885	4,468	18%
Others	955	1,281	1,280	1,556	1,549	13%
Total	**31,200**	**37,104**	**36,501**	**41,360**	**42,122**	**8%**

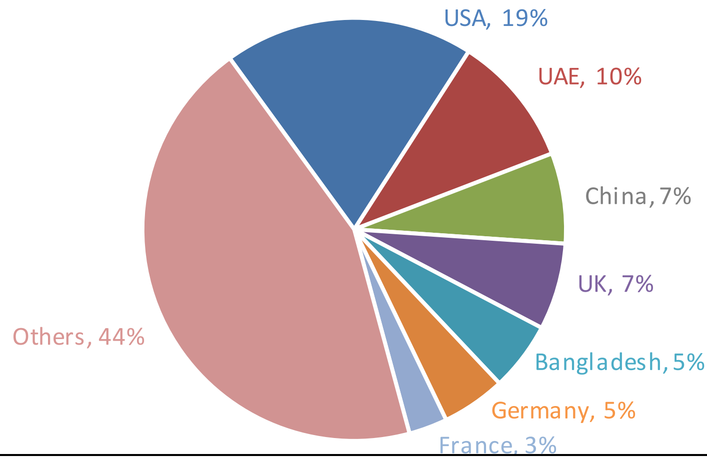
[26] Data Source: DGCIS, Kolkata

Indian textile and apparel exports is dominated by apparel which has a majority share of 40% followed by fabric with a share of 13% and home textile with a share of 12%.

Major Markets

India's leading textile and apparel export partner is USA with a share of 19% with garments being their major import category. This is followed by UAE which has a major export share in fabric and garment category. China is also a major market, importing significant volumes of fibre and yarn from India. Bangladesh has also emerged as a potential export destination as Indian textile exports to Bangladesh have grown in recent years.

Figure 8: Major Markets of Indian Textile and Apparel Exports (2014-15)



Note: Share given above excludes Handicrafts

India is a net exporter in the textile and apparel segment. In 2014-15, India imported US$ 6 billion of textile and apparel goods against an export of US$ 42 billion.

Table 5: India's Imports of Textile and Apparel (In US$ Million)

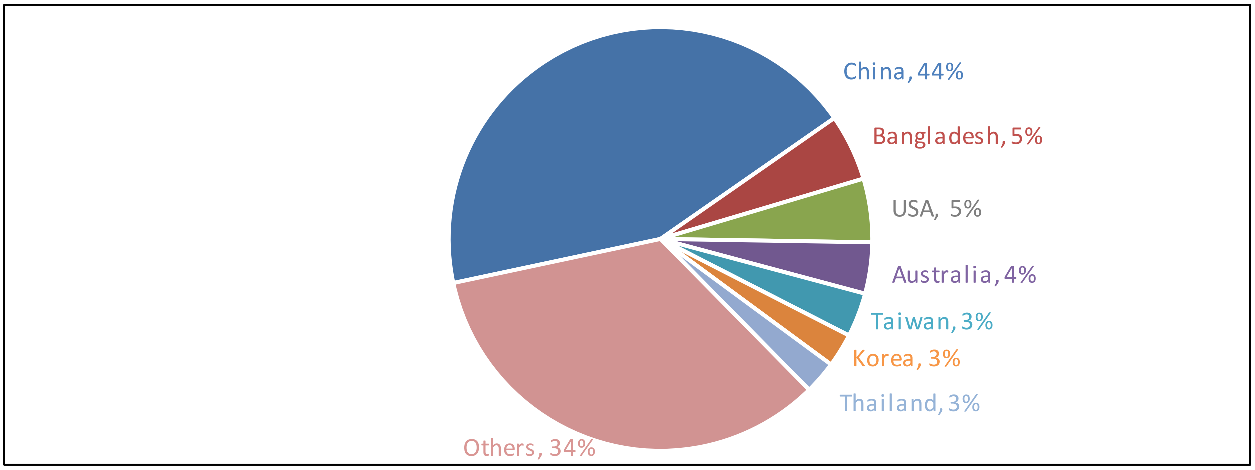
Category	2010 11	2011 12	2012 13	2013 14	2014 15	CAGR
Fibre	977	1,288	1,404	1,270	1,502	11%
Filament	548	629	616	592	626	3%
Yarn	286	324	413	452	488	14%
Fabric	1,610	1,943	1,931	1,920	2,055	6%
Apparel	196	316	327	434	524	28%
Home Textiles	154	220	179	187	285	17%
Others	320	422	486	454	540	14%
Total	**4,091**	**5,142**	**5,357**	**5,309**	**6,020**	**10%**

In Indian imports, fabric is the largest segment with 40% share followed by fibre with a share of 29%. Most of the products in these categories are specialty fibres and fabrics which are either not made or made in very less quantities in India.

Major Suppliers

China is the largest supplier of textile and apparel to India with a share of 44%. The imports from China are diverse, from fibre to garments all types of products are being imported.

Figure 9: Supplier-wise Segmentation of Indian Textile and Apparel Imports (2014-15)



Note: Share given above excludes Handicrafts

4.3. Global and Regional Demand for Indian Textile and Apparel Products

A. Global

India is the second largest exporter of textile and apparel in the world with a total export of approx. US$ 40 billion in 2013, occupying 5% share of the global textile and apparel trade. The top 25 commodities (HS-4) have a share of more than 80% of the total textile and apparel export of the country. The analysis of the top 25 commodities is given below in the table:

Table 6: India's Top 25 Exported Textile and Apparel Commodities (2013) (In US$ Million)[27]

Rank	HS Code	Description	India's Exports	Total Exports	India's Share	Top 3 Importers
1	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	4,773	14,876	32%	China (45%) Bangladesh (11%) South Korea (5%)
2	5201	Cotton, not carded or combed	4,513	17,003	27%	China (63%) Bangladesh (16%) Pakistan (8%)
3	6109	T-shirts, singlets and other vests, knitted or crocheted	2,600	36,862	7%	USA (26%) United Arab Emirates (13%) Germany (10%)
4	6204	Women's suits, ensembles, dresses, skirts, etc., woven	2,456	53,147	5%	USA (25%) United Kingdom (12%) United Arab Emirates (8%)
5	6304	Furnishing articles of textile material, nes	1,881	5,630	33%	USA (58%) Germany (7%) United Kingdom (5%)
6	6206	Women's blouses, shirts and shirt-blouses, woven	1,597	12,294	13%	USA (28%) Germany (10%) United Kingdom (10%)
7	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1,332	16,142	8%	Turkey (24%) Brazil (22%) Egypt (6%)
8	6302	Bed linen, table linen, toilet linen and kitchen linen	1,312	20,128	7%	USA (59%) United Kingdom (7%) Germany (6%)
9	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	1,249	23,301	5%	United Arab Emirates (21%) Afghanistan (14%) Pakistan (8%)
10	6205	Men's shirts, woven	1,125	12,696	9%	USA (24%) United Arab Emirates (14%) Germany (10%)
11	6203	Men's suits, ensembles, jackets, trousers, etc., woven	1,105	39,123	3%	USA (27%) United Arab Emirates (17%) United Kingdom (8%)
12	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	979	16,624	6%	Sri Lanka (11%) Bangladesh (10%) Togo (10%)

[27] Data Source: UN Comtrade Database

Rank	HS Code	Description	India's Exports	Total Exports	India's Share	Top 3 Importers
13	6214	Shawls, scarves, mufflers, mantillas, veils and the like.	942	5,265	18%	United Arab Emirates (16%) USA (11%) Germany (9%)
14	6211	Track suits, ski suits and swimwear, woven	760	10,683	7%	USA (22%) United Kingdom (14%) Spain (8%)
15	6105	Men's shirts, knitted or crocheted	662	8,018	8%	USA (26%) United Arab Emirates (15%) Germany (6%)
16	6111	Babies' garments and clothing accessories, knitted or crocheted	657	6,106	11%	United Kingdom (23%) USA (18%) United Arab Emirates (13%)
17	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	651	44,226	1%	USA (18%) United Kingdom (14%) United Arab Emirates (11%)
18	6305	Sacks and bags of textile material for packing goods	611	4,906	12%	USA (18%) United Kingdom (9%) Thailand (9%)
19	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	573	6,233	9%	Turkey (21%) Egypt (7%) Brazil (5%)
20	5515	Woven fabrics of synthetic staple fibres, nes	571	3,740	15%	United Arab Emirates (17%) Vietnam (6%) Sri Lanka (6%)
21	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	567	8,998	6%	Bangladesh (43%) Sri Lanka (8%) USA (6%)
22	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	519	11,292	5%	USA (24%) United Kingdom (22%) Germany (9%)
23	6307	Made-up articles of textile materials, including dress patterns, nes	473	11,662	4%	USA (33%) United Kingdom (10%) United Arab Emirates (8%)
24	5703	Carpets and other textile floor coverings, tufted, whether or not made up	455	6,746	7%	USA (57%) United Kingdom (8%) Germany (6%)
25	6114	Garments, nes, knitted or crocheted	454	5,627	8%	USA (27%) United Kingdom (17%) Germany (8%)

An analysis of top 25 export commodities indicates that a major part is taken up by the garment commodities which have a share of 41% of the total Indian export. This is followed by yarn & fabric commodities which have a 20% and 10% share respectively in the Indian T&A export.

Leading Importers in these categories are as follows: -

- Fibre: - China, Bangladesh and Pakistan
- Yarn: - China, Turkey, Egypt and Brazil

- Fabrics: - Sri Lanka, Bangladesh and U.A.E.
- Garments: - USA, Germany, U.K. and U.A.E.
- Home Textile: - USA, Germany and U.K.

B. Regional

The analysis of the Top 10 textile and apparel commodities (HS-4) exported from India to the South Asian and South East Asian countries is given below in the table.

Table 7: India's Top 10 Exported Textile & Apparel Commodities to South Asia and South East Asia (2013) (In US$ Million)[28]

Rank	HS code	Description	India's Export	Total Export	India's Share	Top 3 Importers
1	5201	Cotton, not carded or combed	1,533	6,513	24%	Bangladesh (48%) Pakistan (23%) Vietnam (15%)
2	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	996	4,397	23%	Bangladesh (55%) Pakistan (13%) Sri Lanka (8%)
3	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	487	10,958	4%	Afghanistan (37%) Pakistan (20%) Malaysia (14%)
4	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	338	3,985	8%	Bangladesh (73%) Sri Lanka (14%) Cambodia (3%)
5	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	259	7,427	3%	Sri Lanka (40%) Bangladesh (38%) Nepal (7%)
6	5515	Woven fabrics of synthetic staple fibres, nes	170	1,646	10%	Vietnam (20%) Sri Lanka (20%) Bangladesh (17%)
7	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	148	4,577	3%	Bangladesh (33%) Vietnam (17%) Thailand (12%)
8	6006	Knitted or crocheted fabrics, nes	143	7,997	2%	Sri Lanka (68%) Bangladesh (27%) Thailand (3%)
9	6204	Women's suits, ensembles, dresses, skirts, etc., woven	88	11,528	1%	Malaysia (30%) Afghanistan (27%) Singapore (16%)
10	5503	Synthetic staple fibres, not carded, combed, etc.	75	1,879	4%	Bangladesh (39%) Nepal (31%) Indonesia (21%)

[28] Data Source: UN Comtrade Database

On analysis of the given data, it was found that among the top 10 commodities exported, major share of 38% and 33% is taken by fibre & fabric commodities respectively. This is followed by export of yarn commodities which have a share of 27%.

Leading Importers of these categories in South Asia and South East Asia are as follows: -

- Fibre: - Bangladesh, Pakistan and Nepal
- Yarn: - Bangladesh, Pakistan and Vietnam
- Fabric: - Sri Lanka, Bangladesh, Afghanistan and Vietnam
- Garment: - Malaysia, Afghanistan and Singapore

India's Product Strength and Weakness

	Strength	Weakness
Spun Yarn	Cotton & Cotton blended yarn	Viscose yarn, Blended yarn, Spandex yarn and Specialty yarn
Filament	Polyester texturized yarn and Partially oriented yarn	Nylon, High Tenacity yarn, Functional filament yarn
Fabric	Woven – cotton & blended	Laminated & coated fabric, Knits & Nonwovens
Apparel	Women's suits & dresses, Men's shirts, Babies' cotton garments and T-shirts	Intimate wear, Sportswear, Outerwear & Winter wear and Western suits,
Technical Textiles	Packtech (Sacks and bags)	All other type of high end value added technical textiles e.g. Geotextiles, Industrial textiles, Filters, Protective wear, etc.

5. Benchmarking of Indian T&A Sector with Key Competing Nations

5.1. Raw Material Scenario

Cotton Scenario[29]

(Values for 2015)	Unit	Bangladesh	China	India	Vietnam
Lint Production	'000 (480-pound) bales	125	27,000	29,500	4
Mill Use	'000 (480-pound) bales	4,550	34,500	26,250	4,750
Exports	'000 (480-pound) bales	0	50	4,700	0
Imports	'000 (480-pound) bales	4,500	5,750	950	5,000
Harvested Area	'000 acres	111	9,143	29,652	5
Yield	Kg/hectare	606	1,588	536	430

India is the largest producer of cotton with a share of 26.5% of the world cotton production. China ranks second with a share of 24%. The production of cotton in Bangladesh and Vietnam is miniscule and both rely on imports of cotton to fulfil their demand for textile and apparel sector.

China's enormous textile manufacturing base consumes 31% of global cotton production (2015). India utilizes approx. 89% of its production. Vietnam has enjoyed a considerable increase in mill use, attributable to strong demand from its expanding textile industry.

India is the second largest exporter of cotton after USA. China with its huge domestic demand is left with limited quantities for export while Bangladesh and Vietnam with limited cotton production are not exporting cotton at all.

India, with strong production base, imports limited cotton from world. China is the world's largest cotton importer. However, it is currently not adding to its stock position and therefore imports have dropped significantly. Vietnam is the second largest cotton importer and its imports have surged significantly indicating strong yarn spinning capacity growth.

Vietnam do not have significant areas under cotton cultivation. In China, the area under cotton harvest has decreased by 30% in the last 3 years.

Cotton productivity in China is almost 3 times that of India. Farm practices are highly mechanized in China and fertilizer & chemical usage is optimised. Bangladesh's yield is also higher than India but still much lower than the global average.

[29] Data Source: National Cotton Council of America Database (Data from 1st Aug to 31st July)

MMF Scenario

China is the largest producer of manmade fibres in the world while India is the second largest producer. Vietnam and Bangladesh, on the other hand, produce miniscule quantity of manmade fibres.

Table 8: Production of Manmade Fibres (In '000 tons)[30]

	Bangladesh	China	India	Vietnam
Acrylic	-	640	92	-
Polyester staple	136	9,030	1,310	250
Polyester filament	70	23,909	3,070	171
Nylon s+f[31]	-	1,955	102	49
Polypropylene s+f	-	700	41	-
Cellulosic s+f	-	3,103	498	-

5.2. Factor Costs

	Unit	Bangladesh	China	India	Vietnam
Labour cost	US$/ month	100	500-550	140-160	180
Power cost	US cents / Kwh	9-12	15-16	10-12	8
Lending rate	Local currency	13%	5-6%	12-13%	6-7%

Labour Scenario

The wage cost in India is higher than Bangladesh, but lower than China and Vietnam. China has the highest labour wages amongst the competing nations, but it has developed sufficient training infrastructure to meet industry requirements. On the other hand, there is limited availability of skilled labour in Bangladesh, India and Vietnam. India is focusing on development of pool of skilled workforce in the textile industry. The Ministry of Textiles, GOI under Integrated Skill Development Scheme (ISDS) is undertaking training 30 lakh persons in the next 5 years.

Power Scenario

The cost of power in India is high in comparison to Bangladesh and Vietnam. There is erratic and limited power supply in some parts of India and Bangladesh. Vietnam enjoys a lower power cost than India and a consistent supply. China has the highest power cost but its supplies are consistent and reliable.

Lending rates

The lending rates in India is very high in comparison to China and Vietnam, while it is comparable to that in Bangladesh. High lending rates affects the cost of production and hence its competitiveness.

[30] Data Source: PCI Fibres

[31] s+f denotes staple fibre and filament

5.3. Scale and Level of Integration

India is the second largest manufacturer and exporter of textile and apparel products after China. Both the countries feature in complete value chain i.e. from fibre to finished products. Bangladesh and Vietnam have strong garment manufacturing capacity but very limited backward linkages to support the industry.

	Bangladesh	China	India	Vietnam
Fibre	Limited cotton production Relies on imported cotton Second largest producer of jute	Second largest producer of Cotton Largest producer of wool Largest producer of silk Largest producer of man-made fibres	Largest producer of cotton Largest producer of jute Second largest producer of silk Second largest producer of man-made fibre	Limited cotton production Relies on imported cotton 6th largest producer of silk Also produces man-made fibres
Yarn	6 million ring spindles 230,000 OE Rotors	120 million ring spindles 2.4 million rotors	50 million ring spindles 814,000 OE Rotors	6 million ring spindles 103,000 OE rotors
Weaving	17,250 shuttle-less looms 13,500 shuttle looms	620,000 shuttle-less looms 650,000 shuttle looms	135,000 shuttle-less looms 23.7 lakh shuttle looms	2,500 shuttle-less looms 17,000 shuttle looms Large volume of fabric is also imported to fulfil the requirements of the garment industry
Garments	Export oriented garment industry Apparel exports: US$ 26 billion (2013)	Largest manufacturer and exporter in the world Apparel exports: US$ 170 billion (2013)	Apparel exports: US$ 16 billion (2014)	Export oriented garment industry. Apparel exports: US$ 17 billion (2013)

5.4. Textile and Apparel Exports Scenario[32]

China is the leading exporter of textile and apparel products across all the categories with its export growth at a CAGR of 5% from 2011 to 2013. Exports from Bangladesh, India and Vietnam has grown at a CAGR of 7%, 10% and 13% respectively in the same period.

Apparel is the largest exported category in all these countries with a share of 94% in Bangladesh, 61% in China, 39% in India and 78% in Vietnam.

	Bangladesh	China & HK	India	Vietnam
Historic Trend of T&A Exports (US$ Mn.)				
2013	28,041	305,544	40,191	21,534
2012	24,357	277,993	32,682	18,150
2011	24,314	275,109	33,374	16,760
Break-up of T&A Exports (2013)				
Fibre	169	3,261	5,499	164
Filament	3	5,276	1,414	486
Yarn	433	9,125	5,654	1,585
Fabric	91	67,951	5,142	1,152
Apparel	26,234	185,762	15,702	16,745
Home Textiles	666	20,413	5,227	525
Others	415	13,757	1,554	876
Total	**28,010**	**305,544**	**40,191**	**21,534**
Key Products and Markets (2013)				
Key Products	• Men's suits, jackets, trousers, woven (18%) • T-shirts, singlet, vests, etc., knitted (17%) • Jerseys, Cardigans, Knitted (14%) • Women's suits ensembles, woven (11%) • Men's or boy's shirts (8%)	• Women's suits ensembles, etc., knitted (10%) • Jerseys, Cardigans, Knitted (8%) • Women's suits ensembles, woven (7%) • Men's suits ensembles, woven (4%) • Men's suits ensembles, knit (4%)	• Cotton yarn, >= 85% cotton, not retail (12%) • Cotton, not carded or combed (11%) • T-shirts, singlet, vests, etc., knitted (6%) • Women's suits ensembles (6%) • Other furnishing articles (5%)	• Women's suits ensembles, etc. (11%) • Jerseys, Cardigans, Knitted (10%) • Men's suits ensembles, woven (10%) • Women's suits ensembles, etc. knit (7%) • T-shirts, singlet, vests, etc., knitted (6%)
Key Markets	• USA (18%) • Germany (16%) • UK (10%) • France (7%) • Spain (6%)	• USA (15%) • Japan (9%) • Vietnam (5%) • Germany (4%) • UK (3%)	• USA (18%) • China (14% • UAE (17%) • UK (6%) • Bangladesh (5%)	• USA (42%) • Japan (12%) • S. Korea (10%) • China & HK (6%) • Germany (3%)

[32] Data Source: UN Comtrade Database

5.5. Infrastructure

Infrastructure plays a very important role in today's price and time sensitive market. Lack of proper infrastructure can make economies unable to take advantage of the resources that they are endowed with.

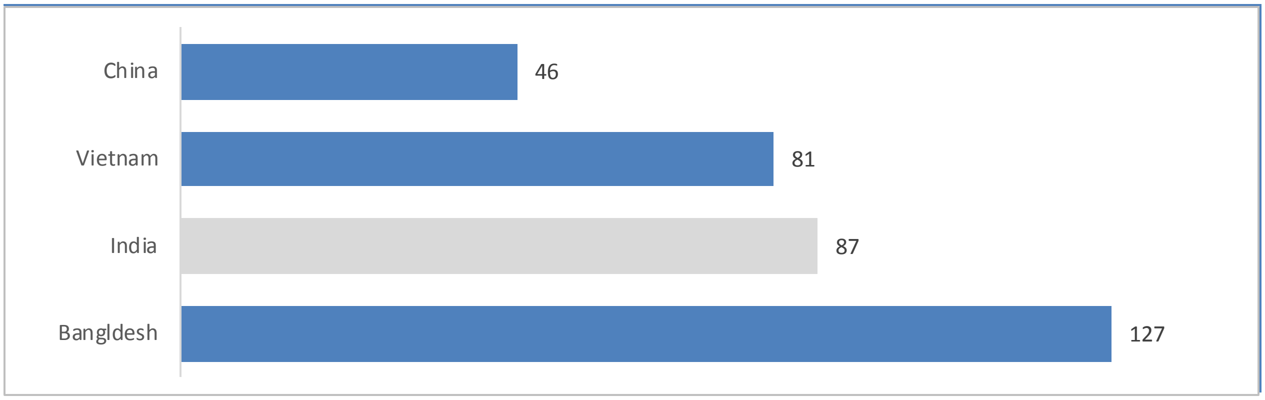
Comparison of infrastructure in selected countries is given below:

	Unit	Bangladesh	China	India	Vietnam
Internet Users[33]	Million no.	11	642	243	40
Internet Penetration	% age of population with internet	7%	46%	19%	43%
Mobile Penetration[34]	% age of mobile subscriptions	75%	92%	75%	146%
Airports[35]	Number	18 (16 paved)	507 (463 paved)	346 (253 paved)	45 (38 paved)
Railways[36]	Kilometre	2,460	190,600	64,600	2,632
Roadways[37]	Kilometre	21,269	4,106,387	4,689,842	195,468
Major Port(s)		Chittagong	Dalian, Ningbo, Qingdao, Qinhuangdao, Shanghai, Shenzhen, Tianjin	Chennai, Kandla, Kolkata, Mumbai, Vishakhapatnam	Cam Pha Port, Da Nang, Haiphong, Phu My, Quy Nhon

World Economic Forum releases an annual report titled '*Global Competitiveness Report*' which providesa comprehensive assessment of national competitiveness globally. It provides a platform for dialogue between government, business and civil society about the actions required to improve economic prosperity. The different aspects of competitiveness are captured under 12 pillars, of which infrastructure is one of the major components. The latest addition viz. '*Global Competitiveness Report 2014-2015*' published by World Economic Forum has placed India at 87th position in 144 countries in terms of quality of infrastructure. India's rank is lower than China and Vietnam but higher than Bangladesh.

33 Data Source: Internet Live Stats 2014
34 Data Source: ICT Statistics 2014
35 Data Source: CIA World factbook (2013 data)
36 Data Source: CIA World factbook (2013 data)
37 Data Source: CIA World factbook (2013 data)

Figure 10: The Global Competitiveness index 2014-15: Infrastructure



The comparison of India's ranking with target countries in various sub components, which are considered to arrive at the overall infrastructure rank, is given in the table below:

	Bangladesh	China	India	Vietnam
Quality of Roads	117	49	76	104
Quality of Railroad	75	17	27	52
Quality of Port	93	53	76	88
Quality of Air transport	127	58	71	87
Quality of Electric Supply	124	56	103	88

The general infrastructure in India needs further improvement in terms of better roads and connectivity. Due to infrastructure challenges, overhead cost is high. Also, there is erratic and limited power supply in some parts of India. The quality of power is also a challenge in those parts of the country.

5.6. Market Access

a. Bangladesh

Bangladesh, despite having negligible raw material availability has emerged as one of the leading exporters of apparel in the world. It enjoys preferential access in the European Union (EU) under the 'Everything but Arms' (EBA) initiative. Duty Free Quota Free (DFQF) status under EBA has increased its apparel exports to EU from US$ 2.3 billion in 2000 to US$ 12.8 billion in 2013 at a CAGR of 15%. Bangladesh also has GSP benefits for Canada, Japan and US market.

Table 9: Duty Benefits to Bangladesh in Major Markets

Market	Market Access Arrangement	Total Imports from Bangladesh (2013) (In US$ Million)
European Union (EU)	GSP – LDC (EBA)	13,382
USA	GSP	5,041
Canada	GSP	1,106
Turkey	GSP, LDC	980

b. Vietnam

In recent years, Vietnam has emerged as a leading exporter of apparel in key markets. It occupies 2.7% of global textile and apparel exports. Vietnam has GSP benefits for EU market. Being a member nation in ASEAN, Vietnam has benefited from the trade agreement with Japan, Korea and China.

Table 10: Duty Benefits to Vietnam in Major Markets

Market	Market Access Arrangement	Total Imports from Vietnam (2013) (In US$ Million)
EU	GSP	3,004
Japan	ASEAN	2,604
Korea	ASEAN	2,051
China	ASEAN	1,331
India	ASEAN	86

c. India

India has entered into trade agreements with following countries:

- FTA : South Asia Free Trade Area (SAFTA), Bhutan, Sri Lanka
- PTA: Asia Pacific Trade Agreement (APTA)[38], Afghanistan, Chile and MERCOSUR
- CECA: Association Of Southeast Asian Nations (ASEAN), Malaysia and Singapore
- CEPA: Japan and South Korea
- GSP: EU

It is however, important to state here that very few of these are relevant for textile and apparel exports, as most of the other countries are not large consumers of textile and apparel products. A detailed analysis of such relevant FTAs is given in next chapter.

[38] APTA is an agreement between Bangladesh, China, Lao PDR, Republic of Korea and Sri Lanka

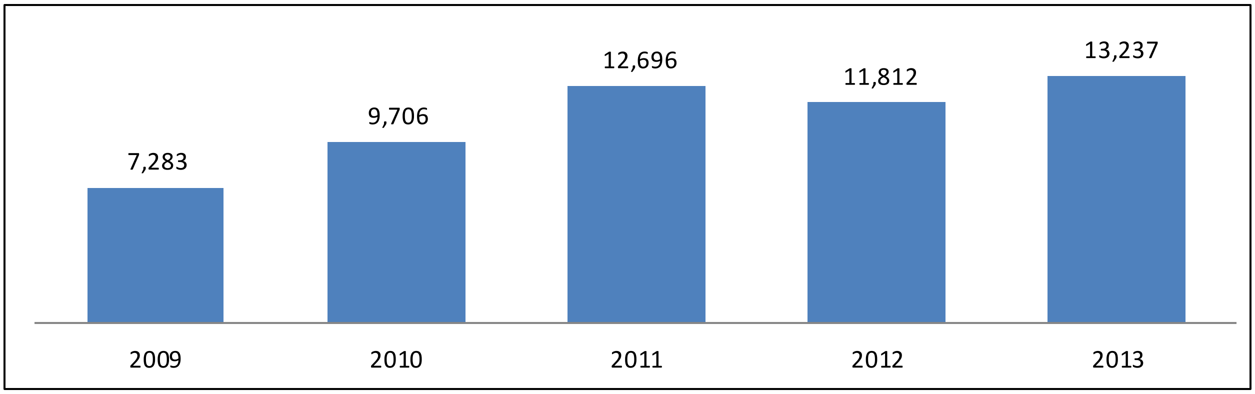
6. Analysis of India's Market Access Arrangements with Select Markets

6.1. South Korea

6.1.1. South Korea's Textile and Apparel Imports[39]

The total textile and apparel imports by South Korea in 2013 stood at US$ 13.2 billion. It has registered CAGR of 16% from US$ 7 billion in 2009.

Figure 11: Korea's Textile and Apparel Imports (In US$ Million)



Apparel accounts for a majority share of 54% of the total textile and apparel imports by South Korea followed by fabric and yarn with a share of 12% and 10% respectively. China and Vietnam are the major suppliers to Korea with a share of 45% and 17% respectively. Vietnam and China have recently signed a free trade agreement with Korea which is expected to further increase their exports of textile and apparel products to South Korea.

Figure 12: Category-wise T&A Imports by Korea (2013)

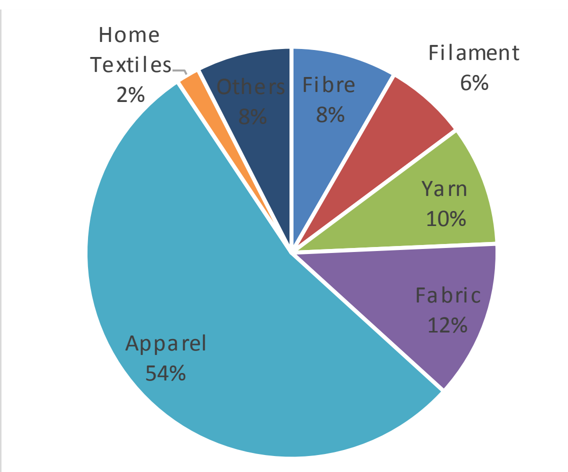
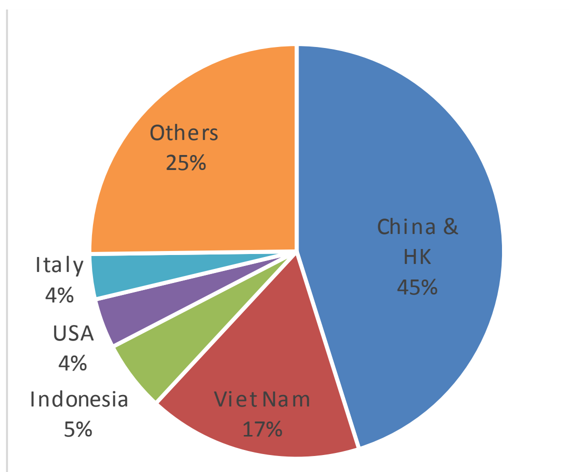
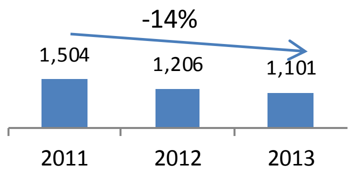
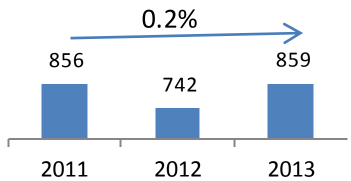
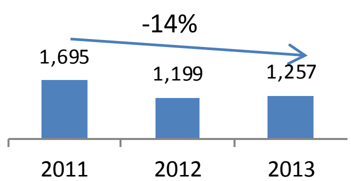
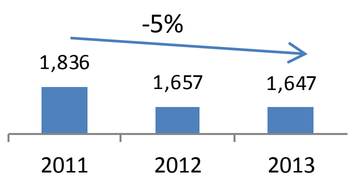
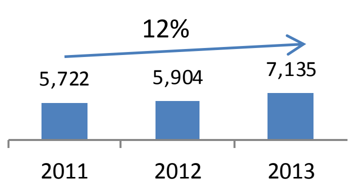
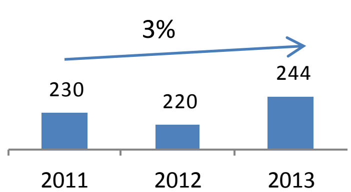
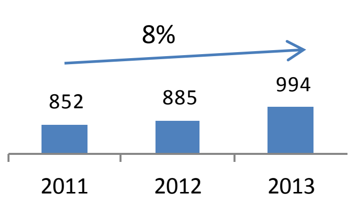


Figure 13: Supplier-wise T&A Imports by Korea (2013)



[39] Data Source: UN Comtrade Database

Table 11: Category-wise Textile and Apparel Imports by Korea

Category	Historic Import Trend (US$ Mn.)	Key Commodities (2013)	Key Suppliers (2013)
Fibre		• Cotton, not carded or combed (55%) • Wool & fine or coarse animal hair, carded & combed (13%) • Artificial staple fibers, not carded, combed etc. (10%)	• Brazil (25%) • USA (21%) • China & HK (18%)
Filament		• Synthetic filament yarn (not sewing thread), not for retail (79%) • Artificial filament yarn (not sewing thread), not for retail (18%) • Synthetic monofilament of 67 dtex or more (2%)	• China & HK (48%) • USA (11%) • Malaysia (9%)
Yarn		• Cotton yarn (not sewing thread) >85% cotton, not retail (38%) • Yarn (no sew thread), syn staple fib, not retail (33%) • Cotton yarn (not sewing thread) < 85% cotton, not retail (14%)	• China & HK (33%) • India (18%) • Indonesia (17%)
Fabric		• Woven cotton fabrics, >85% cotton, wt < 200 g/m^2 (17%) • Woven fab of synthetic filament yarn, incl monofil 67 dtex (12%) • Tire cord fabric of high tenacity yarn, nylon (9%)	• China & HK (54%) • Vietnam (9%) • Japan (7%)
Apparel		• Women's suits, ensembles etc., Woven (13%) • Men's suits, ensembles etc., Woven (12%) • Men's overcoats, cloaks etc., Woven etc. (11%)	• China & HK (47%) • Vietnam (23%) • Indonesia (6%)
Home Textiles		• Bed linen, table linen toilet linen & kitchen linen (28%) • Carpets & other textile floor coverings, tufted (22%) • Curtains & interior blinds; curtain & bed valances (13%)	• China & HK (58%) • Vietnam (15%) • USA (6%)
Others		• Nonwovens, whether or not impregnated, coated, etc. (28%) • Sacks & bags of textile material for packing goods (22%) • Other made-up articles of textile materials (14%)	• China & HK (53%) • Vietnam (11%) • Japan (11%)

An analysis of category wise textile and apparel imports by South Korea indicates that from 2011 to 2013, double digit growth has been observed only in apparel segment. Home textiles and other categories have also shown growth of 3% and 8% respectively while the imports of yarn and fabric has declined in the same period.

In the finished product category viz. apparel and home textiles, China and Vietnam are the major suppliers to South Korea. India has significant share only in the yarn category.

6.1.2. Comprehensive Economic Partnership Agreement (CEPA) with India

India and South Korea signed CEPA on 7th August 2009 and the agreement came into force on 1st January 2010.

Rules of Origin

There are five articles in the agreement which are relevant to textile sector. These are given below:

i. Article 3.4 (Not Wholly Obtained or Produced)

The goods that are not wholly obtained or produced in the territory of a party, but the final process of manufacturing is performed within its territory, is considered as originating if it satisfies the following rules:

- Textile goods falling within Chapter 50 through 60: A change to heading 50.01 through 60.06 from any other heading, provided that there is a **regional value content of not less than 40% of the FOB[40] value**.
- Apparel goods falling within Chapter 61 through 63: 61.01-63.10 - Manufacture from non-originating yarn

ii. Article 3.6 (Non-Qualifying Operations)

Textile and apparel good shall not be considered to have satisfied the requirements for an originating good merely by reason of going through the following operations or processes:

- cutting to length or width and hemming, or stitching or over locking of fabrics which are readily identifiable as being intended for a particular commercial use;
- trimming and/or joining together by sewing, looping, linking or attaching accessory articles such as straps, bands, beads, cords, rings and eyelets;
- one or more finishing operations on yarns, fabrics or other textile articles, such as bleaching, waterproofing, decanting, shrinking, mercerizing, or similar operations.

[40] FOB value means the price actually paid or payable to the exporter for a good when the good is loaded onto the carrier at the named port of exportation, including the cost of the good and all costs necessary to bring the good onto the carrier. The valuation shall be made in accordance with the Customs Valuation Agreement.

iii. Article 3.8 (De Minimis)

It states that a good that does not undergo a change in tariff classification pursuant to Article 3.4 (Not Wholly Obtained or Produced) and Product Specific Rules in the final process of production shall be considered as originating if the total weight of non-originating basic textile materials used in its production, **does not exceed 7% of the total weight** of all the basic textile materials used.

iv. Article 3.13 (Principle of Territoriality)

An originating product exported from a Party to a non-Party shall, when returned, be considered to be non-originating unless it can be demonstrated to the satisfaction of the customs authority in accordance with laws and regulations of the importing Party concerned that:

- the returning product is the same as that exported; and
- the returning product has not undergone any operation beyond that necessary to preserve it in good condition while being exported.

v. Article 3.14 (Exemption from the Principle of Territoriality)

It states that "Notwithstanding the provisions of Article 3.13 (Principle of Territoriality), the acquisition of originating status in accordance with the conditions set out in Articles 3.2 through 3.12 shall not be affected by working or processing carried out in the area agreed by both Parties in the Exchange of Notes on materials exported from the Party concerned and subsequently re-imported there, provided that the conditions set out in 'Exemption from the Principle of Territoriality' are fulfilled."

The textile and apparel goods subject to Exemption from the Principle of Territoriality are given below:

Chapter	Chapter Name	HS Codes
55	Man-made staple fibers	550962, 550969
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	581099
61	Articles of apparel and clothing accessories, knitted or crocheted	610120, 610130, 610190, 610210, 610220, 610230, 610290, 610322, 610323, 610329, 610331, 610332, 610333, 610339, 610341, 610342, 610343, 610349, 610413, 610419, 610422, 610423, 610429, 610431, 610439, 610441, 610449, 610451, 610459, 610461, 610469, 610590, 610712, 610719, 610721, 610722, 610729, 610791, 610811, 610829, 610832, 611019, 611211, 611212, 611219, 611220, 611231, 611239, 611241, 611249, 611420, 611490
62	Articles of apparel and clothing accessories, not knitted or crocheted	620111, 620112, 620113, 620119, 620192, 620219, 620291, 620292, 620299, 620312, 620322, 620323, 620329, 620339, 620349, 620412, 620419, 620421, 620422, 620423, 620429, 620441, 620444, 620590, 620610, 620620, 620721, 620722, 620791, 620799, 620811, 620819, 620821, 620822, 620829, 620891, 620899, 620920, 620930, 620990, 621040, 621120, 621132, 621139, 621141, 621142, 621230, 621390, 621420
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	630130

Goods listed in Appendix 3-B-1 and any subsequent amendments, which are re-imported as the goods that do not undergo any process beyond operations within the territory of the re-importing Party for export as set out in Article 3.6 (Non-Qualifying Operations) shall be deemed to be originating in the territory of that Party, provided that:

- the total value of non-originating input[41] does not exceed 40% of the FOB price of the final good for which originating status is claimed; and
- the value of originating materials exported from the party is not less than 60% of the total value of materials used in manufacturing the reimported material or good.

Tariff Reduction Schedule

Under the Korea - India CEPA, tariff reduction schedule for trade in goods is as follows:

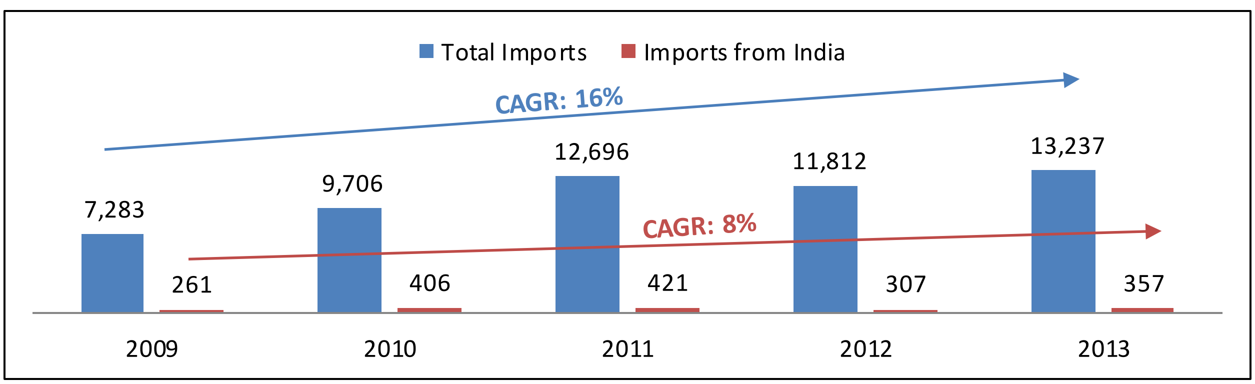
Table 12: Korea's Tariff Reduction/ Elimination Schedule for India

Category	1 Jan 10	1 Jan 11	1 Jan 12	1 Jan 13	1 Jan 14	1 Jan 15	1 Jan 16	1 Jan 17	1 Jan 18	1 Jan 19
E-0	100%								`	
E-5	20%	40%	60%	80%	100%					
E-8	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%		
SEN.	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
EXC	The tariff lines that would not be subjected to the reduction schedule									

6.1.3. India's Positioning

India is the 8th largest supplier of textile and apparel products to South Korea (2013). South Korea's textile and apparel imports has grown at a CAGR of 16% from 2009 to 2013 while India's exports to Korea has grown at a CAGR of 8% in the same period. Also, the share of India in Korea's textile and apparel imports has declined from 3.6% in 2009 to 2.7% in 2013.

Figure 14: South Korea's Total T&A Imports and from India (In US$ Million)[42]



[41] "Total value of non-originating input" mean the value of any non- originating materials added inside as well as any materials added and all other cost accumulated outside the Party concerned, including transport costs

[42] Data Source: UN Comtrade Database

In 2014-15, India recorded a trade surplus of US$ 213 million with Korea for textile and apparel products. There has been an increase in exports of filament and fabric after signing of CEPA but the quantum of exports is not significant. On the other hand, there is trade deficit in other categories which include wadding, felt, nonwovens, twine, cordage, ropes & cables, made-ups, etc. The deficit has increasedfrom US$ 12 million in 2009-10 to US$ 41 million in 2014-15.

Table 13: India's Trade with Korea (In US$ Million)[43]

	2009 2010			2014 2015		
Category	Export	Import	Trade Balance (Export Import)	Export	Import	Trade Balance (Export Import)
Fiber	18	5	13	36	11	25
Filament	2	36	-35	57	37	21
Yarn	228	0.2	228	151	1	150
Fabric	6	43	-37	73	59	14
Apparel	13	0.3	12	35	1	33
Home Textiles	4	0.2	4	12	1	11
Others[44]	2	14	-12	3	44	-41
Total	**272**	**100**	**173**	**367**	**154**	**213**

In 2009-10, India's export to South Korea was very concentrated. Top 10 commodities formed 74% share while top 3 commodities had a share of 50% in the total textile and apparel exports to South Korea.

Table 14: India's Top 10 Exported Commodities to South Korea in 2009-10 (In US$ Million)[45]

S. No.	HS Code	Description	Imports from India	India s Share
1	52052310	Combed single cotton yarn, with >=85% cotton, measuring 192.31 to 232.56 dtex; grey	77	28%
2	52052110	Cotton yarn >85% single combed >714 dtex, not retail, grey	38	14%
3	52052210	Combed single cotton yarn, with >=85% cotton, measuring 232.56 to 714.29 dtex; grey	22	8%
4	52052410	Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey	20	7%
5	52051190	Cotton yarn >=85% single uncombed >714 dtex, not retail, others	15	6%
6	52051110	Cotton yarn >=85% single uncombed >714 dtex, not retail, grey	9	3%
7	52053210	Uncombed cotton yarn, multiple (folded)/cabled, > =85% cotton measuring per single yarn <714.29 dtex but not <232.56 dtex, grey	7	3%
8	51052910	Wool tops	6	2%
9	52010015	Cotton, not carded or combed of staple length 28.5mm (1.4/32") and above but below 34.5 mm kg	5	2%
10	53050040	Coconut, abaca (Manila hemp/Musa textilis Nee), ramie & other vegetable textile fibres, coir pith	3	1%

[43] Data Source: DGCIS, Kolkata
[44] Others includes wadding, felt, nonwovens, twine, cordage, ropes & cables, sacks & bags, etc.
[45] Data Source: DGCIS, Kolkata

Over the last five years, the exports of India to South Korea has diversified. In 2014-15, top 10commodities had a share of 57% in the total textile and apparel exports to South Korea. Several new categories have also been added in the exports which can be seen in the table below.

Table 15: India's Top 10 Exported Commodities to South Korea in 2014-15 (In US$ Million)[46]

S. No	HS Code	Description	Imports from India (2009 10)	Imports from India (2014 15)	CAGR
1	54023300	Textured yarn of polyester	0.3	45	172%
2	52052310	Combed single cotton yarn, with >=85% cotton, measuring 192.31 to 232.56 dtex; grey	77	37	-14%
3	52081390	Woven fabric of cotton, with >=85% cotton, weighing <=200 gsm, unbleached, 3-thread or 4-thread twill, including cross twill; others	-	22	NA
4	52053310	Uncombed cabled cotton yarn, with >=85% cotton, measuring per single yarn 192.31 to 232.56 dtex; grey	0.2	21	154%
5	52052410	Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey	20	18	-2%
6	52081290	Woven fabric of cotton, with >=85% cotton, weighing 100 to 200 gsm, unbleached, plain weave; others	0.1	16	176%
7	53050040	Coconut, abaca (Manila hemp/Musa textilis Nee), ramie & other vegetable textile fibres, coir pith	3	15	38%
8	52010015	Cotton, not carded or combed of staple length 28.5mm (1.4/32") and above but below 34.5 mm kg	5	12	19%
9	54024600	Yarn of polyester, partly oriented, untwisted or with a twist <= 50 tpm, single	-	11	NA
10	52051210	Uncombed cotton yarn, single (excl. sewing thread), > 85% cotton, measuring <714.29 dtex but not <232.56 dtex, not for retail, Grey	3	11	30%

6.1.4. Impact of CEPA on India's Textile and Apparel Exports to South Korea

The categories in which India's textile and apparel exports to South Korea is greater than US$ 5 million have been analyzed. There are 17 such categories and they together form a share of 69% of India's total textile and apparel exports to South Korea.

For every commodity, we have listed the tariff schedule and effective duty in each year[47]. Thereafter, we have analyzed how tariff reduction has affected India's exports to South Korea.

[46] Data Source: DGCIS, Kolkata

[47] Tariff reduction schedule is effective from 1st January every year

Table 16: Impact of India-Korea CEPA on India's Textile and Apparel Exports to South Korea

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
1	54023300	Textured yarn of polyester	E-5	Duty	8%	6%	5%	3%	2%	0%
				Exports	0.29	11.09	14.88	7.30	19.69	45.12
				YoY Growth	222%	3724%	34%	-51%	170%	129%
2	52052310	Combed single cotton yarn, with >=85% cotton, measuring 192.31 to 232.56 dtex; grey	EXC	Duty	8%	8%	8%	8%	8%	8%
				Exports	76.67	112.01	76.27	77.16	55.62	37.03
				YoY Growth	142%	46%	-32%	1%	-28%	-33%
3	52081390	Woven fabric of cotton, with >=85% cotton, weighing <=200 gsm, unbleached, 3-thread or 4-thread twill, including cross twill; others	E-5	Duty	10%	8%	6%	4%	2%	0%
				Exports	-	-	0.73	1.58	3.54	21.65
				YoY Growth				116%	124%	512%
4	52053310	Uncombed cabled cotton yarn, with >=85% cotton, measuring per single yarn 192.31 to 232.56 dtex; grey	E-8	Duty	8%	7%	6%	5%	4%	3%
				Exports	0.18	2.18	8.81	13.76	17.94	20.70
				YoY Growth		1111%	304%	56%	30%	15%
5	52052410	Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey	SEN	Duty	8%	7.6%	7.2%	6.8%	6.4%	6.0%
				Exports	19.85	42.89	28.54	31.23	24.33	18.22
				YoY Growth	106%	116%	-33%	9%	-22%	-25%
6	52081290	Woven fabric of cotton, with >=85% cotton, weighing 100 to 200 gsm, unbleached, plain weave; others	E-5	Duty	10%	8%	6%	4%	2%	0%
				Exports	0.09	0.06	1.45	1.82	6.06	15.86
				YoY Growth	-74%	-33%	2317%	26%	233%	162%
7	53050040	Coconut, abaca, ramie & other vegetable textile fibres, coir pith	-	Duty						
				Exports	3.33	4.55	6.53	8.88	14.54	14.57
				YoY Growth		37%	44%	36%	64%	0%
8	52010015	Cotton, not carded or combed of staple length 28.5mm (1.4/32") and above but below 34.5 mm kg	E-0	Duty	1%	0%	0%	0%	0%	0%
				Exports	4.69	7.90	4.09	2.76	7.96	12.33
				YoY Growth	39%	68%	-48%	-33%	188%	55%
9	54024600	Yarn of polyester, partly oriented, untwisted or with a twist <= 50 tpm, single	E-5	Duty	8%	6%	5%	3%	2%	0%
				Exports		0.23	0.21	0.59	11.66	10.81
				YoY Growth			-9%	181%	1876%	-7%
10	52051210	Uncombed cotton yarn, single (excl. sewing thread), > 85% cotton, measuring <714.29dtx. but not <232.56dtx., not for retail, Grey	E-8	Duty	8%	7.0%	6.0%	5.0%	4.0%	3.0%
				Exports	2.55	6.99	7.37	15.06	14.98	10.55
				YoY Growth	-15%	174%	5%	104%	-1%	-30%

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
11	52053210	Uncombed cotton yarn, multiple (folded)/cabled (excl. sewing thread), containing > 85% cotton measuring per single yarn <714.29dtx. but not <232.56dtx, grey	SEN	Duty	8%	7.6%	7.2%	6.8%	6.4%	6.0%
				Exports	7.06	8.05	4.78	7.68	9.98	9.36
				YoY Growth	53%	14%	-41%	61%	30%	-6%
12	61091000	T-shirts of cotton	E-8	Duty	13%	11%	10%	8%	7%	5%
				Exports	2.53	5.26	9.81	9.57	7.80	7.65
				YoY Growth	5%	108%	87%	-2%	-18%	-2%
13	52052690	Combed single cotton yarn, with >=85% cotton, measuring 106.38 to 125 dtex; others	SEN	Duty	8%	7.6%	7.2%	6.8%	6.4%	6.0%
				Exports	2.13	5.33	2.36	5.63	7.84	6.63
				YoY Growth	16%	150%	-56%	139%	39%	-15%
14	52052210	Combed single cotton yarn, with >=85% cotton, measuring 232.56 to 714.29 dtex; grey	EXC	Duty	8%	8%	8%	8%	8%	8%
				Exports	22.32	28.53	19.30	15.98	11.08	6.34
				YoY Growth	185%	28%	-32%	-17%	-31%	-43%
15	51052910	Wool tops	E-5	Duty	1%	0.8%	0.6%	0.4%	0.2%	0.0%
				Exports	6.44	5.66	9.44	9.64	6.17	5.83
				YoY Growth	-15%	-12%	67%	2%	-36%	-6%
16	52081190	Woven fabric of cotton, with >=85% cotton, weighing <=100 gsm, unbleached, plain weave; others	E-5	Duty	10%	8.0%	6.0%	4.0%	2.0%	0.0%
				Exports	1.00	2.53	2.69	1.38	1.26	5.30
				YoY Growth	-35%	153%	6%	-49%	-9%	321%
17	62052000	Men's shirt of cotton	E-5	Duty	13%	10.4%	7.8%	5.2%	2.6%	0.0%
				Exports	0.85	0.68	2.86	3.72	5.80	5.29
				YoY Growth	-2%	-20%	321%	30%	56%	-9%

There is one commodity that fall under E-0 schedule i.e. Cotton, not carded or combed of staple length 28.5 mm (1.4/32") and above but below 34.5 mm. Its exports to South Korea has increased immediately after elimination of tariff. Thereafter, the trend was fluctuating.

There are seven commodities falling under E-5 tariff schedule. The trade of all these commodities have seen growth in exports after implementation of CEPA. The only exception is Wool tops (HS Code- 51052910).

Three commodities fall under E-8 schedule. Uncombed cotton yarn with >=85% cotton, measuring per single yarn 192.31 to 232.56 dtex; grey has shown a constant growth after implementation of CEPA. From US$ 0.18 million worth of exports in 2009-10, the exports have increased to US$ 20.70 million in 2014-15. The exports of other two commodities increased after CEPA but a declining trend has been observed in the recent years.

Three commodities fall under SEN tariff schedule. All these commodities have shown growth immediately after CEPA. Thereafter, not much correlation between duty reduction and export values have been observed.

Two commodities that fall under EXC tariff schedule in which the tariff rates would not be subjected to the reduction schedule have seen a declining trend in exports.

6.1.5. Potential Categories of Exports to South Korea from India[48]

For identification of categories with high exports potential in South Korea, we have analyzed top 20 commodities which form 80% of Korea's total textile and apparel imports of 13.2 billion (2013).

Following parameters have been used to identify the potential categories:

- Commodities in which South Korea's imports has shown a high growth (5 year CAGR > 5%)
- Commodities in which India has high exports globally (> US$ 500 million)

HS Code	Description	Korea's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Korea's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
6204	Women's suits, jacket, dress, skirt, etc., woven	927	5.4%	12.4%	0.4%	2,456
6203	Men's suits, jackets, trousers etc., woven	851	7.6%	19.8%	0.2%	1,105
6201	Men's overcoats, capes, wind-jackets etc., woven	784	25%	45.4%	0.0%	23
6202	Women's overcoats, capes, wind jackets etc., woven	765	13%	36.1%	0.0%	14
5402	Synthetic filament yarn(not sewing thread) not retail	678	0.3%	21.6%	3.9%	1,332
5201	Cotton, not carded or combed	609	-16%	20.2%	0.9%	4,513
6109	T-shirts, singlets, tank tops etc., knit or crochet	571	7%	15.1%	1.8%	2,600
6110	Sweaters, pullovers, vests etc., knit or crochet	526	12%	21.0%	0.1%	270
5205	Cotton yarn not sewing thread >=85% cotton, not retail	479	-23%	-0.8%	45.0%	4,773
5509	Yarn (not sewing thread), synthetic staple fibre, not retail	413	-10%	4.6%	0.3%	573
6211	Track suits, ski-suits & swimwear, not knit etc.	373	2%	19.8%	0.1%	760
6210	Garments made up of felt or coated fabric	360	31%	41.7%	0.0%	23
5603	Nonwovens, whether or not impregnated, coated etc.	282	6%	14.7%	1.0%	80
5208	Woven cotton fabric, >85% cotton, < 200g/m2	281	-1%	8.5%	4.4%	979

[48] Data Source: UN Comtrade Database

HS Code	Description	Korea's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Korea's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
6305	Sacks & bags of textile material for packing goods	221	7.7%	17.3%	0.1%	611
6206	Women's blouses, shirts and shirt-blouses, Woven	216	12.6%	15.2%	2.3%	1,597
6205	Men's shirts, Woven	214	12.0%	19.6%	2.9%	1,125
5407	Woven synthetic filament yarn, monofilament >67dtex	204	-4%	13.8%	0.1%	1,249
6104	Women's suit, dress, skirt, etc., knit or crochet	186	23%	27.6%	1.1%	651
6114	Garments, knit or crochet, nes	178	28%	39.0%	0.4%	454

On the basis of our analysis, following are the potential categories which should be targeted for exports to South Korea

Table 17: Potential Categories of Exports from India to South Korea

S. No.	HS code	Commodity Description
Fibre and Filament		
1	5402	Synthetic filament yarn(not sewing thread) not retail
2	5201	Cotton, not carded or combed
Fabric		
3	5208	Woven cotton fabric, >85% cotton, < 200g/m2
Apparel		
4	6204	Women's suits, jacket, dress, skirt, etc., woven
5	6203	Men's suits, jackets, trousers etc., woven
6	6109	T-shirts, singlets, tank tops etc., knit or crochet
7	6211	Track suits, ski-suits & swimwear, etc., woven
8	6206	Women's blouses, shirts and shirt-blouses, woven
9	6205	Men's shirts, woven
10	6104	Women's suit, dress, skirt, etc., knit or crochet
Others		
11	6305	Sacks & bags of textile material for packing goods

6.1.6. Key Takeaways

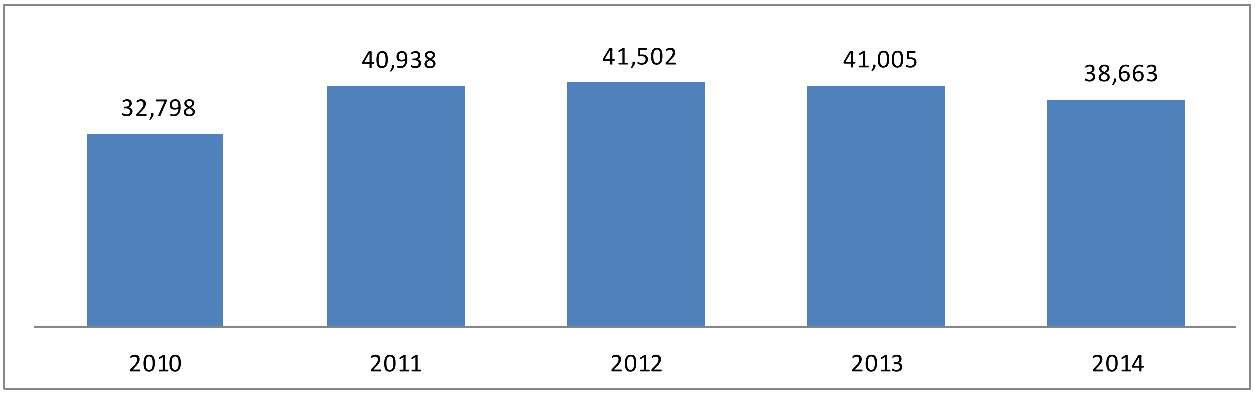
- Total textile and apparel imports by South Korea stood at US$ 13.2 billion. Apparel accounts for a majority share of 54% of the total imports by S. Korea followed by fabric and yarn with a share of 12% and 10% resp.
- In the finished product category viz. apparel and home textiles, China and Vietnam are the major suppliers to South Korea. India has a share of some significance only in the yarn category.
- India and South Korea signed CEPA on 7th August 2009 and the agreement came into force on 1st January 2010.
- Under the Korea- India CEPA, the approach to tariff reduction for trade in goods is as follows:
    - E0: 100% elimination of tariff on entry into force, i.e. year 1 Jan 2010.
    - E5: 20% reduction in tariff on entry into force and tariff elimination to take place in year 5 i.e. 2014.
    - E8: 12.5% reduction on entry into force and tariff elimination to take place in year 8 i.e. 2017
    - SEN: Tariffs to be reduced by 50% of the base rate in 8 years
    - EXC: The tariff lines that would not be subjected to the reduction schedule.
- India is the 8th largest textile and apparel supplier to South Korea. The share of India in Korea's textile and apparel imports has declined from 3.6% in 2009 to 2.7% in 2013.
- In 2013, Korea's imports from India for textile and apparel products was worth US$ 357 million, growing at a CAGR of 8% for last five years.
- India recorded a trade surplus of US$ 213 million with Korea in textile and apparel products in 2014-15. Some growth in exports can be seen in the filament and fabric category but the quantum of exports is not significant. There is trade deficit in other categories which include wadding, felt, nonwovens, twine, cordage, ropes & cables, made-ups, etc.
- In 2009-10, India's exports to South Korea was very concentrated. Top 10 commodities formed 74% share while top 3 commodities had a share of 50% in the total textile and apparel exports to South Korea. Over last 5 years, the exports has greatly diversified. Several new categories have also been added in the exports.
- There are 17 categories in which India's textile and apparel exports to South Korea is greater than US$ 5 million and they together form a share of 69% of the total India's textile and apparel exports to South Korea.
- After implementation of CEPA, some categories have reported good growth while exports have declined in some categories.
- Following categories should be targeted for exports from India to South Korea:
    - Fibre and Filament
        - Synthetic filament yarn(not sewing thread) not retail
        - Cotton, not carded or combed
    - Fabric
        - Woven cotton fabric, >85% cotton, < 200g/m2
    - Apparel
        - Women's suits, jacket, dress, skirt, etc., woven
        - Men's suits, jackets, trousers etc., woven
        - T-shirts, singlets, tank tops etc., knit or crochet
        - Track suits, ski-suits & swimwear, etc., woven
        - Women's blouses, shirts and shirt-blouses, woven
        - Men's shirts, woven
        - Women's suits, dress, skirt, etc., knit or crochet
    - Others
        - Sacks & bags of textile material for packing goods

6.2. Japan

6.2.1. Japan's Textile and Apparel Imports[49]

In 2014, Japan has imported textile and apparel products worth US$ 38.7 billion, which has grown at a CAGR of 4% in the last 5 years. The decline of Japan's import in 2014 in US$ terms, reflects the fall of the yen against the dollar.

Figure 15: Japan's Textile and Apparel Imports (In US$ Million)



Apparel is the single largest category in the textile and apparel imports of Japan with a share of 76%. It is followed by home textiles and others category incl. wadding, felt, nonwovens, made-ups, etc. which have a share of 7% each. China and Hong Kong is the largest supplier in all the textile and apparel category to Japan constituting 68% of its imports in 2014. Currently, Japan and China are involved in the negotiation of trilateral FTA (involving South Korea also) and Regional Comprehensive Economic Partnership (RCEP) which is expected to further boost the imports of Chinese products in Japan.

Figure 16: Category-wise T&A Imports by Japan (2014)

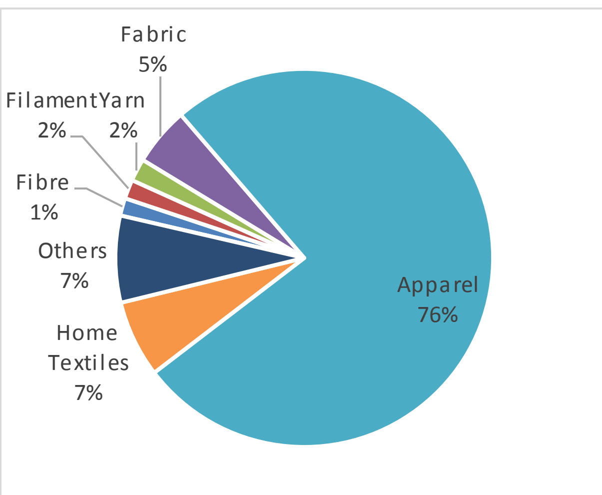
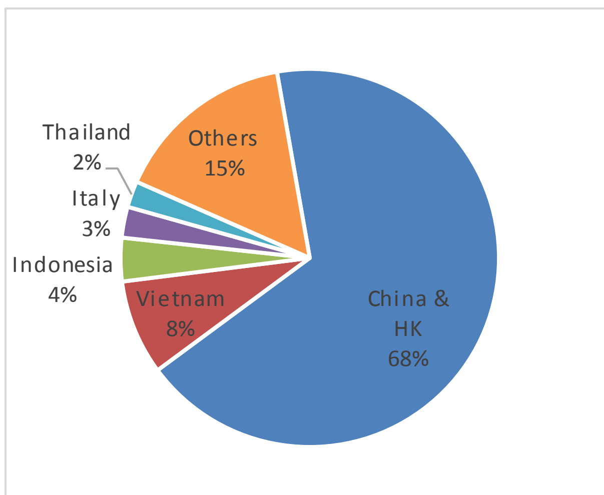
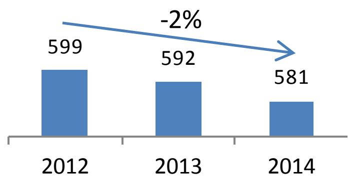
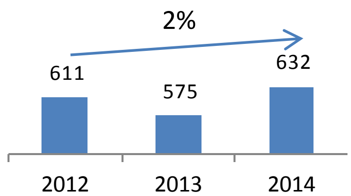
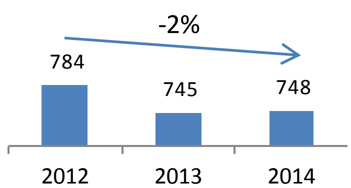
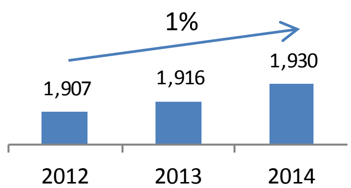
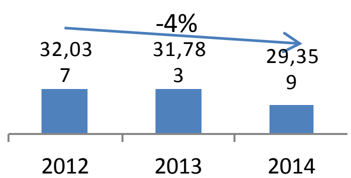
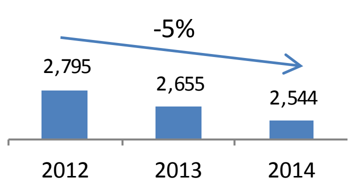
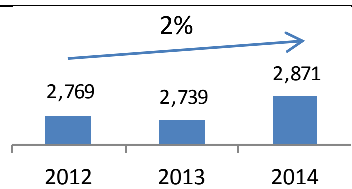


Figure 17: Supplier-wise T&A Imports by Japan (2014)



[49] Data Source: UN Comtrade Database

Table 18: Category-wise Textile and Apparel Imports by Japan

Category	Historic Import Trend (US$ Mn.)	Key Commodities (2014)	Key Suppliers (2014)
Fibre		• Cotton, not carded or combed (24%) • Wool & fine or coarse animal hair, carded or combed (18%) • Synthetic staple fibers, not carded, combed etc. (17%)	• China & HK (23%) • USA (17%) • Rep. of Korea (10%)
Filament		• Synthetic filament yarn (not sewing thread), not retail (81%) • Synthetic monofil. >67dtex <1mm, strip, straw <5mm wide (10%) • Artificial filament yarn (not sewing thread), not retail, incl. artificial monofilament <67dtex (7%)	• Taiwan (28%) • China & HK (19%) • Thailand (12%)
Yarn		• Cotton yarn (not sewing thread) >85% cotton, not retail (37%) • Yarn (not sewing thread) of synthetic staple fibre, not retail (16%) • Yarn of combed wool, not retail (14%)	• China & HK (35%) • Indonesia (23%) • India (11%)
Fabric		• Woven fabric of synthetic filament yarn, incl. monofil. >67dtec (14%) • Woven cotton fabrics, >85% cotton, <200 GSM (10%) • Woven fabric of combed wool or fine animal hair (9%)	• China & HK (42%) • Indonesia (11%) • Italy (10%)
Apparel		• Jerseys, pullovers, cardigans, etc., knit or crochet (17%) • Women's suits, ensembles, dresses, skirts, etc., woven (12%) • Men's suits, ensembles, jackets, trousers, etc., woven (9%)	• China & HK (72%) • Vietnam (9%) • Indonesia (3%)
Home Textiles		• Bed linen, table linen, toilet linen & kitchen linen (48%) • Carpets & other textile floor coverings, tufted, whether or not made up (12%) • Blankets and travelling rugs (10%)	• China & HK (76%) • Vietnam (8%) • India (3%)
Others		• Made-up articles of textile materials nes, including dress patterns (43%) • Nonwovens, whether or not impregnated, coated, etc. (23%) • Sacks & bags of textile material for packing of goods (16%)	• China & HK (64%) • Vietnam (7%) • USA (4%)

Fibre, yarn, apparel and home textiles have observed degrowth from 2012 to 2014. China and Hong Kong is the largest supplier in all the product categories, except filament. Vietnam ranks as 2nd in the finished product categories, viz. apparel, home textiles and other category. While India has a share of 11% in the yarn category.

6.2.2. Comprehensive Economic Partnership Agreement (CEPA) with India

India and Japan signed CEPA on 16th February, 2011 which came into force on 1st August, 2011.

Rules of Origin

There are two articles in the agreement which are relevant to textile sector. These are given below:

i. Article 29 (Goods Produced Using Non-Originating Materials)

The goods which are not wholly obtained or produced in the Party shall qualify as an originating good of a Party if:

- the good has a **qualifying value content (QVC) of not less than 35%**; and
- all non-originating materials used in the production of the good have undergone in the Party a change in tariff classification at the 6-digit level (i.e. a change in tariff subheading) of the Harmonized System.

If the good does not withstand the above specified clauses (a and b), then it is subject to Product Specific Rules and shall qualify as an originating good of a Party if it satisfies the applicable product specific rules which are given below:

A. Yarn

HS Code	Necessary processes to obtain originating status in a Party	
	Carding/Combing process	Spinning process
50.05-50.06 51.06-51.10	(N/A)	Required
52.04-52.07	Required	Required
53.06-53.08 54.01-54.06	(N/A)	Required
55.08-55.11	Required	Required

B. Woven Fabrics

HS Code	Necessary processes to obtain originating status in a Party			
	Spinning process	Dyeing/Printing process to yarn[50]	Weaving process	Dyeing/Printing process to fabrics

[50] "Dyeing/Printing" process should be accompanied by two or more of the operations, such as bleaching, waterproofing, decatising, shrinking, mercerizing, or similar operations.

50.07 51.11-51.13	Required		Required	
52.08-52.12 53.09-53.11		Required	Required	
54.07-54.08 55.12-55.16			Required	Required

C. Textile Articles for Industrial Use, etc. (HS 56-59)

HS Code	Necessary processes to obtain originating status in a Party	
	Spinning process	Knitting/Crocheting/ Weaving /Making up process
56.01-56.03	(N/A)	Required
56.04-56.09	Required	Required
57.01-57.02	Required	Required
57.03-57.05	(N/A)	Required
58.01-58.11	Required	Required
59.01	(N/A)	Required
59.02-59.11	Required	Required

D. Knitted or Crocheted Fabrics (HS 60)

HS Code	Necessary processes to obtain originating status in a Party			
	Spinning process	Dyeing/Printing process to yarn	Knitting/Crocheting process	Dyeing/Printing process to fabrics
60.01-60.06	Required		Required	
		Required	Required	
			Required	Required

E. Apparels, Clothing Accessories and Other Textile Articles (HS 61, 62, 63.01–63.10)

HS Code	Necessary processes to obtain originating status in a Party	
	Knitting/Crocheting/ Weaving process	Making up process
61.01-61.17 62.01-62.17 63.01-63.10	Required	Required

ii. Article 32 (De Minimis)

The non-originating materials used in the production of a good that do not satisfy an applicable rule for the good shall be disregarded, provided that the totality of such materials in textiles and apparel[51] **does not exceed 7% percent in weight of the good**.

Tariff Reduction

Custom duties on all the originating textile and apparel goods (except 5001.00 and 5002.00) has been eliminated from 1st August, 2011, i.e. from the date of entry into force of the India – Japan CEPA.

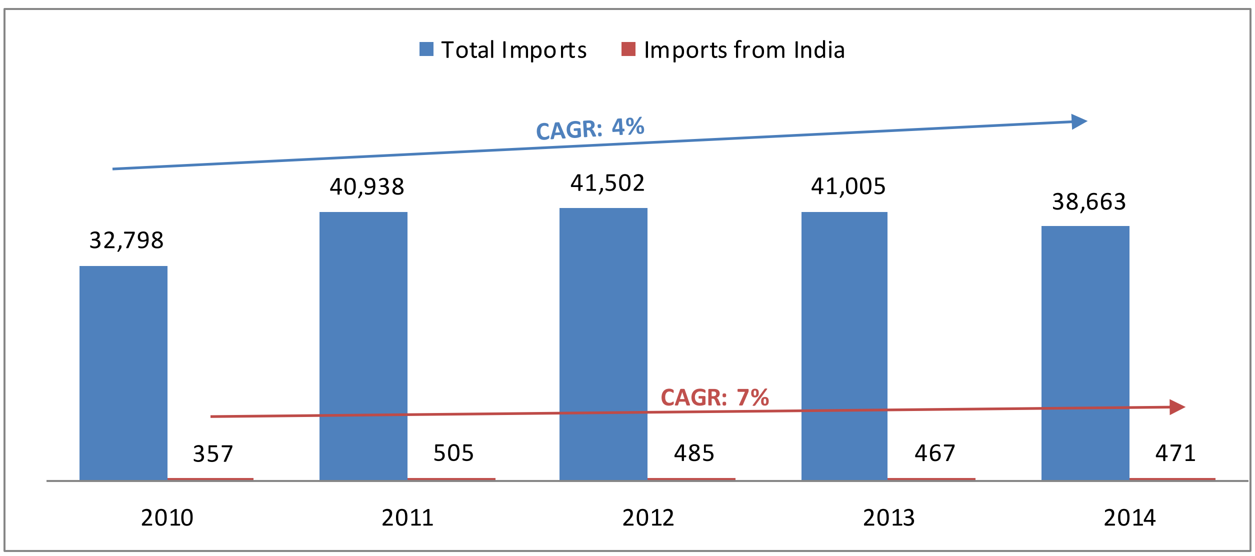
The above mentioned 2 categories which are excluded from any commitment of reduction or elimination of customs duties are following:

- 5001.00 - Silk-worm cocoons suitable for reeling
- 5002.00 - Raw silk (not thrown); Other

6.2.3. India's Positioning

India ranked 11th in T&A exports to Japan in 2014. India's exports value for the same year was US$ 471 million. It has grown at a CAGR of 7% against the 4% overall import growth of Japan from 2010 to 2014. Despite the higher growth rate of Indian exports to Japanese market, the share of India remains almost the same as that in 2010. It has just grown from 1.1% in 2010 to 1.2% in 2014.

Figure 18: Japan's Total T&A Imports and from India (In US$ Million)[52]



[51] Chapters 50 to 63 (except 5001.00, 5003.00, heading 51.02, 51.03, 52.01 through 52.03, 53.01 and 53.02) of the Harmonized System

[52] Data Source: UN Comtrade Database

In 2014-15, India recorded a trade surplus of US$ 266 million in textile and apparel trade with Japan. Out of this, the trade surplus of US$ 202 million accumulated from apparel category only. The fiber and filament categories have shown an increase in trade deficit from 2010-11 to 2014-15.

Apparel is the major category with a share of 50% in India's textile and apparel exports to Japan. This is followed by yarn and home textiles having share of 18% and 17% respectively. On the other hand, India's textile and apparel import from Japan comprises of about 60% filament, 20% fibre and 12% others categories.

Table 19: India's Trade with Japan (In US$ Million)[53]

	2010 2011			2014 2015		
Category	Export	Import	Trade Balance (Export Import)	Export	Import	Trade Balance (Export Import)
Fiber	4	14	-10	5	28	-23
Filament	2	58	-57	14	82	-68
Yarn	84	0.4	83	73	0.4	72
Fabric	22	18	4	26	13	13
Apparel	145	1	144	203	0.2	202
Home Textiles	37	1	36	69	1	67
Others	15	3	12	19	17	1
Total	**309**	**96**	**213**	**407**	**142**	**266**

6.2.4. Impact of CEPA on India's Textile and Apparel Exports to Japan

Since the implementation of the agreement on 1st August 2011, the custom duty on the export of Indian origin textile and apparel goods to Japan has been eliminated. For the FY 2011-12, the custom duty was eliminated from August 2011 and prior to that, i.e. April 2011 to July 2011, the custom duty was the same as applicable earlier.

Out of the total textile and apparel goods exported to Japan, there are 18 product categories whose export value is more than US$ 5 million in 2014-15. The export trend of these categories prior to a year of implementation of the agreement and Year-on-Year (YOY) growth has been given below.

Table 20: Impact of India-Japan CEPA on India's Textile and Apparel Exports to Japan

S. No.	HS Code	Description	(Values in US$ Mn.)	2010 11	2011 12[54]	2012 13	2013 14	2014 15	Base Rate
1	52052310	Single cotton yarn, of combed fibres, >85% cotton, measuring 192.31 to 232.56 dtex, grey	Exports	37.6	56.5	39.2	38.8	35.3	*
			YOY Growth	9%	50%	-31%	-1%	-9%	
2	52052410		Exports	20.3	28.5	26.9	21.6	20.9	*

[53] Data Source: DGCIS, Kolkata

[54] Custom duty was equivalent to base rate from 1st April 2011 to 31st July 2011. After that the custom duty was eliminated completely.

		Single cotton yarn, of combed fibres, >85% cotton, measuring 125 to 192.31 dtex, grey	YOY Growth	3%	40%	-6%	-20%	-3%	
3	52052790	Single cotton yarn, of combed fibres, >85% cotton, measuring 83.33 to 106.38 dtex	Exports	1.4	6.8	3.4	10.1	14.5	*
			YOY Growth	467%	401%	-50%	195%	44%	
4	52054710	Multiple or cabled cotton yarn, of combed fibres, >85% cotton, measuring 83.33 to 106.38 dtex per single yarn, grey	Exports	14.5	14.4	7.5	15.0	13.5	*
			YOY Growth	253%	-1%	-48%	98%	-10%	
5	52054810	Multiple or cabled cotton yarn, of combed fibres, >85% cotton, measuring <83.33 dtex per single yarn, grey	Exports	4.0	7.6	9.5	13.3	12.3	*
			YOY Growth	-29%	87%	25%	40%	-7%	
6	54031020	High tenacity viscose rayon type yarn - 1, 833 dtex	Exports	0.0	0.7	0.6	4.0	11.7	*
			YOY Growth	-100%	NA	-18%	585%	190%	
7	59029090	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon, other	Exports	1.8	9.7	11.5	11.6	9.7	3.5%
			YOY Growth	157%	453%	19%	1%	-17%	
8	61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	Exports	6.9	9.4	12.0	12.2	8.9	10.9%
			YOY Growth	48%	36%	28%	2%	-27%	
9	62034200	Men's trousers, bib and brace overalls, breeches and shorts, of cotton, woven	Exports	5.0	6.8	5.9	7.6	8.8	9.1%
			YOY Growth	39%	37%	-13%	28%	16%	
10	62044220	Women's dresses of cotton, woven	Exports	6.4	8.9	9.1	8.3	7.7	9.1%
			YOY Growth	-19%	39%	2%	-9%	-7%	
11	62045200	Women's skirts and divided skirts of cotton, woven	Exports	7.7	7.3	4.5	9.1	7.6	9.1%
			YOY Growth	57%	-5%	-38%	101%	-17%	
12	62052000	Men's shirts of cotton, woven	Exports	7.2	6.7	6.2	6.6	6.5	7.4%
			YOY Growth	361%	-8%	-7%	7%	-2%	
13	62063000	Women's blouses, shirts and shirt-blouses of cotton, woven	Exports	7.1	10.6	5.2	8.6	6.4	9.1%
			YOY Growth	31%	50%	-51%	65%	-26%	
14	62064000	Women's blouses, shirts and shirt-blouses of man-made fibres, woven	Exports	4.2	5.2	4.6	5.7	5.8	9.1%
			YOY Growth	20%	24%	-12%	25%	2%	
15	62114290	Women's other cotton garments, woven	Exports	10.5	7.4	5.5	5.9	5.8	9.1%
			YOY Growth	276%	-30%	-26%	7%	-1%	
16	62149090	Shawls, scarves, mufflers, etc. of other textile materials, woven	Exports	2.3	4.2	4.3	4.8	5.8	*
			YOY Growth	-14%	82%	1%	13%	20%	

17	63026090	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics, of cotton, other than handloom	Exports	3.6	5.1	5.5	5.5	5.6	5.9%
			YOY Growth	37%	39%	9%	0%	0%	
18	63079020	Other made up articles, including dress patterns, of cotton	Exports	4.1	5.4	4.5	5.7	5.2	0.0%
			YOY Growth	75%	32%	-17%	27%	-10%	

* Base rate not specified

Some of the product categories like cotton yarn of combed fibres measuring 83.33 to 106.38 dtex, high tenacity viscose rayon type yarn and tyre cord fabric have shown a tremendous growth after implementation of the agreement. On the other hand, some of the categories have not shown much growth.

6.2.5. Potential Categories of Exports to Japan from India[55]

For identification of categories with high exports potential in Japan, we have analyzed top 20 commodities which form 77% of Japan's total textile and apparel imports of US$ 38.7 billion (2014).

Following parameters have been used to identify the potential categories:

- Commodities in which Japan's imports has shown a high growth (CAGR of last 5 years is > 4%)
- Commodities in which India has high exports globally (> US$ 500 million)
- Commodities in which India's share in Japan's import is low (< 5%)

HS Code	Description	Japan's T&A Imports (2014) (In US$ Mn.)	CAGR		India's Share in Japan's T&A Imports	India's T&A Exports (2014) (In US$ Mn.)
			3 year	5 year		
6110	Jerseys, pullovers, cardigans, etc., knit or crochet	4,942	-2%	4.9%	0.1%	325
6204	Women's suits, jackets, dresses, skirts, etc., woven	3,428	-8%	-0.4%	1.7%	2,581
6203	Men's suits, jackets, trousers etc., woven	2,767	-4%	5.5%	0.6%	1,170
6109	T-shirts, singlets and other vests, knit or crochet	2,201	-3%	2.7%	0.5%	2,722
6104	Women's suits, jackets, dresses, skirts, etc., knit or crochet	1,647	1%	6.8%	0.3%	695
6202	Women's overcoats, capes, cloaks, wind-jackets, etc., woven	1,559	-4%	5.5%	0.2%	16
6307	Other made up articles, including dress patterns	1,240	-1%	3.9%	0.9%	414
6302	Bed linen, table linen, toilet linen and kitchen linen	1,226	-4%	4.7%	2.4%	1,412
6201	Men's overcoats, capes, cloaks, wind-jackets, etc., woven	1,185	-4%	7.8%	0.2%	21
6205	Men's or boys' shirts, woven	1,178	-3%	8.0%	1.7%	1,143

[55] Data Source: UN Comtrade Database

HS Code	Description	Japan's T&A Imports (2014) (In US$ Mn.)	CAGR		India's Share in Japan's T&A Imports	India's T&A Exports (2014) (In US$ Mn.)
			3 year	5 year		
6206	Women's blouses, shirts and shirt-blouses, woven	1,166	-6%	6.2%	4.9%	1,580
6115	Panty hose, tights, stockings, socks, etc., knit or crochet	1,142	-2%	4.8%	0.2%	79
6211	Track suits, ski suits & swimwear, woven	1,104	-10%	-0.4%	0.9%	969
6106	Women's blouses, shirts and shirt-blouses, knit or crochet	1,020	-8%	-1.0%	0.6%	197
6212	Brassieres, girdles, corsets, etc., woven	926	8%	11.9%	0.0%	106
6108	Women's slips, petticoats, panties, nightdresses, etc., knit or crochet	709	-8%	-1.1%	0.1%	544
5603	Nonwovens, whether or not impregnated, coated, etc.	654	7%	11.2%	0.0%	82
6107	Men's underpants, briefs, nightshirts, bathrobes, etc., knit or crochet	530	-3%	4.5%	0.5%	451
5402	Synthetic filament yarn (not sewing thread), not retail	513	1%	5.4%	0.2%	1,200
6305	Sacks & bags of textile material for packing goods	468	12%	13.1%	0.3%	667

On the basis of our analysis, following are the potential categories which should be targeted for exports to Japan:

Table 21: Potential Categories of Exports from India to Japan

S. No.	HS Code	Commodity Description
Filament		
1	5402	Synthetic filament yarn (not sewing thread), not retail
Apparel		
2	6203	Men's suits, jackets, blazers, trousers, etc., woven
3	6104	Women's suits, jackets, blazers, dresses, skirts, etc., knit or crochet
4	6205	Men's shirts, woven
5	6206	Women's blouses, shirts and shirt-blouses, woven
Home Textiles		
6	6302	Bed linen, table linen, toilet linen and kitchen linen
Others		
7	6305	Sacks & bags of textile material for packing goods

6.2.6. Key Takeaways

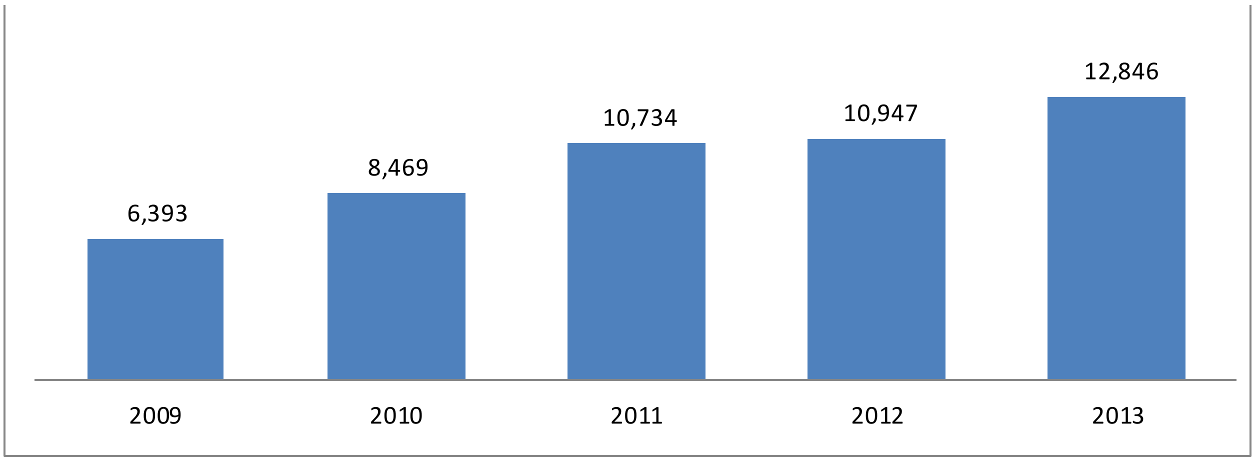
- In 2014, Japan imported textile and apparel products worth US$ 38.7 billion. Apparel is the single largest category in the textile and apparel imports of Japan with a share of 76%. China is the largest supplier of textile and apparel to Japan constituting 67% of its imports in 2014. India is one of the largest supplier in yarn and home textiles category.
- India and Japan signed CEPA on 16th February, 2011 which came into force on 1st August, 2011.
- Under India – Japan CEPA, the custom duties on all the products falling under chapter 50 to 63 (except 5001.00 - Silk-worm cocoons suitable for reeling, and 5002.00 - Raw silk (not thrown); other) has been eliminated from the date of implementation of the agreement.
- India is the 11th largest textile and apparel supplier of Japan with exports worth US$ 471 million comprising a share of 1.2% in Japan's imports. Since 2010 to 2014, Japan's imports of textile and apparel products from India have grown at 7% per annum against the overall imports growth of 4%.
- The trade balance of India with Japan for textile and apparel products has improved by more than US$ 50 million, reaching US$ 266 million in 2014-15, since the agreement came into force. This increase in trade balance is majorly attributed to the apparel category.
- There are 18 product categories whose export value is more than US$ 5 million in 2014-15.
- Some of the product categories like cotton yarn of combed fibres measuring 83.33 to 106.38 dtex, high tenacity viscose rayon type yarn and tyre cord fabric have shown a tremendous growth after implementation of the agreement. On the other hand, some of the categories have not shown much growth.
- Following are the potential categories which should be targeted for exports to Japan:
  - Filament
    - Synthetic filament yarn (not sewing thread), not retail
  - Apparel
    - Men's suits, jackets, blazers, trousers, etc., woven
    - Women's suits, jackets, blazers, dresses, skirts, etc., knit or crochet
    - Men's shirts, woven
    - Women's blouses, shirts and shirt-blouses, woven
  - Home Textiles
    - Bed linen, table linen, toilet linen and kitchen linen
  - Others
    - Sacks & bags of textile material for packing goods

6.3. Vietnam

6.3.1. Vietnam's Textile and Apparel Imports[56]

The total textile and apparel imports by Vietnam in 2013 stood at US$ 12.8 billion. It has registered CAGR of 19% from US$ 6.4 billion in 2009.

Figure 19: Vietnam's Textile and Apparel Imports (In US$ Million)



Fabric accounts for a majority share of 69% of the total textile and apparel imports by Vietnam followed by fibre and filament with a share of 14% and 6% respectively. China and South Korea are the major suppliers to Vietnam with a share of 45% and 17% respectively.

Figure 20: Category-wise T&A Imports by Vietnam (2013)

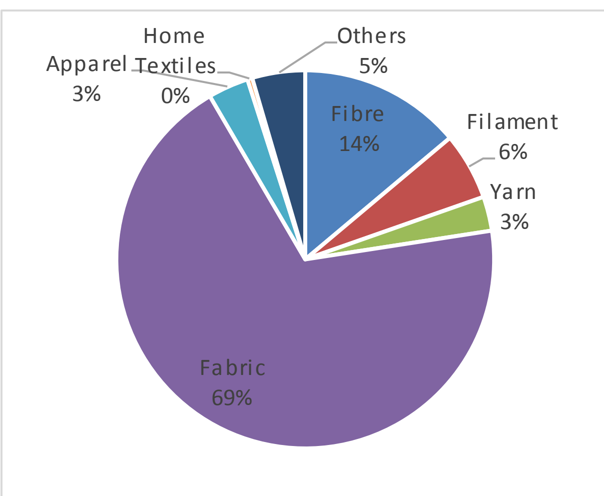
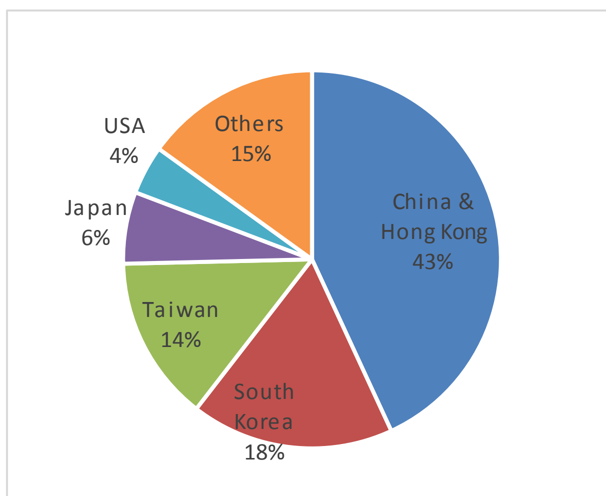
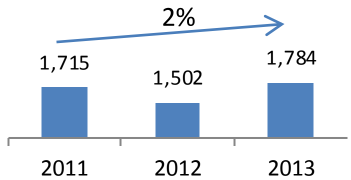
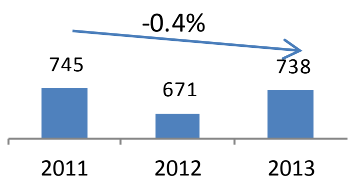
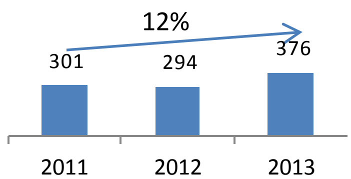
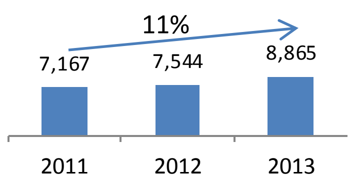
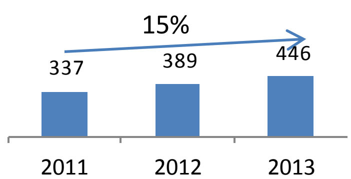
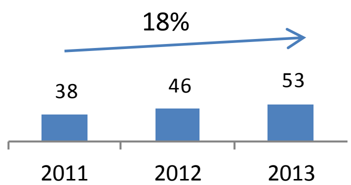
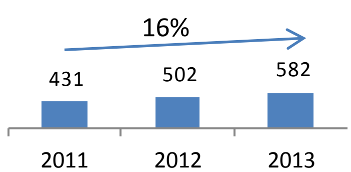


Figure 21: Supplier-wise T&A Imports by Vietnam (2013)



56 Data Source: UN Comtrade Database

Table 22: Category-wise Textile and Apparel Imports by Vietnam

Category	Historic Import Trend (US$ Mn.)	Key Commodities (2013)	Key Suppliers (2013)
Fibre		• Cotton, not carded or combed (65%) • Synthetic staple fibers, not carded, combed (24%) • Artificial staple fibre, not carded or combed (6%)	• USA (26%) • Taiwan (11%) • India (11%)
Filament		• Synthetic filament yarn (not sewing thread), not for retail (87%) • Sewing thread of man-made filaments (8%) • Synthetic monofilament >67dtex <1mm (2%)	• China & HK (40%) • Taiwan (29%) • S. Korea (11%)
Yarn		• Cotton yarn (not sewing thread) >=85% cotton, not retail (36%) • Yarn (no sew thread), syn staple fib, not retail (19%) • Sewing thread, manmade staple fibre (12%)	• China & HK (41%) • S. Korea (19%) • India (19%)
Fabric		• Knitted or crocheted fabric, nes (19%) • Woven fabric of synthetic filament yarn, incl monofil 67 dtex (10%) • Woven fabric of synthetic staple fibres, nes (8%)	• China & HK (50%) • S. Korea (21%) • Taiwan (15%)
Apparel		• Other made up clothing accessories, knitted or crocheted (48%) • Other made up clothing accessories; Woven (29%) • Women's suits, ensembles, woven (3%)	• China & HK (65%) • S. Korea (9%) • Japan (8%)
Home Textiles		• Carpets & other textile floor coverings, tufted (49%) • Blankets and travelling rugs (18%) • Other carpet & textile floor covering (8%)	• China & HK (50%) • Japan (15%) • Thailand (11%)
Others		• Nonwovens, whether or not impregnated, coated, etc. (48%) • Textile wadding and articles, textile flock, dust, nes (15%) • Rubber thread & cord, rubber & plastic coated fabrics (11%)	• China & HK (33%) • S. Korea (21%) • Japan (13%)

An analysis of category wise textile and apparel imports by Vietnam indicates that from 2011 to 2013, all the categories except filament witnessed significant growth. China and South Korea are leading suppliers to Vietnam across all categories except fibre while India has significant share in fibre and yarn category.

6.3.2. Comprehensive Economic Cooperation Agreement (CECA) between India and ASEAN

India and ASEAN signed CECA on 13th August 2009 and Vietnam has ratified the India- ASEAN CECA with effect from 1st June 2010.

Rules of Origin

There are two rules in the ASEAN- India CECA which are relevant to textile sector. These are given below:

i. Rule 4 (Not Wholly Produced or Obtained Products)

The products that shall be deemed originating if:

- The AIFTA[57] content is **not less than 35% of the free-on-board (FOB) value**; and
- the non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System,

provided that the final process of the manufacture is performed within the territory of the exporting Party.

ii. Rule 7 (Minimal Operations and Processes)

For textile and textile products, an article or material shall not be considered to be originating in a Party by virtue of merely having undergone any of the following:

- simple combining operations, labelling, pressing, cleaning or dry cleaning or packaging operations, or any combination thereof;
- cutting to length or width and hemming, stitching or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;
- trimming and/or joining together by sewing, looping, linking, attaching of accessory articles such as straps, bands, beads, cords, rings and eyelets;
- one or more finishing operations on yarns, fabrics or other textile articles, such as bleaching, waterproofing, decating, shrinking, mercerizing, or similar operations; or
- dyeing or printing of fabrics or yarns.

[57] ASEAN India Free Trade Area

Tariff Reduction Schedule

Under the ASEAN- India CECA, the tariff reduction for trade in goods is as follows:

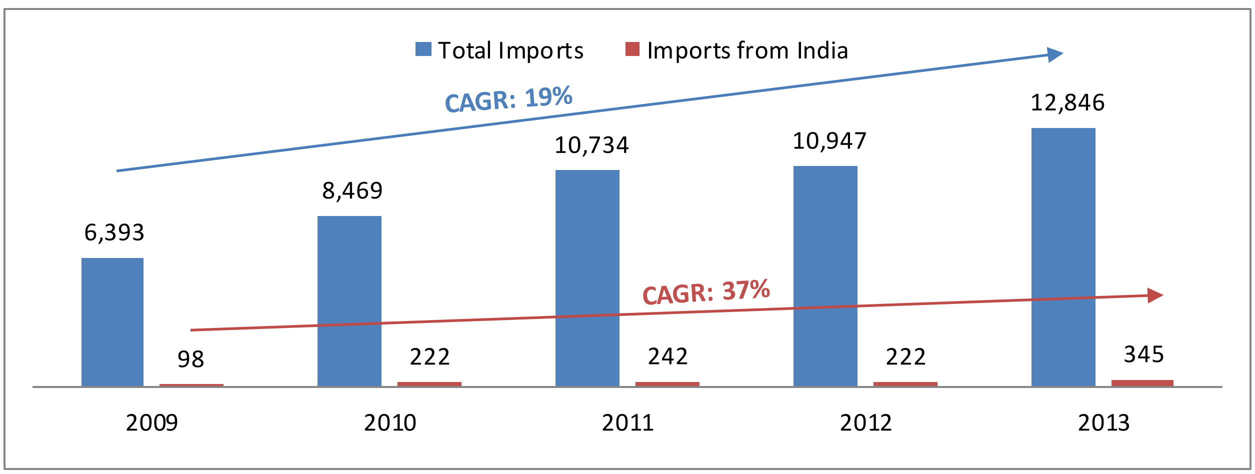
Table 23: Vietnam's Tariff Reduction/ Elimination Schedule for India

Category	Category Description	Tariff Reduction Schedule
NT-1	Normal Track 1	Tariff to be reduced to zero percent by 31st December 2018
NT-2	Normal Track 2	Tariff to be reduced to zero percent by 31st December 2021
ST	Sensitive Track	• Tariff to be reduced to five percent by 31st December 2016. • Applied MFN rates of five percent (beyond 50 tariff lines) to be reduced to 4.5 percent after five years from the time of entry into force and reduced to 4 percent by 31st December 2021. • Applied MFN rates of 4 percent to be eliminated i.e. to be reduced to zero percent by 31st December 2024.
HSL B	Highly Sensitive List B	Reduction of applied MFN tariff rates by 50 percent by 31st December 2024.
EL	Excluded	No reduction of tariff rates

6.3.3. India's Positioning

India is the 7th largest supplier of textile and apparel products to Vietnam (2013). Vietnam's textile and apparel imports has grown at a CAGR of 16% from 2009 to 2013 while India's exports to Vietnam has grown at a rate of 37% in the same period. Also, the share of India in Vietnam's textile and apparel imports has increased from 1.5% in 2009 to 2.7% in 2013.

Figure 22: Vietnam's Total T&A Imports and from India (In US$ Million)[58]



In 2014-15, India recorded a trade surplus of US$ 427 million from Vietnam for textile and apparel products. There has been an increase in exports across all categories after signing of CECA. There is trade deficit in filament, apparel and home textile.

[58] Data Source: UN Comtrade Database

Table 24: India's Trade with Vietnam (In US$ Million)[59]

Category	2009 2010 Export	2009 2010 Import	2009 2010 Trade Balance (Export Import)	2014 2015 Export	2014 2015 Import	2014 2015 Trade Balance (Export Import)
Fiber	80	0.3	80	246	3	243
Filament	1	7	-6	24	74	-50
Yarn	26	8	18	180	7	173
Fabric	39	5	34	85	18	67
Apparel	0.2	0.6	-0.3	1	9	-8
Home Textiles	1	12	-11	1	2	-1
Others	2	0.3	2	4	1	3
Total	**150**	**33**	**116**	**541**	**113**	**427**

India's textile and apparel exports to Vietnam is very concentrated. Top 10 categories had a share of 82% in the total textile and apparel exports to Vietnam in 2014-15 while top 2 commodities formed a share of 60%.

Table 25: India's Top 10 Exported Commodities to Vietnam in 2014-15 (In US$ Million)[60]

S. No.	HS Code	Description	2009 10	2014 15	CAGR
1	52010015	Cotton, not carded or combed of staple length 28.5mm (1.4/32") and above but below 34.5 mm	50	236	36%
2	52052410	Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey	6	88	69%
3	52052310	Combed single cotton yarn, with >=85% cotton, measuring 192.31 to 232.56 dtex; grey	9	37	32%
4	55151130	Woven fabric polyester + viscose rayon, dyed	4	21	38%
5	54023300	Textured yarn of polyester	1	17	96%
6	58062000	Other woven fabrics, containing by weight 5 % or more of elastomeric yarn or rubber thread	6	14	20%
7	52052110	Cotton yarn >85% single combed >714dtex, not retail, grey	3	11	33%
8	52051410	Uncombed cotton yarn, single (excl. sewing thread), >= 85% cotton, measuring <192.31dtx. but not <125dtx.not put up for retail sale, grey	-	7	NA
9	52051310	Uncombed cotton yarn, single (excl. sewing thread), >= 85% cotton, measuring <232.56dtx. but not <192.31dtx, not put up for retail sale, grey	-	6	NA
10	54026200	Other yarn of polyester filament, multiple, nes, not retail	0.3	6	80%

[59] Data Source: DGCIS, Kolkata
[60] Data Source: DGCIS, Kolkata

6.3.4. Impact of ASEAN CECA on India's Textile and Apparel Exports to Vietnam

The categories in which India's textile and apparel exports to Vietnam is greater than US$ 5 million have been analyzed. There are 13 such categories and they together form a share of 85% in India's total textile and apparel exports to Vietnam.

For every commodity, we have listed the tariff schedule and effective duty in each year[61]. Thereafter, we have analyzed how tariff reduction has affected India's exports to Vietnam.

Table 26: Impact of India-ASEAN CECA on India's Textile and Apparel Exports to Vietnam

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
1	52010015	Cotton not carded or combed of staple length 28.5mm to 34.5 mm	NT-1	Duty	0%	0%	0%	0%	0%	0%
				Exports	49.96	89	68	156	207	236
				YoY Growth	699%	77%	-23%	129%	33%	14%
2	52052410	Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey	NT-1	Duty	5%	4.5%	4.5%	4.0%	4.0%	3.0%
				Exports	6.41	5	6	9	30	88
				YoY Growth	1157%	-16%	12%	57%	215%	197%
3	52052310	Combed single cotton yarn, with >=85% cotton, measuring 192.31 to 232.56 dtex; grey	NT-1	Duty	5%	4.5%	4.5%	4.0%	4.0%	3.0%
				Exports	9.2	13	9	16	30	37
				YoY Growth	160%	36%	-25%	73%	86%	22%
4	55151130	Woven fabric polyester and viscose rayon, dyed	ST	Duty	12%	12%	12%	10%	10%	9%
				Exports	4.23	8	12	12	19	21
				YoY Growth	117%	100%	40%	4%	52%	12%
5	54023300	Textured yarn of polyester	EL	Duty	1%	1%	1%	1%	1%	1%
				Exports	0.57	6	9	8	18	17
				YoY Growth	470%	1035%	37%	-10%	127%	-7%
6	58062000	Other woven fabrics, containing by weight 5 % or more of elastomeric yarn or rubber thread	HSL B	Duty	12%	11.6	11.3%	10.9%	10.5%	10.1%
				Exports	5.81	13	9	9	12	14
				YoY Growth	98%	124%	-32%	6%	30%	17%
7	52052110	Cotton yarn >85% single combed >714dtex, not retail, grey	NT-1	Duty	5%	4.5%	4.5%	4.0%	4.0%	3.0%
				Exports	2.63	3	3	1	4	11
				YoY Growth	72%	27%	1%	-78%	455%	158%
8	52051410	Uncombed cotton yarn, single, >= 85% cotton, measuring 125dtx. To 192.31dtx., not for retail, grey	NT-1	Duty	5%	4.5%	4.5%	4.0%	4.0%	3.0%
				Exports			0	1	1	7
				YoY Growth				1133%	36%	606%

[61] Tariff reduction schedule is effective from 1st January every year

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
9	52051310	Uncombed cotton yarn, single, >= 85% cotton, measuring <232.56dtx. but not <192.31dtx, not for retail sale, grey	ST	Duty	5%	5%	5%	5%	5%	5%
				Exports		0	0	1	2	6
				YoY Growth			40%	182%	31%	244%
10	54026200	Other yarn of polyesters, multiple or cabled	EL	Duty	3%	3%	3%	3%	3%	3%
				Exports	0.32	3	5	5	6	6
				YoY Growth	0%	747%	85%	3%	8%	7%
11	52051210	Other yarn of polyester filament, multiple, nes, not retail	ST	Duty	5%	5%	5%	5%	5%	5%
				Exports	0.05	3	2	4	8	6
				YoY Growth		5340%	-13%	64%	107%	-27%
12	55151930	Fabric of polyester mixed with other fibres, dyed	ST	Duty	12%	12%	12%	10%	10%	9%
				Exports	0.52	2	3	3	6	6
				YoY Growth	53%	340%	20%	11%	100%	-5%
13	52052210	Comber cotton yarn, single (not sewing thread) >=85% cotton, measuring <714.29dtx. but not <232.56dtx., not put up for retail sale	ST	Duty	5%	5%	5%	5%	5%	5%
				Exports	1.41	2	2	6	4	5
				YoY Growth	-42%	30%	24%	143%	-27%	35%

There has been significant growth in exports from India to Vietnam in all the above commodities after signing of CECA.

6.3.5. Potential Categories of Exports to Vietnam from India[62]

For identification of categories with high exports potential in Vietnam, we have analyzed top 20 commodities which form 81% of Vietnam's total textile and apparel imports of 12.8 billion (2013).

Following parameters have been used to identify the potential categories:

- Commodities in which Vietnam's imports has shown a high growth (last five year CAGR > 5%)
- Commodities in which India has high exports globally (> US$ 500 million)

[62] Data Source: UN Comtrade Database

HS Code	Description	Vietnam's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Vietnam's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
6006	Knitted or crocheted fabrics, nes	1,675	20%	28%	0.0%	211
5201	Cotton, not carded or combed	1,155	6%	32%	20.3%	4,513
5407	Woven fab of synthetic filament yarn	907	21%	24%	1.2%	1,249
5515	Woven fabrics of synthetic staple fibers nes	747	10%	10%	4.5%	571
5512	Woven fabric of synth staple fibre, >= 85% synth staple fibre	686	4%	16%	0.1%	77
5402	Synthetic filament yarn (not sewing thread), not retail	645	0%	16%	3.9%	1,332
5903	Textile fabrics impregnated, coated, covered or laminated with plastics	644	19%	21%	0.2%	136
6004	Knit/croch fabric, Wd>30 cm, >= 5% elastomeric yarn	582	32%	36%	0.0%	20
5208	Woven cotton fabrics, >= 85% cotton, wt <= 200 g/m2	519	5%	12%	1.3%	979
5209	Woven cotton fabrics, >= 85% cotton, wt > 200 g/m2	485	-4%	6%	2.0%	567
5503	Synthetic staple fibers, not carded, combed etc.	428	-4%	17%	0.0%	378
6005	Warp knit fabrics	311	13%	24%	0.0%	3
5603	Nonwovens, whether or not impregnated, coated etc.	282	21%	25%	0.3%	80
5513	Woven fabric of syn staple fibre, <85% of such fibres, cotton mix, wt <= 170 g/m2	258	1%	19%	0.8%	62
5210	Woven cotton fabrics, < 85% cotton, mmf mix, wt <= 200 g/m2	244	-1%	16%	0.0%	29
6117	Made-up clothing access nesoi, parts etc., knit	214	21%	37%	0.0%	46
5804	Tulles & other net fabrics; lace in pc, etc.	192	14%	18%	0.1%	17
5807	Labels, badges etc. of textiles, in the pc etc.	184	10%	13%	0.1%	13
5211	Woven cotton fabrics, < 85% cotton, mmf mix, > 200 g/m2	160	18%	25%	0.9%	84
6001	Pile fabrics, knitted or crocheted	148	9%	21%	0.0%	16

On the basis of our analysis, following are the potential categories which should be targeted for exports to Vietnam.

Table 27: Potential Categories of Exports from India to Vietnam

S. No.	HS code	Commodity Description
Fibre and Filament		
1	5201	Cotton, not carded or combed
2	5402	Synthetic filament yarn (not sewing thread), not for retail
Fabric		
3	5407	Woven fabrics of synthetic filament yarn
4	5515	Other woven fabrics of synthetic staple fibres
5	5208	Woven cotton fabric, >= 85% cotton, wt <= 200g/m2
6	5209	Woven cotton fabric, >= 85% cotton, wt > 200g/m2

6.3.6. Key Takeaways

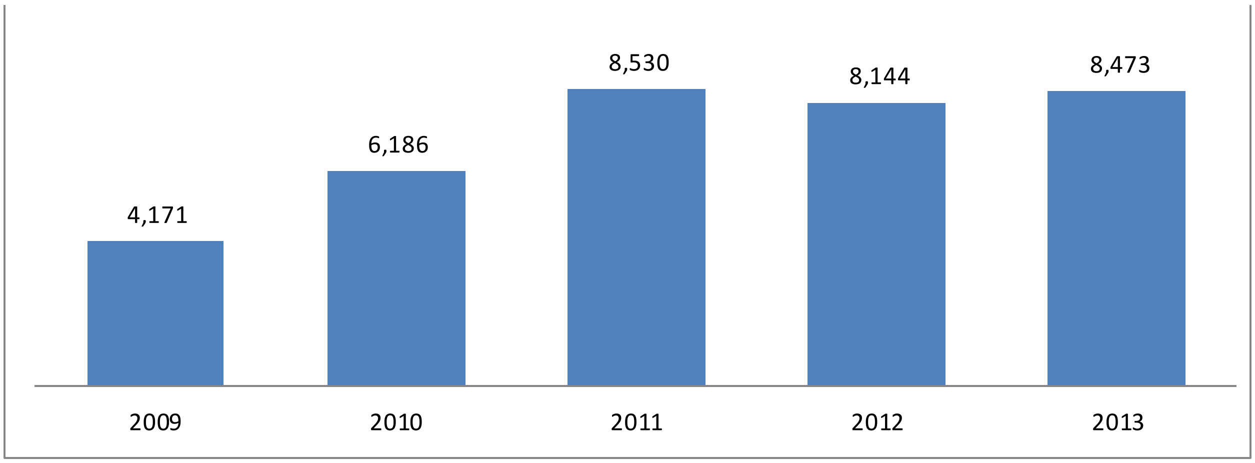
- The total textile and apparel imports by Vietnam in 2013 stood at US$ 12.8 billion. Fabric accounts for a majority share of 69% of the total textile and apparel imports by Vietnam.
- China and South Korea are leading suppliers to Vietnam across all categori es except fibre. India has significant share fibre and yarn category only.
- India and ASEAN signed CEPA on 13th August 2009 and Vietnam has ratified the India - ASEAN CEPA with effect from 1st June 2010.
- India is the 7th largest supplier of textile and apparel products to Vietnam (2013). Vietnam's textile and apparel imports has grown at a CAGR of 16% from 2009 to 2013 while India's exports has grown at a rate of 37% in the same period. The share of India in Vietnam's textile and apparel imports has increased from 1.5% to 2.7% in the same period.
- In 2014-15, India recorded a trade surplus of US$ 427 million with Vietnam for textile and apparel products.
- India's exports to Vietnam is very concentrated with Top 10 categories forming a share of 82% in the total textile and apparel exports to Vietnam in 2014-15 and top 2 commodities viz. Cotton, not carded or combed and Combed single cotton yarn, with >=85% cotton, measuring 125 to 192.31 dtex; grey form a share of 60%
- There are 13 categories in which India's textile and apparel exports to Vietnam is greater than US$ 5 million and they together form a share of 85% of the total India's textile and apparel exports to Vietnam.
- There has been significant growth in exports from India to Vietnam in all these commodities after the trade agreement
- The categories which should be targeted for exports to Vietnam are:
    - Fibre and Filament
        - Cotton, not carded or combed
        - Synthetic filament yarn (not sewing thread), not for retail
    - Fabric
        - Woven fabrics of synthetic filament yarn
        - Other woven fabrics of synthetic staple fibres
        - Woven cotton fabric, >85% cotton, < 200g/m2
        - Woven cotton fabric nes, >85% cotton, >200g/m2

6.4. Indonesia

6.4.1. Indonesia's Textile and Apparel Imports[63]

In 2013, Indonesia has imported textile and apparel products worth US$ 8.5 billion, which has grown at a CAGR of 19% for the last 5 years.

Figure 23: Indonesia's Textile and Apparel Imports (In US$ Million)



Fabric is the single largest category in the textile and apparel imports of Indonesia with a share of 54%. It is followed by fibre which constitutes 26% share. China and Hong Kong is the largest supplier of textile and apparel products to Indonesia constituting 38% of its imports of 2013, followed by Republic of Korea. Indonesia, being a member of ASEAN, has FTA with China and Republic of Korea.

Figure 24: Category-wise T&A Imports by Indonesia (2013)

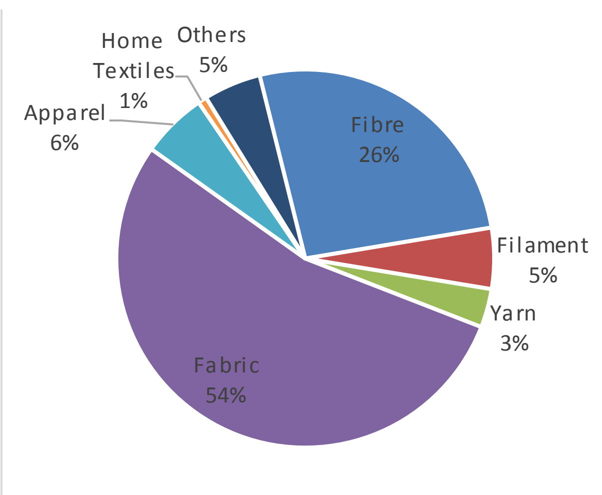
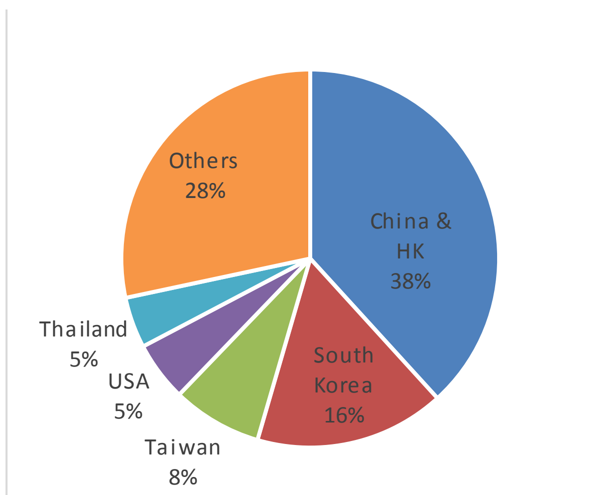
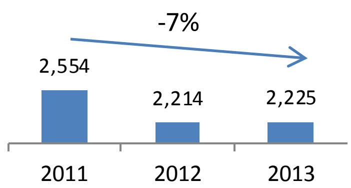
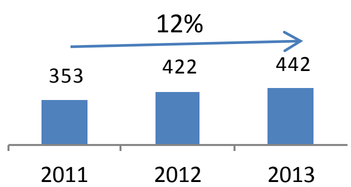
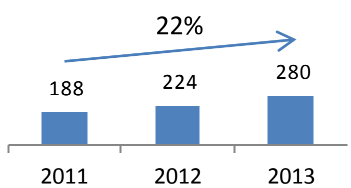
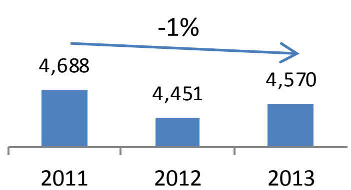
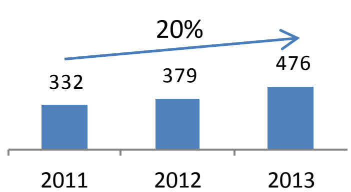
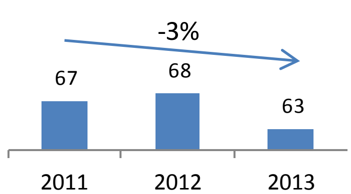
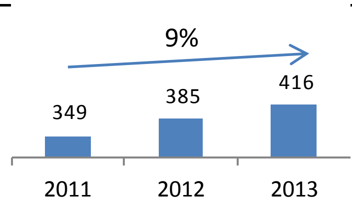


Figure 25: Supplier-wise T&A Imports by Indonesia (2013)



[63] Data Source: UN Comtrade Database

Table 28: Category-wise Textile and Apparel Imports by Indonesia

Category	Historic Import Trend (US$ Mn.)	Key Commodities (2013)	Key Suppliers (2013)
Fibre		• Cotton, not carded or combed (60%) • Synthetic staple fibers, not carded, combed etc. (13%) • Artificial filament tow (11%)	• USA (17%) • Brazil (12%) • Australia (9%)
Filament		• Synthetic filament yarn (not sewing thread), not retail (88%) • Sewing thread of man-made filaments, retail or not (6%) • Synthetic monofilament of 67 dtex or more (4%)	• China & HK (36%) • Rep. of Korea (14%) • Malaysia (9%)
Yarn		• Cotton yarn (not sewing thread) >85% cotton, not retail (38%) • Yarn (not sewing thread) of synth. staple fibres, not retail (15%) • Yarn (not sewing thread) of artificial staple fibres, not retail (10%)	• China & HK (37%) • Rep. of Korea (17%) • Vietnam (13%)
Fabric		• Woven fabric of synthetic filament yarn (16%) • Other knitted or crocheted fabrics (13%) • Woven cotton fabrics, >85% cotton, wt < 200 g/m^2 (11%)	• China & HK (52%) • Rep. of Korea (23%) • Taiwan (12%)
Apparel		• Women's suits, ensembles, skirts, dresses, etc., woven (13%) • Men's suits, ensembles, trousers, etc., woven (10%) • T-shirts, singlets and other vests, knitted or crocheted (9%)	• China & HK (54%) • Turkey (5%) • Rep. of Korea (4%)
Home Textiles		• Carpets & other textile floor coverings, tufted (38%) • Bed linen, table linen, toilet linen & kitchen linen (22%) • Blankets and travelling rugs (12%)	• China & HK (50%) • Rep. of Korea (9%) • Thailand (8%)
Others		• Nonwovens, whether or not impregnated, coated, etc. (62%) • Twine, cordage, ropes, etc., coated etc. or not (10%) • Textile wadding and articles; textile fibres < 5 mm, etc. (4%)	• China & HK (37%) • Rep. of Korea (16%) • Thailand (10%)

Filament, yarn, apparel and others category have shown growth from 2011 to 2013. China and Hong Kong is the largest supplier in all the product categories, except fibre. Republic of Korea ranks as 2nd largest supplier for all the product categories, except fibre and apparel.

6.4.2. Comprehensive Economic Cooperation Agreement (CECA) between India and ASEAN

India and ASEAN signed the CECA on 13th August, 2009 and it came into force with Indonesia on 1st October, 2010.

Rules of Origin

There are two rules in the ASEAN India FTA which are relevant to textile sector. These are given below:

i. Rule 4 (Not Wholly Produced or Obtained Products)

The products that shall be deemed originating if:

- The AIFTA[64] content is **not less than 35% of the free-on-board (FOB) value**; and
- the non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System,

provided that the final process of the manufacture is performed within the territory of the exporting Party.

ii. Rule 7 (Minimal Operations and Processes)

For textile and textile products, an article or material shall not be considered to be originating in a Party by virtue of merely having undergone any of the following:

- simple combining operations, labelling, pressing, cleaning or dry cleaning or packaging operations, or any combination thereof;
- cutting to length or width and hemming, stitching or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;
- trimming and/or joining together by sewing, looping, linking, attaching of accessory articles such as straps, bands, beads, cords, rings and eyelets;
- one or more finishing operations on yarns, fabrics or other textile articles, such as bleaching, waterproofing, decating, shrinking, mercerizing, or similar operations; or
- dyeing or printing of fabrics or yarns.

[64] ASEAN India Free Trade Area

Tariff Reduction

Under the India ASEAN CECA, the approach to tariff reduction for trade in goods is as follows:

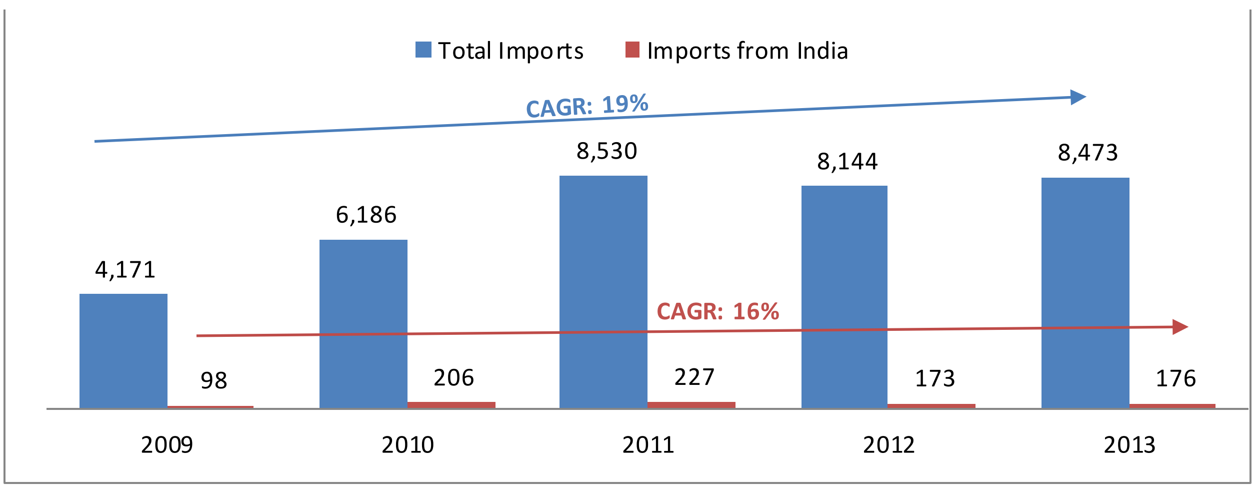
Table 29: ASEAN's Tariff Reduction/ Elimination Schedule for India

Category	Category Description	Tariff Reduction Schedule
NT-1	Normal Track 1	Tariff to be reduced to 0% by 31st December 2013
NT-2	Normal Track 2	Tariff to be reduced to 0% by 31st December 2016
ST	Sensitive Track	• Tariff to be reduced to 5% by 31st December 2016. • Applied MFN rates of 5% (beyond 50 tariff lines) to be reduced to 4.5 percent at the time of entry into force and reduced to 4 percent by 31st December 2016. • Applied MFN rates of 4% to be eliminated i.e. to be reduced to zero percent by 31st December 2019.
HSL A	Highly Sensitive List A	Reduction of applied MFN tariff rates to 50% by 31st December 2019
HSL B	Highly Sensitive List B	Reduction of applied MFN tariff rates by 50% by 31st December 2019
HSL C	Highly Sensitive List C	Reduction of applied MFN tariff rates by 25% by 31st December 2019
EL	Excluded	No reduction of tariff rates

6.4.3. India's Positioning

India ranked 10th in the export of T&A products to Indonesia in 2013. India's exports value for the same year was US$ 176 million growing at a CAGR of 16% against the 19% overall import growth of Indonesia. Despite the high growth rate of Indian exports in Indonesia, the share of India has de clined from 2.3% in 2009 to 2.1% in 2013.

Figure 26: Indonesia's Total T&A Imports and from India (In US$ Million)[65]



[65] Data Source: UN Comtrade Database

In 2014-15, India recorded a trade surplus of US$ 71 million in textile and apparel products with Indonesia. The trade surplus has reduced from 2009-10, i.e. before signing the agreement. The trade deficit is still there in the filament category but it is minimal. India's export of fibre has reduced to more than half of that in 2009-10.

In 2014-15, fabric is the major category with a share of 35% in India's textile and apparel exports to Indonesia. This is followed by fibre and yarn having share of 24% and 20% respectively. On the otherhand, India's textile and apparel import from Indonesia comprises of about 28% fibre, 25% fabric, 16% filament and 15% yarn.

Table 30: India's Trade with Indonesia (In US$ Million)[66]

	2009 2010			2014 2015		
Category	Export	Import	Trade Balance (Export Import)	Export	Import	Trade Balance (Export Import)
Fiber	111	24	87	50	37	13
Filament	2	24	-22	19	22	-2
Yarn	7	2	5	41	20	21
Fabric	28	21	7	73	34	39
Apparel	1	1	1	4	4	-1
Home Textiles	1	1	0	1	5	-4
Others	10	0.4	10	17	12	5
Total	**161**	**73**	**87**	**205**	**134**	**71**

In 2009-10, India's export to Indonesia was very concentrated. The top 10 commodities formed 80% share, while only top 2 categories had 60% share in India's T&A exports to Indonesia. On the other hand, in 2014-15, India's export basket became diversified, 67% share was formed by top 10 commodities.

[66] Data Source: DGCIS, Kolkata

Table 31: India's Top 10 Exported Categories to Indonesia (2009-10)[67]

Rank	HS 8	India s Exports to Indonesia 2009 10 (US$ Mn.)	Share
1	52010015	79	49%
2	55032000	18	11%
3	52010014	8	5%
4	56074900	8	5%
5	52010019	5	3%
6	52094200	3	2%
7	54071039	2	2%
8	55151330	2	1%
9	55151130	2	1%
10	54026200	2	1%
	Sub-Total	**128**	**80%**
	Total	**161**	

Table 32: Top 10 Exported Categories from India to Indonesia (2014-15)[68]

Rank	HS 8	India s Exports to Indonesia 2014 15 (US$ Mn.)	Share
1	52010015	40	19%
2	59031090	22	11%
3	52052310	17	8%
4	56074900	14	7%
5	54023300	11	5%
6	52052410	9	4%
7	55032000	9	4%
8	54077200	6	3%
9	54024600	6	3%
10	55151130	4	2%
	Sub-Total	**137**	**67%**
	Total	**205**	

6.4.4. Impact of ASEAN CECA on India's Textile and Apparel Exports to Indonesia

Since the implementation of the agreement on 1st October 2010, the custom duty on India's originating textile and apparel goods exported to Indonesia has been subjected to specified tariff schedule. Out of the total textile and apparel goods exported to Indonesia, there are 9 product categories whose ex port value is more than US$ 5 million in 2014-15. The export trend of these categories prior to one year of implementation of the agreement and Year-on-Year (YOY) growth has been given below.

Table 33: Impact of India-ASEAN CECA on India's Textile and Apparel Exports to Indonesia

<table>
<tr><th>S. No.</th><th>HS Code</th><th>Description</th><th>Tariff Schedule</th><th>(Values in US$ Mn.)</th><th>2009 10</th><th>2010 11</th><th>2011 12</th><th>2012 13</th><th>2013 14</th><th>2014 15</th></tr>
<tr><td rowspan="3">1</td><td rowspan="3">52010015</td><td rowspan="3">Cotton of staple length 28.5 mm and above but below 34.5 mm, not carded or combed</td><td rowspan="3">NT-1</td><td>Duty</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td></tr>
<tr><td>Exports</td><td>79</td><td>90</td><td>65</td><td>55</td><td>97</td><td>40</td></tr>
<tr><td>YoY Growth</td><td>412%</td><td>15%</td><td>-28%</td><td>-16%</td><td>78%</td><td>-59%</td></tr>
<tr><td rowspan="3">2</td><td rowspan="3">59031090</td><td rowspan="3">Other fabric impregnated, coated, covered, etc. with polyvinyl chloride (PVC)</td><td rowspan="3">ST</td><td>Duty</td><td>10%</td><td>9%</td><td>8%</td><td>7%</td><td>7%</td><td>6%</td></tr>
<tr><td>Exports</td><td>0</td><td>0</td><td>0</td><td>0</td><td>1</td><td>22</td></tr>
<tr><td>YoY Growth</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td><td>NA</td><td>2367%</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">52052310</td><td rowspan="2">Single cotton yarn, of combed fibres, >85%</td><td rowspan="2">NT-1</td><td>Duty</td><td>5%</td><td>4%</td><td>3%</td><td>2%</td><td>0%</td><td>0%</td></tr>
<tr><td>Exports</td><td>0.4</td><td>1</td><td>3</td><td>13</td><td>20</td><td>17</td></tr>
</table>

[67] Data Source: DGCIS, Kolkata

[68] Data Source: DGCIS, Kolkata

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
		cotton, measuring 192.31 to 232.56 dtex, grey		YoY Growth	500%	261%	153%	288%	56%	-15%
4	56074900	Other twine, cordage, ropes and cables, of polyethylene or polypropylene	ST	Duty	5%	5%	5%	5%	5%	5%
				Exports	8	16	21	22	21	14
				YoY Growth	-6%	115%	31%	3%	-3%	-33%
5	54023300	Textured yarn of polyesters	NT-2	Duty	5%	4%	4%	3%	3%	2%
				Exports	0.3	2	3	5	7	11
				YoY Growth	NA	739%	13%	91%	40%	54%
6	52052410	Single cotton yarn, of combed fibres, >85% cotton, measuring 125 to 192.31 dtex, grey	NT-1	Duty	5%	4%	3%	2%	0%	0%
				Exports	1	1	1	2	5	9
				YoY Growth	47%	40%	-32%	320%	147%	68%
7	55032000	Synthetic staple fibres of polyester, not carded or combed	ST	Duty	5%	5%	5%	5%	5%	5%
				Exports	18	24	18	9	14	9
				YoY Growth	-9%	29%	-22%	-53%	62%	-39%
8	54077200	Woven fabrics containing >85% synthetic filaments, dyed	ST	Duty	15%	14%	13%	12%	11%	10%
				Exports	0.03	0.03	2	6	6	6
				YoY Growth	NA	0%	5900%	232%	-5%	12%
9	54024600	Polyester yarn, partially oriented, untwisted or with a twist <50 tpm, single	NT-2	Duty	5%	4%	4%	3%	3%	2%
				Exports	-	0.1	0.1	2	5	6
				YoY Growth	NA	NA	14%	1988%	213%	11%

Most of the India's top exported product categories have shown growth after implementation of the agreement. In 2009-10, the exports of most of these categories were almost negligible and after agreement implementation, these have entered in the top categories list. Exports of cotton and polyester staple fibre only have shown degrowth of about 50% in 2014-15 as compared to 2009-10.

6.4.5. Potential Categories of Exports to Indonesia from India[69]

For identification of categories with high exports potential in Indonesia, we have analyzed top 20 commodities which form 77% of Indonesia's total textile and apparel imports of US$ 8.5 billion (2013).

Following parameters have been used to identify the potential categories:

- Commodities in which Indonesia's imports has shown a high growth (CAGR of last 5 years is > 5%)

[69] Data Source: UN Comtrade Database

- Commodities in which India has high exports globally (> US$ 500 million)

HS Code	Description	Indonesia's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Indonesia's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
5201	Cotton, not carded or combed	1,346	-13%	15%	4.6%	4,513
5407	Woven fabrics of synthetic filament yarn	747	-4%	22%	0.2%	1,249
6006	Other knitted or crocheted fabrics	597	0%	11%	0.3%	211
5208	Woven fabrics of cotton, >85% cotton, weighing <= 200 GSM	503	-6%	16%	1.0%	979
5402	Synthetic filament yarn (not sewing thread), not retail	388	16%	22%	3.1%	1,332
5503	Synthetic staple fibres, not carded or combed	300	-5%	25%	4.2%	378
5903	Textile fabrics impregnated, coated, covered or laminated with plastics	290	3%	29%	0.7%	136
5603	Nonwovens, whether or not impregnated, coated, covered or laminated	256	9%	30%	0.7%	80
6002	Knitted or crocheted fabrics, width <= 30 cm, 5% or more of elastomeric yarn	251	2%	-20%	0.1%	5
5502	Artificial filament tow	248	28%	19%	0.0%	0
5209	Woven fabrics of cotton, >85% cotton, weighing > 200 GSM	245	-12%	5%	2.4%	567
6004	Knitted or crocheted fabrics, width > 30 cm, 5% or more of elastomeric yarn	237	16%	14%	0.0%	20
5513	Woven fabrics, <85% of synth. staple fibres, mixed with cotton, weight <= 170 GSM	180	23%	41%	1.3%	62
5210	Woven fabrics of cotton, <85% cotton, mixed with man-made fibres, weighing <= 200 GSM	176	-8%	18%	0.5%	29
5911	Textile products and articles, for technical uses, etc.	157	21%	25%	0.3%	24
5504	Artificial staple fibres, not carded or combed	145	21%	29%	1.6%	225
5902	Tyre cord fabric of high tenacity yarn, nylon, polyesters, etc.	132	9%	22%	0.5%	48
5501	Synthetic filament tow	121	-8%	12%	0.1%	12
6001	Pile fabrics, knitted or crocheted	106	5%	45%	0.0%	16
5807	Labels, badges, etc. of textile materials, in the piece, strips, etc.	106	4%	24%	0.1%	13

On the basis of our analysis, following are the potential categories which should be targeted for exports to Indonesia:

Table 34: Potential Categories of Exports from India to Indonesia

S. No.	HS Code	Commodity Description
Fibre		
1	5201	Cotton, not carded or combed
Filament		
2	5402	Synthetic filament yarn (not sewing thread), not retail
Fabric		
3	5407	Woven fabrics of synthetic filament yarn
4	5208	Woven fabrics of cotton, >85% cotton, weighing <= 200 GSM
5	5209	Woven fabrics of cotton, >85% cotton, weighing > 200 GSM

6.4.6. Key Takeaways

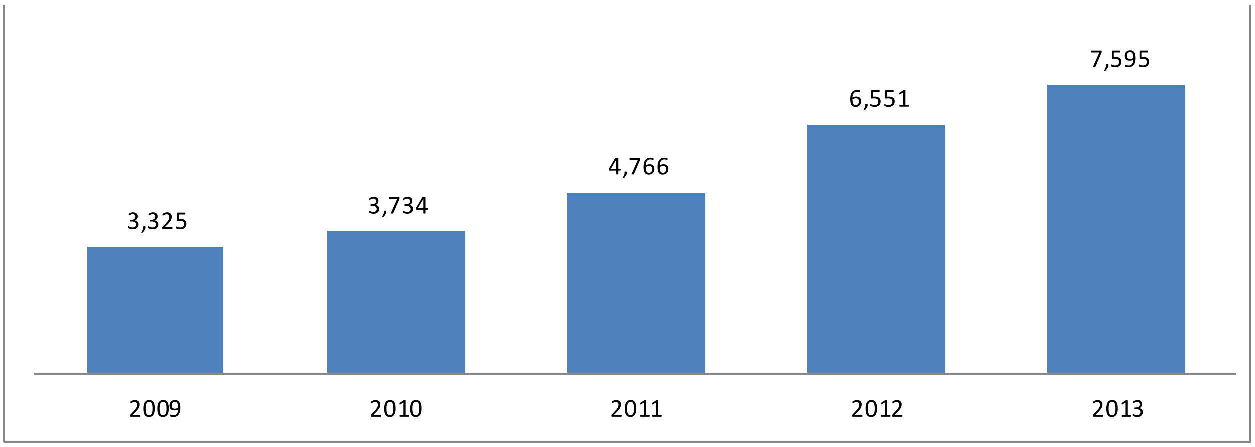
- Indonesia's import of textile and apparel products in 2013 stood at US$ 8.5 billion, growing at a CAGR of 19% for the last five years.
- Fabric and fibre are the largest imported categories of Indonesia with a share of 54% and 26% respectively.
- The largest supplier of textile and apparel products to the Indonesia is China and Hong Kong with a share of 38%. It is followed by Republic of Korea (16%), Taiwan (8%), USA (5%) and Thailand (5%).
- From 2011 to 2013, Filament, yarn, apparel and others category have shown growth in Indonesia's imports.
- India and ASEAN signed CEPA on 13th August 2009 and Indonesia has ratified the India- ASEAN CEPA with effect from 1st October, 2010.
- India has exported textile and apparel goods worth US$ 176 million in 2013, growing at a CAGR of 16% for the last five years.
- India is the 10th largest T&A supplier with a share of 2.1% of Indonesia's imports in 2013.
- In 2014-15, India recorded a trade surplus of US$ 71 million in textile and apparel products with Indonesia, against the trade surplus of US$ 87 million in 2009-10. The trade deficit is still there in the filament category.
- In 2014-15, India's largest exported category to Indonesia are fabric, fibre and yarn with a share of 35%, 24% and 20% respectively in exports worth US$ 205 million.
- India's largest imported category from Indonesia comprises of about 28% fibre, 25% fabric, 16% filament and 15% yarn in imports of US$ 134 million in 2014-15.
- Out of the India's total textile and apparel goods exported to Indonesia, there are 9 product categories whose export value is more than US$ 5 million in 2014-15. Most of these categories include fibre, yarn and fabric, which have shown tremendous growth after implementation of the agreement. Only the exports of cotton and polyester staple fibre have shown degrowth of about 50% in 2014-15 as compared to 2009-10.
- Indonesia's top 20 imported categories forms 77% share in its total imports. Out these top 20 categories, India has potential to target 5 categories for exports to Indonesia. These include cotton fibre, synthetic filament yarn and woven fabrics.

6.5. Malaysia

6.5.1. Malaysia's Textile and Apparel Imports[70]

In 2013, Malaysia has imported textile and apparel products worth US$ 7.6 billion, which has grown at a remarkable CAGR of 23% for the last 5 years.

Figure 27: Malaysia's Textile and Apparel Imports (In US$ Million)



Apparel is the single largest category in the textile and apparel imports of Malaysia with a share of 54%. It is followed by fabric which has a share of 23%. China and Hong Kong is the largest supplier in all the textile and apparel category products to Malaysia constituting 71% of its imports of 2013, followed by Singapore, India and Indonesia. Malaysia, being a member of ASEAN, has FTA with these top textile and apparel supplying nations.

Figure 28: Category-wise T&A Imports by Malaysia (2013)

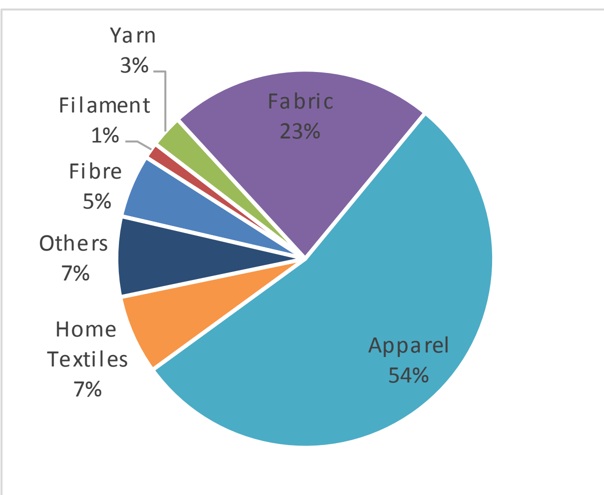
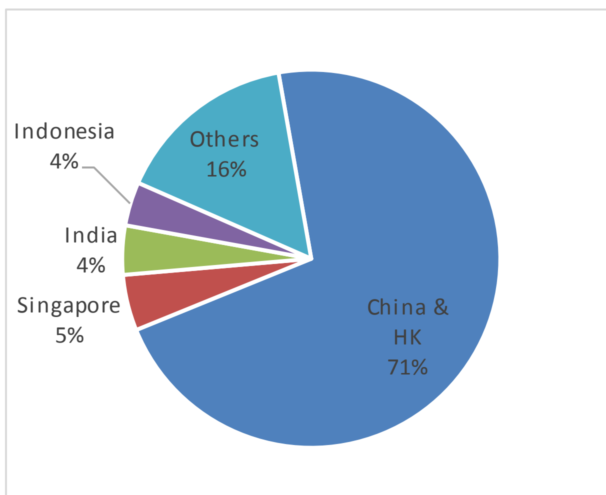
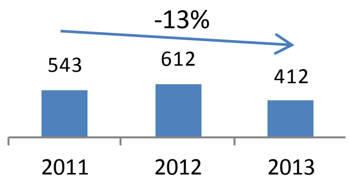
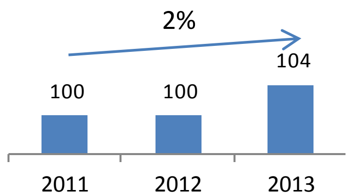
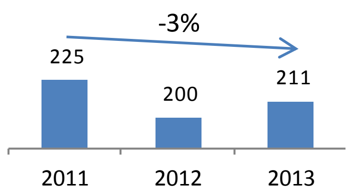
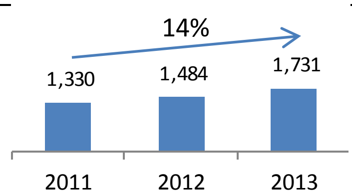
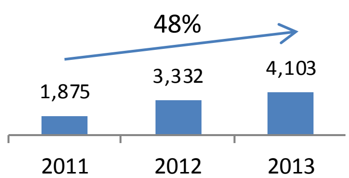
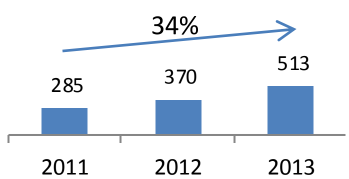
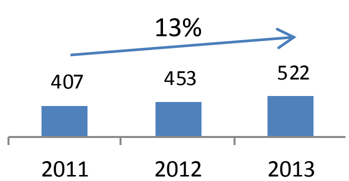


Figure 29: Supplier-wise T&A Imports by Malaysia (2013)



[70] Data Source: UN Comtrade Database

Table 35: Category-wise Textile and Apparel Imports by Malaysia

Category	Historic Import Trend (US$ Mn.)	Key Commodities (2013)	Key Suppliers (2013)
Fibre		• Cotton, not carded or combed (68%) • Wool, not carded or combed (14%) • Synthetic staple fibers, not carded, combed etc. (11%)	• Australia (18%) • Burkina Faso (14%) • Brazil (13%)
Filament		• Synthetic filament yarn (not sewing thread), not retail (70%) • Synthetic monofil. >67dtex <1mm, strip, straw <5mm wide (16%) • Sewing thread of man-made filaments, whether or not retail (8%)	• China & HK (51%) • Japan (12%) • Thailand (8%)
Yarn		• Cotton yarn (not sewing thread) >=85% cotton, not retail (53%) • Yarn (not sewing thread) of synthetic staple fibre, not retail (19%) • Cotton yarn (not sewing thread) <85% cotton, not retail (17%)	• China & HK (34%) • India (21%) • Vietnam (17%)
Fabric		• Woven fabric of synthetic filament yarn, incl. monofil. >67dtec (30%) • Woven cotton fabrics, >=85% cotton, <200 GSM (12%) • Knitted or crocheted fabrics (8%)	• China & HK (71%) • Indonesia (8%) • India (6%)
Apparel		• Women's suits, jackets, dresses, skirts, etc., knit or crochet (29%) • Men's suits, jackets, blazers, trousers, etc., knit or crochet (21%) • Women's suits, jackets, dresses, skirts, etc., woven (7%)	• China & HK (84%) • Singapore (5%) • India (3%)
Home Textiles		• Bed linen, table linen, toilet linen & kitchen linen (46%) • Carpets & other textile floor coverings, tufted (11%) • Carpets & other textile floor coverings, woven, not tufted, etc. (11%)	• China & HK (78%) • Turkey (4%) • Singapore (3%)
Others		• Worn clothing and other worn articles (22%) • Nonwovens, whether or not impregnated, coated, etc. (18%) • Made-up articles of textile materials nes, including dress patterns (17%)	• China & HK (42%) • Japan (14%) • Rep. of Korea (9%)

Fibre and yarn are the only two categories which have shown degrowth in Malaysia's imports from 2011 to 2013. Finished products, viz. apparel, home textiles and other category have shown growth in double digits in the same period. China and Hong Kong is the largest supplier in all the product categories, except fibre. India has a significant share in only yarn category (21% share).

6.5.2. Comprehensive Economic Cooperation Agreement (CECA) between India and ASEAN

India and ASEAN signed the CECA on 13th August, 2009 and it came into force with Malaysia on 1st January, 2010.

Rules of Origin

There are two rules in the ASEAN India FTA which are relevant to textile sector. These are given below:

i. **Rule 4 (Not Wholly Produced or Obtained Products)**

The products that shall be deemed originating if:

- The AIFTA[71] content is **not less than 35% of the free-on-board (FOB) value**; and
- the non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System,

provided that the final process of the manufacture is performed within the territory of the exporting Party.

ii. **Rule 7 (Minimal Operations and Processes)**

For textile and textile products, an article or material shall not be considered to be originating in a Party by virtue of merely having undergone any of the following:

- simple combining operations, labelling, pressing, cleaning or dry cleaning or packaging operations, or any combination thereof;
- cutting to length or width and hemming, stitching or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;
- trimming and/or joining together by sewing, looping, linking, attaching of accessory articles such as straps, bands, beads, cords, rings and eyelets;
- one or more finishing operations on yarns, fabrics or other textile articles, such as bleaching, waterproofing, decating, shrinking, mercerizing, or similar operations; or
- dyeing or printing of fabrics or yarns.

[71] ASEAN India Free Trade Area

Tariff Reduction

Under the India ASEAN CECA, the approach to tariff reduction for trade in goods is as follows:

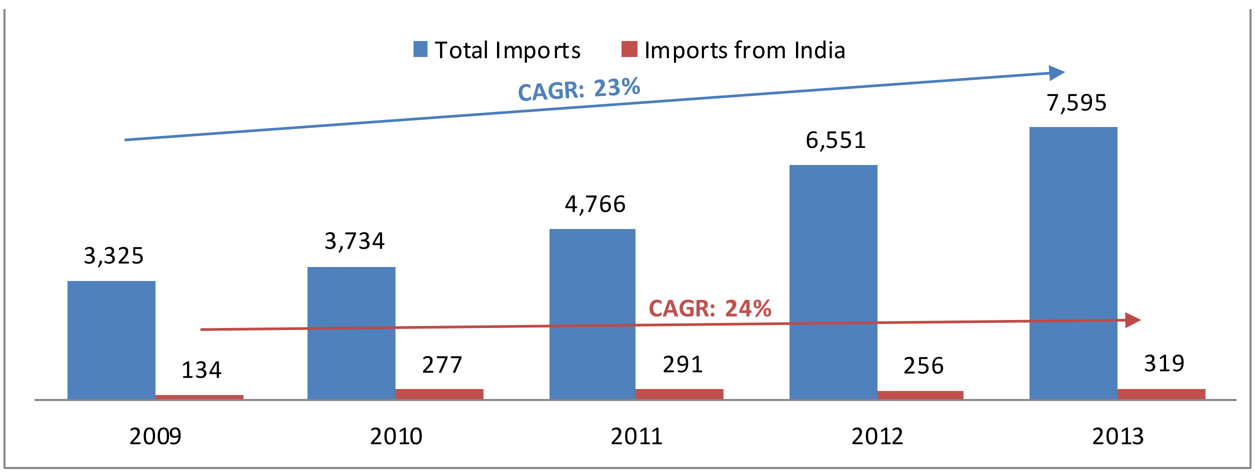
Table 36: ASEAN's Tariff Reduction/ Elimination Schedule for India

Category	Category Description	Tariff Reduction Schedule
NT-1	Normal Track 1	Tariff to be reduced to 0% by 31st December 2013
NT-2	Normal Track 2	Tariff to be reduced to 0% by 31st December 2016
ST	Sensitive Track	• Tariff to be reduced to 5% by 31st December 2016. • Applied MFN rates of 5% (beyond 50 tariff lines) to be reduced to 4.5 percent at the time of entry into force and reduced to 4 percent by 31st December 2016. • Applied MFN rates of 4% to be eliminated i.e. to be reduced to zero percent by 31st December 2019.
HSL A	Highly Sensitive List A	Reduction of applied MFN tariff rates to 50% by 31st December 2019
HSL B	Highly Sensitive List B	Reduction of applied MFN tariff rates by 50% by 31st December 2019
HSL C	Highly Sensitive List C	Reduction of applied MFN tariff rates by 25% by 31st December 2019
EL	Excluded	No reduction of tariff rates

6.5.3. India's Positioning

India was the 3rd largest supplier of T&A products to Malaysia in 2013. India's exports value for the same year was US$ 319 million growing at a CAGR of 24% against the 23% overall import growth of Malaysia. Despite the high growth rate of Indian exports in Malaysian market, the share of India still remainsalmost the same as that in 2009. In 2009, the India's share in Malaysia was 4.0% and in 2013, it was 4.2%.

Figure 30: Malaysia's Total T&A Imports and from India (In US$ Million)[72]



In 2014-15, India recorded a trade surplus of US$ 233 million in textile and apparel products with Malaysia. Out of this, the trade surplus of US$ 156 million is from apparel category only. The fiber and others categories have shown an increase in trade deficit from 2009-10 to 2014-15.

[72] Data Source: UN Comtrade Database

Apparel is the major category with a share of 50% in India's textile and apparel exports to Malaysia. This is followed by fabric category which has a share of 27%. On the other hand, India's textile and apparel import from Malaysia comprises of about 49% filament, 24% others category and 15% fabric.

Table 37: India's Trade with Malaysia (In US$ Million)[73]

	2009 2010			2014 2015		
Category	Export	Import	Trade Balance (Export Import)	Export	Import	Trade Balance (Export Import)
Fiber	22	6	17	12	7	5
Filament	1	15	-13	3	40	-37
Yarn	17	0.3	17	22	0.1	22
Fabric	45	12	33	86	12	74
Apparel	67	1	66	158	2	156
Home Textiles	8	1	7	24	1	23
Others	6	5	1	10	19	-9
Total	**167**	**39**	**127**	**314**	**81**	**233**

6.5.4. Impact of ASEAN CECA on India's Textile and Apparel Exports to Malaysia

Since the implementation of the agreement on 1st January 2010, the custom duty on Indian origin textile and apparel goods exported to Malaysia has been subjected to specified tariff schedule. Out of the total textile and apparel goods exported to Malaysia, there are 13 product categories whose export value is more than US$ 5 million in 2014-15. These 13 categories export trend prior to one year of implementation of the agreement and Year-on-Year (YOY) growth has been given below.

Table 38: Impact of India-ASEAN CECA on India's Textile and Apparel Exports to Malaysia

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2008 09	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
1	62064000	Women's blouses, shirts and shirt-blouses of man-made fibres, woven	ST	Duty	20%	20%	18%	15%	13%	12%	10%
				Exports	2	8	5	7	15	20	28
				YoY Growth		322%	-37%	30%	122%	36%	40%
2	62045300	Women's skirts and divided skirts of synthetic fibres, woven	ST	Duty	20%	20%	18%	15%	13%	12%	10%
				Exports	0.3	0.7	0.3	0.3	0.8	0.7	25
				YoY Growth		136%	-53%	3%	153%	-11%	3346%
3	62149090	Shawls, scarves, mufflers, etc. of other textile materials, woven	NT-1	Duty	0%	0%	0%	0%	0%	0%	0%
				Exports	2	2	1	1	1	2	14
				YoY Growth		20%	-52%	1%	-24%	142%	529%
4	54075240		NT-1	Duty	10%	10%	7.5%	5%	5%	2.5%	0%

73 Data Source: DGCIS, Kolkata

S. No.	HS Code	Description	Tariff Schedule	(Values in US$ Mn.)	2008 09	2009 10	2010 11	2011 12	2012 13	2013 14	2014 15
		Woven fabrics containing >85% textured polyester filaments, dyed (Polyester Sarees)		Exports	4	6	7	11	9	9	10
				YoY Growth		55%	16%	59%	-17%	0%	12%
5	52010015	Cotton of staple length 28.5 mm and above but below 34.5 mm, not carded or combed	NT-1	Duty	0%	0%	0%	0%	0%	0%	0%
				Exports	1	19	26	38	55	9	10
				YoY Growth		1668%	34%	45%	44%	-84%	18%
6	52052310	Single cotton yarn, of combed fibres, >85% cotton, measuring 192.31 to 232.56 dtex, grey	NT-1	Duty	10%	10%	7.5%	5%	5%	2.5%	0%
				Exports	2	3	11	11	16	15	7
				YoY Growth		98%	235%	-6%	51%	-5%	-51%
7	62063000	Women's blouses, shirts and shirt-blouses of cotton, woven	ST	Duty	20%	20%	18%	15%	13%	12%	10%
				Exports	10	11	7	4	6	10	7
				YoY Growth		8%	-37%	-39%	27%	82%	-31%
8	59031090	Other fabric impregnated, coated, covered, etc. with polyvinyl chloride (PVC)	HSL B	Duty	30%	30%	28%	26%	24%	22%	20%
				Exports	0.5	0.3	0.2	0.0	0.2	0.7	7
				YoY Growth		-42%	-19%	-100%	NA	313%	924%
9	54071039	Woven fabrics of polyesters, dyed	NT-1	Duty	10%	10%	7.5%	5%	5%	2.5%	0%
				Exports	3	4	12	18	13	11	7
				YoY Growth		13%	207%	53%	-24%	-20%	-39%
10	54077200	Woven fabrics containing >85% synthetic filaments, dyed	ST	Duty	10%	10%	9%	8%	7%	7%	6%
				Exports	0.3	0.0	0.1	4	9	10	6
				YoY Growth		-96%	800%	4567%	120%	9%	-38%
11	62041300	Women's suits of synthetic fibres, woven	ST	Duty	15%	15%	14%	13%	12%	11%	10%
				Exports	3	2	3	5	8	7	6
				YoY Growth		-9%	37%	54%	60%	-20%	-9%
12	61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	ST	Duty	20%	20%	18%	15%	13%	12%	10%
				Exports	3	2	3	4	4	4	6
				YoY Growth		-35%	24%	65%	-14%	20%	29%
13	54072030	Woven fabrics of synthetic filament yarn, obtained from strip or the like, dyed	NT-1	Duty	10%	10%	7.5%	5%	5%	2.5%	0%
				Exports	0.1	0.0	0.2	1	5	5	5
				YoY Growth		-67%	375%	516%	285%	7%	8%

All the top product categories have shown remarkable growth since 2008-09, but the growth is not consistent. These top categories include cotton fibre, cotton yarn, synthetic fabric, PVC coated fabricand apparels.

6.5.5. Potential Categories of Exports to Malaysia from India[74]

For identification of categories with high exports potential in Malaysia, we have analyzed top 20 commodities which form 70% of Malaysia's total textile and apparel imports of US$ 7.6 billion (2013).

Following parameters have been used to identify the potential categories:

- Commodities in which Malaysia's imports has shown a high growth (CAGR of last 5 years is > 10%)
- Commodities in which India has high exports globally (> US$ 500 million)

HS Code	Description	Malaysia's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Malaysia's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
6104	Women's suits, jackets, dresses, skirts, trousers, etc., knit or crochet	1,175	75%	36%	0%	651
6103	Men's suits, ensembles, jackets, blazers, trousers, etc., knit or crochet	846	70%	34%	0%	287
5407	Woven fabrics of synthetic filament yarn, incl. monofil. >67dtec	526	22%	23%	13%	1,249
6204	Women's suits, jackets, dresses, skirts, trousers, etc., woven	283	79%	36%	9%	2,456
5201	Cotton, not carded or combed	281	-16%	28%	10%	4,513
6203	Men's suits, jackets, blazers, trousers, etc., woven	269	59%	39%	1%	1,105
6302	Bed linen, table linen, toilet linen and kitchen linen	236	46%	30%	2%	1,312
5208	Woven cotton fabrics, >=85% cotton, <200 GSM	215	12%	19%	3%	979
6110	Jerseys, pullovers, cardigans, etc., knit or crochet	146	36%	12%	0%	270
6006	Other knitted or crocheted fabrics	144	26%	24%	1%	211
5903	Textile fabrics impregnated, coated, covered, etc. with plastics	143	-13%	7%	0%	136
6214	Shawls, scarves, mufflers, mantillas, etc., woven	143	8%	26%	7%	942
6109	T-shirts, singlets and other vests, knit or crochet	143	12%	20%	3%	2,600
6309	Worn clothing and other worn articles	117	12%	14%	1%	82
6105	Men's shirts, knit or crochet	114	58%	40%	0%	662
5205	Cotton yarn (not sewing thread), >=85% cotton, not retail	112	3%	-1%	37%	4,773
6211	Track suits, ski suits and swimwear, woven	108	33%	33%	10%	760
6205	Men's shirts, woven	100	20%	27%	7%	1,125

[74] Data Source: UN Comtrade Database

HS Code	Description	Malaysia's T&A Imports (2013) (In US$ Mn.)	CAGR		India's Share in Malaysia's T&A Imports	India's T&A Exports (2013) (In US$ Mn.)
			3 year	5 year		
5603	Nonwovens, whether or not impregnated, coated, etc.	96	7%	9%	0%	80
6108	Women's slips, petticoats, panties, nightdresses, etc. knit or crochet	95	90%	27%	0%	519

On the basis of our analysis, following are the potential categories which should be targeted for exports to Malaysia:

Table 39: Potential Categories of Exports from India to Malaysia

S. No.	HS Code	Commodity Description
Fibre		
1	5201	Cotton, not carded or combed
Fabric		
2	5407	Woven fabrics of synthetic filament yarn, incl. monofil. >67dtec
3	5208	Woven cotton fabrics, >=85% cotton, <200 GSM
Apparel		
4	6104	Women's suits, jackets, dresses, skirts, trousers, etc., knit or crochet
5	6204	Women's suits, jackets, dresses, skirts, trousers, etc., woven
6	6203	Men's suits, jackets, blazers, trousers, etc., woven
7	6214	Shawls, scarves, mufflers, mantillas, etc., woven
8	6109	T-shirts, singlets and other vests, knit or crochet
9	6105	Men's shirts, knit or crochet
10	6211	Track suits, ski suits and swimwear, woven
11	6205	Men's shirts, woven
12	6108	Women's slips, petticoats, panties, nightdresses, etc. knit or crochet
Home Textiles		
13	6302	Bed linen, table linen, toilet linen and kitchen linen

6.5.6. Key Takeaways

- Malaysia's import of textile and apparel products in 2013 stood at US$ 7.6 billion, growing at a CAGR of 23% for last five years.
- Apparel and fabric are the largest imported categories of Malaysia with a share of 54% and 23% respectively.
- The largest supplier of textile and apparel products to the Malaysia is China and Hong Kong with a share of 71%. It is followed by Singapore (5%), India (4%) and Indonesia (4%).
- From 2011 to 2013, finished products, viz. apparel, home textiles and other category have shown growth in double digits in Malaysia's imports. On the other hand, fibre and yarn have shown degrowth in the same period.
- India and ASEAN signed CEPA on 13th August 2009 and Malaysia has ratified the India- ASEAN CEPA with effect from 1st January, 2010.
- India has exported textile and apparel goods worth US$ 319 million in 2013, growing at a CAGR of 24% for last five years.
- India is the 3rd largest T&A supplier of Malaysia with a share of 4.2% of Malaysia's imports.
- In 2014-15, India recorded a trade surplus of US$ 233 million in textile and apparel products with Malaysia, against the trade surplus of US$ 127 million in 2009-10. The fiber and others categories have shown an increase in trade deficit from 2009-10 to 2014-15.
- In 2014-15, India's largest exported category to Malaysia is apparel and fabrics with a share of 50% and 27% respectively in exports worth US$ 314 million.
- India's largest imported category from Malaysia comprises of about 49% filament, 24% others category and 15% fabric in imports of US$ 81 million in 2014-15.
- Out of the India's total textile and apparel goods exported to Malaysia, there are 13 product categories whose export value is more than US$ 5 million in 2014-15. These categories include cotton fibre, cotton yarn, synthetic fabric, PVC coated fabric and apparels, which have shown remarkable growth since 2008-09.
- Malaysia' top 20 imported categories forms 70% share in its total imports. Out these top 20 categories, India has potential to target 13 categories for exports to Malaysia. These include cotton fibre, cotton fabric, synthetic fabric, apparels and home textiles.

7. Recommendations to Improve India's Existing Market Access Arrangements

7.1. India – Korea CEPA

The India Korea CEPA was signed in 2009 and is currently in its 6th year of coming into force.

Cotton Yarn:

The total export of cotton yarn to South Korea from India in 2014 was US$ 144 million accounting for 45% of the total textile exports to South Korea.

- Under the agreement, 4 cotton yarn HS Lines are put in the exclusion list, i.e. exempted from the obligation of tariff reduction or elimination. These 4 HS lines constituted more than US$ 1 billion of our exports during 2014-15 and attracts 8% duty.

S. No.	HS Codes	Base Rate	Staging Category
	5205	**Cotton yarn (not sewing thread), containing >= 85% by weight of cotton, not for retail sale**	
1	52052210	8	Exclusion List (EXC)
2	52052310	8	Exclusion List (EXC)
3	52052610	8	Exclusion List (EXC)
4	52052710	8	Exclusion List (EXC)

- Further, 79 HS lines of cotton yarn are in the sensitive list which account for 59% (US$ 85 million) of the total cotton yarn export and currently attracts an import duty of 5.2%. This duty will reduce to 4% in 2018 and will continue to remain at 4% throughout the validity of the Agreement.

S. No.	HS Codes	Base Rate	Staging Category
	5205	**Cotton yarn (not sewing thread), containing >= 85% by weight of cotton, not for retail sale**	
1	5205111000	8	Sensitive Track (SEN)
2	5205119000	8	Sensitive Track (SEN)
3	5205129000	8	Sensitive Track (SEN)
4	5205139000	8	Sensitive Track (SEN)
5	5205141000	8	Sensitive Track (SEN)
6	5205149000	8	Sensitive Track (SEN)
7	5205151000	8	Sensitive Track (SEN)
8	5205159000	8	Sensitive Track (SEN)
9	5205211000	8	Sensitive Track (SEN)
10	5205219000	8	Sensitive Track (SEN)
11	5205229000	8	Sensitive Track (SEN)
12	5205239000	8	Sensitive Track (SEN)

S. No.	HS Codes	Base Rate	Staging Category
13	5205241000	8	Sensitive Track (SEN)
14	5205249000	8	Sensitive Track (SEN)
15	5205269000	8	Sensitive Track (SEN)
16	5205279000	8	Sensitive Track (SEN)
17	5205281000	8	Sensitive Track (SEN)
18	5205289000	8	Sensitive Track (SEN)
19	5205311000	8	Sensitive Track (SEN)
20	5205319000	8	Sensitive Track (SEN)
21	5205321000	8	Sensitive Track (SEN)
22	5205329000	8	Sensitive Track (SEN)
23	5205339000	8	Sensitive Track (SEN)
24	5205341000	8	Sensitive Track (SEN)
25	5205349000	8	Sensitive Track (SEN)
26	5205351000	8	Sensitive Track (SEN)
27	5205359000	8	Sensitive Track (SEN)
28	5205411000	8	Sensitive Track (SEN)
29	5205419000	8	Sensitive Track (SEN)
30	5205421000	8	Sensitive Track (SEN)
31	5205429000	8	Sensitive Track (SEN)
32	5205431000	8	Sensitive Track (SEN)
33	5205439000	8	Sensitive Track (SEN)
34	5205449000	8	Sensitive Track (SEN)
35	5205461000	8	Sensitive Track (SEN)
36	5205469000	8	Sensitive Track (SEN)
37	5205479000	8	Sensitive Track (SEN)
38	5205489000	8	Sensitive Track (SEN)
	5206	**Cotton yarn (not sewing thread), containing < 85% by weight of cotton, not for retail sale**	
39	5206111000	8	Sensitive Track (SEN)
40	5206119000	8	Sensitive Track (SEN)
41	5206121000	8	Sensitive Track (SEN)
42	5206129000	8	Sensitive Track (SEN)
43	5206131000	8	Sensitive Track (SEN)
44	5206139000	8	Sensitive Track (SEN)
45	5206141000	8	Sensitive Track (SEN)
46	5206149000	8	Sensitive Track (SEN)
47	5206151000	8	Sensitive Track (SEN)
48	5206159000	8	Sensitive Track (SEN)
49	5206211000	8	Sensitive Track (SEN)

S. No.	HS Codes	Base Rate	Staging Category
50	5206219000	8	Sensitive Track (SEN)
51	5206221000	8	Sensitive Track (SEN)
52	5206229000	8	Sensitive Track (SEN)
53	5206231000	8	Sensitive Track (SEN)
54	5206239000	8	Sensitive Track (SEN)
55	5206241000	8	Sensitive Track (SEN)
56	5206249000	8	Sensitive Track (SEN)
57	5206251000	8	Sensitive Track (SEN)
58	5206259000	8	Sensitive Track (SEN)
59	5206311000	8	Sensitive Track (SEN)
60	5206319000	8	Sensitive Track (SEN)
61	5206321000	8	Sensitive Track (SEN)
62	5206329000	8	Sensitive Track (SEN)
63	5206331000	8	Sensitive Track (SEN)
64	5206339000	8	Sensitive Track (SEN)
65	5206341000	8	Sensitive Track (SEN)
66	5206349000	8	Sensitive Track (SEN)
67	5206351000	8	Sensitive Track (SEN)
68	5206359000	8	Sensitive Track (SEN)
69	5206411000	8	Sensitive Track (SEN)
70	5206419000	8	Sensitive Track (SEN)
71	5206421000	8	Sensitive Track (SEN)
72	5206429000	8	Sensitive Track (SEN)
73	5206431000	8	Sensitive Track (SEN)
74	5206439000	8	Sensitive Track (SEN)
75	5206441000	8	Sensitive Track (SEN)
76	5206451000	8	Sensitive Track (SEN)
77	5206459000	8	Sensitive Track (SEN)
	5207	**Cotton yarn (other than sewing thread) put up for retail sale.**	
78	5207109000	8	Sensitive Track (SEN)
79	5207909000	8	Sensitive Track (SEN)

Recommendations:

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
4	Exclusion List	8%	8%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	Tariffs need to be reduced to zero immediately.
79	Sensitive List	5.2%	4.8%	Duty will be reduced to 4% (i.e. 50% of the base rate which is 8%) in 2018.	

The entire cotton yarn exports from India are placed in the sensitive or exclusion list and only 7 HS lines are there for which duty will reduced to zero on 1st January 2016. There is inverted duty structure which needs to be dismantled urgently as downstream products like fabrics / made-ups / garments are duty free. The duty structure for cotton fabric/ made-ups/ garments is given below:

- For most of the products (falling under E-5), the duty has been reduced to zero in 2013.
- For rest of the products (falling under E-8), the duty will be reduced to zero in 2016.

7.2. Agreement with Vietnam under ASEAN

The agreement of India and Vietnam under the ASEAN was signed in 2009 and came into force on 1st June 2010.

When Vietnam became a member of the WTO in 2007, India's export of cotton textiles was US$ 9.2 million. Exports had reached US$ 26.8 million in 2009, when the Indo-ASEAN agreement was signed. In 2014 (5 year period), India's exports of cotton textiles to Vietnam has increased to US$ 208 million (of which US$ 175 million was of yarns alone).

Cotton Yarn:

- Under the agreement, 7 cotton yarn HS lines which account for 10.3% (US$ 18 million) of total cotton yarn export (US$ 175 million) from India in 2014 will continue to attract an import duty of 5% till 2024.

S. No.	HS CODE	BASE RATE	CATEGORY
	5205	**Cotton yarn (not sewing thread), containing >= 85% by weight of cotton, not for retail sale**	
1	5205.11.00.00	5	Sensitive Track (ST)
2	5205.12.00.00	5	Sensitive Track (ST)
3	5205.13.00.00	5	Sensitive Track (ST)

S. No.	HS CODE	BASE RATE	CATEGORY
4	5205.22.00.00	5	Sensitive Track (ST)
	5206	**Cotton yarn (not sewing thread), containing < 85% by weight of cotton, not for retail sale**	
5	5206.11.00.00	5	Sensitive Track (ST)
6	5206.12.00.00	5	Sensitive Track (ST)
7	5206.13.00.00	5	Sensitive Track (ST)

- The balance 39 cotton yarn HS lines currently at 3% duty will become 0 in 2019.

S. No.	HS CODE	BASE RATE	CATEGORY
	5205	**Cotton yarn (not sewing thread), containing >= 85% by weight of cotton, not for retail sale**	
1	5205.14.00.00	5	Normal Track 1 (NT-1)
2	5205.15.00.00	5	Normal Track 1 (NT-1)
3	5205.21.00.00	5	Normal Track 1 (NT-1)
4	5205.23.00.00	5	Normal Track 1 (NT-1)
5	5205.24.00.00	5	Normal Track 1 (NT-1)
6	5205.26.00.00	5	Normal Track 1 (NT-1)
7	5205.27.00.00	5	Normal Track 1 (NT-1)
8	5205.28.00.00	5	Normal Track 1 (NT-1)
9	5205.31.00.00	5	Normal Track 1 (NT-1)
10	5205.32.00.00	5	Normal Track 1 (NT-1)
11	5205.33.00.00	5	Normal Track 1 (NT-1)
12	5205.34.00.00	5	Normal Track 1 (NT-1)
13	5205.35.00.00	5	Normal Track 1 (NT-1)
14	5205.41.00.00	5	Normal Track 1 (NT-1)
15	5205.42.00.00	5	Normal Track 1 (NT-1)
16	5205.43.00.00	5	Normal Track 1 (NT-1)
17	5205.44.00.00	5	Normal Track 1 (NT-1)
18	5205.46.00.00	5	Normal Track 1 (NT-1)
19	5205.47.00.00	5	Normal Track 1 (NT-1)
20	5205.48.00.00	5	Normal Track 1 (NT-1)
	5206	**Cotton yarn (not sewing thread), containing < 85% by weight of cotton, not for retail sale**	
21	5206.14.00.00	5	Normal Track 1 (NT-1)
22	5206.15.00.00	5	Normal Track 1 (NT-1)
23	5206.21.00.00	5	Normal Track 1 (NT-1)
24	5206.22.00.00	5	Normal Track 1 (NT-1)
25	5206.23.00.00	5	Normal Track 1 (NT-1)
26	5206.24.00.00	5	Normal Track 1 (NT-1)

S. No.	HS CODE	BASE RATE	CATEGORY
27	5206.25.00.00	5	Normal Track 1 (NT-1)
28	5206.31.00.00	5	Normal Track 1 (NT-1)
29	5206.32.00.00	5	Normal Track 1 (NT-1)
30	5206.33.00.00	5	Normal Track 1 (NT-1)
31	5206.34.00.00	5	Normal Track 1 (NT-1)
32	5206.35.00.00	5	Normal Track 1 (NT-1)
33	5206.41.00.00	5	Normal Track 1 (NT-1)
34	5206.42.00.00	5	Normal Track 1 (NT-1)
35	5206.43.00.00	5	Normal Track 1 (NT-1)
36	5206.44.00.00	5	Normal Track 1 (NT-1)
37	5206.45.00.00	5	Normal Track 1 (NT-1)
	5207	**Cotton yarn (other than sewing thread) put up for retail sale**	
38	5207.10.00.00	5	Normal Track 1 (NT-1)
39	5207.90.00.00	5	Normal Track 1 (NT-1)

Recommendations (Cotton Yarn):

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
7	Sensitive List	5%	5%	Duty will be remain at 5% till 2024	Tariffs need to be reduced to zero immediately.
Rest 39	Normal Track 1 (NT-1)	3%	2%	Duty will be reduced to zero in 2019	

<u>Cotton Fabric:</u>

- 13 cotton fabric HS lines which contribute 12.7% (US$ 4.1 million) of total cotton fabric export (US$ 32.1 million) to Vietnam have been kept in the exclusion list. India is competitive in these 13 cotton fabric HS lines as the contribution of these lines is approx. 21% (US$ 518 million) of the total cotton fabric exports (US$ 2466 million) of India in 2014.

S. No.	HS CODE	CATEGORY
	5208	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing <= 200 gsm**
1	5208.12.00.00	Exclusion List (EL)
2	5208.32.00.00	Exclusion List (EL)
3	5208.41.00.00	Exclusion List (EL)
4	5208.42.00.00	Exclusion List (EL)
5	5208.43.00.00	Exclusion List (EL)
6	5208.49.00.00	Exclusion List (EL)
7	5208.52.00.00	Exclusion List (EL)
	5209	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing > 200 gsm**
8	5209.31.00.00	Exclusion List (EL)
9	5209.41.00.00	Exclusion List (EL)
	5210	**Woven fabrics of cotton, containing < 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing <= 200 gsm**
10	5210.31.00.00	Exclusion List (EL)
11	5210.41.00.00	Exclusion List (EL)
12	5210.51.00.00	Exclusion List (EL)
	5211	**Woven fabrics of cotton, containing < 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing > 200 gsm**
13	5211.11.00.00	Exclusion List (EL)

- Fabric of chapter 52 and 60 will remain at the level of 5-6% till 2024.

S. No.	HS CODE	BASE RATE	CATEGORY
	5208	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing <= 200 gsm**	
1	5208.11.00.00	12	Highly Sensitive List B (HSL B)
2	5208.19.00.00	12	Highly Sensitive List B (HSL B)
3	5208.39.00.00	12	Highly Sensitive List B (HSL B)
4	5208.59.00.00	12	Highly Sensitive List B (HSL B)
	5209	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing > 200 gsm**	
5	5209.11.00.00	12	Highly Sensitive List B (HSL B)
6	5209.12.00.00	12	Highly Sensitive List B (HSL B)
7	5209.19.00.00	12	Sensitive Track (ST)
8	5209.29.00.00	12	Highly Sensitive List B (HSL B)
9	5209.32.00.00	12	Highly Sensitive List B (HSL B)
10	5209.39.00.00	12	Highly Sensitive List B (HSL B)
11	5209.42.00.00	12	Sensitive Track (ST)
12	5209.43.00.00	12	Sensitive Track (ST)
13	5209.49.00.00	12	Highly Sensitive List B (HSL B)
14	5209.59.00.00	12	Highly Sensitive List B (HSL B)
	5210	**Woven fabrics of cotton, containing < 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing <= 200 gsm**	
15	5210.11.00.00	12	Highly Sensitive List B (HSL B)
16	5210.12.00.00	12	Sensitive Track (ST)
17	5210.19.00.00	12	Sensitive Track (ST)
18	5210.32.00.00	12	Sensitive Track (ST)
19	5210.39.00.00	12	Sensitive Track (ST)
20	5210.42.00.00	12	Sensitive Track (ST)
21	5210.49.00.00	12	Sensitive Track (ST)
22	5210.52.00.00	12	Sensitive Track (ST)
23	5210.59.00.00	12	Sensitive Track (ST)
	5211	**Woven fabrics of cotton, containing < 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing > 200 gsm**	
24	5211.12.00.00	12	Highly Sensitive List B (HSL B)
25	5211.19.00.00	12	Sensitive Track (ST)
26	5211.29.00.00	12	Highly Sensitive List B (HSL B)
27	5211.42.00.00	12	Sensitive Track (ST)
28	5211.59.00.00	12	Highly Sensitive List B (HSL B)

S. No.	HS CODE	BASE RATE	CATEGORY
	5212	**Other woven fabrics of cotton**	
29	5212.11.00.00	12	Highly Sensitive List B (HSL B)
30	5212.12.00.00	12	Sensitive Track (ST)
31	5212.13.00.00	12	Highly Sensitive List B (HSL B)
32	5212.15.00.00	12	Highly Sensitive List B (HSL B)
33	5212.22.00.00	12	Highly Sensitive List B (HSL B)
34	5212.23.00.00	12	Highly Sensitive List B (HSL B)
	6001	**Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.**	
35	6001.22.10.00	12	Sensitive Track (ST)
36	6001.22.90.00	12	Sensitive Track (ST)
37	6001.91.10.00	12	Highly Sensitive List B (HSL B)
38	6001.91.90.00	12	Highly Sensitive List B (HSL B)
39	6001.99.10.00	12	Highly Sensitive List B (HSL B)
40	6001.99.90.00	12	Highly Sensitive List B (HSL B)
	6002	**Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 60.01.**	
41	6002.90.00.00	12	Highly Sensitive List B (HSL B)
	6005	**Warp knit fabrics (including those made on galloon knitting machines), other than those of headings 60.01 to 60.04.**	
42	6005.21.00.00	12	Sensitive Track (ST)
43	6005.22.00.00	12	Sensitive Track (ST)
44	6005.23.00.00	12	Sensitive Track (ST)
45	6005.24.00.00	12	Sensitive Track (ST)
46	6005.31.00.00	12	Sensitive Track (ST)
47	6005.32.00.00	12	Sensitive Track (ST)
48	6005.33.00.00	12	Sensitive Track (ST)
49	6005.34.00.00	12	Sensitive Track (ST)
50	6005.90.00.00	12	Highly Sensitive List B (HSL B)
	6006	**Other knitted or crocheted fabrics.**	
51	6006.22.00.00	12	Highly Sensitive List B (HSL B)
52	6006.24.00.00	12	Highly Sensitive List B (HSL B)
53	6006.31.10.00	12	Highly Sensitive List B (HSL B)
54	6006.31.90.00	12	Highly Sensitive List B (HSL B)
55	6006.32.10.00	12	Sensitive Track (ST)
56	6006.32.90.00	12	Sensitive Track (ST)
57	6006.33.10.00	12	Sensitive Track (ST)
58	6006.33.90.00	12	Sensitive Track (ST)

Recommendations:

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
13	Exclusion List	-	-	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction	Tariffs need to be reduced to zero immediately.
58	Sensitive Track (ST) or Highly Sensitive List B (HSL-B)	ST – 9%; HSLB – 9.8%	ST – 8%; HSLB – 9.4%	For 28 HS lines in ST, duty will be reduced to 5% from 2022 onwards. For 30 HS lines in HSL-B, duty will be reduced to 6% from 2025 onwards.	

7.3. Agreement with Indonesia ASEAN

Indonesia imposed safeguard measures on import of cotton yarn from India under HS Codes 5205 and 5206 w.e.f June 6, 2011 for a period of 3 years. These measures were applicable till 5.6.2014. Indonesia further extended the safeguard measures for another three years till 2017.

This is adversely affecting exports of cotton yarn to Indonesia and it is proposed that necessary dialogue should be initiated with the Indonesian Government for the removal of these safeguard measures.

7.4. India – Malaysia CECA

The India Malaysia CECA was signed in July 2011 and is currently in its 4th year of coming into force.

Cotton Yarn:

- Under 5205 and 5206, there are 6 cotton yarn HS lines which contribute approx. 28% of the total cotton yarn export (US$ 19.4 million) to Malaysia. The balance cotton yarn HS lines are duty free.

S. No.	HS CODE	BASE RATE	CATEGORY
	5205	**Cotton yarn (not sewing thread), containing >= 85% by weight of cotton, not for retail sale**	
1	5205.11.000	10	Sensitive Track (ST)
2	5205.21.000	10	Sensitive Track (ST)
3	5205.12.000	10	Sensitive Track (ST)
4	5205.13.000	10	Sensitive Track (ST)

S. No.	HS CODE	BASE RATE	CATEGORY
5	5205.22.000	10	Sensitive Track (ST)
	5206	**Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale**	
6	5206.23.000	10	Exclusion List (EL)

Recommendations (Cotton Yarn):

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
5	Sensitive Track	6%	5%	Duty will get reduced to 5% from 2016 and will remain same afterwards.	Tariffs need to be reduced to zero immediately.
1	Exclusion list	10%	10%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	

Cotton Fabrics:

- The total export of cotton fabrics from India to Malaysia in 2014 was US$ 20.5 million of which the 16 cotton fabric HS lines in the sensitive track contribute US$ 5.3 million (about 26%).

S. No.	HS CODE	BASE RATE	CATEGORY
	5208	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing <= 200 gsm**	
1	5208.11.000	10	Sensitive Track (ST)
2	5208.19.000	10	Sensitive Track (ST)
3	5208.21.000	10	Sensitive Track (ST)
4	5208.22.000	10	Sensitive Track (ST)
5	5208.29.000	10	Sensitive Track (ST)
6	5208.31.000	10	Sensitive Track (ST)
7	5208.32.000	10	Sensitive Track (ST)
8	5208.39.000	10	Sensitive Track (ST)
9	5208.51.000	10	Sensitive Track (ST)
	5209	**Woven fabrics of cotton, containing >= 85% by weight of cotton, weighing > 200 gsm**	
10	5209.11.100	10	Sensitive Track (ST)
11	5209.11.910	10	Sensitive Track (ST)
12	5209.11.990	10	Sensitive Track (ST)
13	5209.21.000	10	Sensitive Track (ST)

S. No.	HS CODE	BASE RATE	CATEGORY
14	5209.31.000	10	Sensitive Track (ST)
15	5209.32.000	10	Sensitive Track (ST)
	5210	**Woven fabrics of cotton, containing < 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing <= 200 gsm**	
16	5210.29.000	10	Sensitive Track (ST)

- In Chapter 60, 6 HS lines of fabric are in exclusion list and the balance 37 HS lines in Chapter 60 are in sensitive track.

S. No.	HS CODE	BASE RATE	CATEGORY
	6001	**Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted**	
1	6001.10.000	15	Exclusion List (EL)
2	6001.22.000	15	Exclusion List (EL)
3	6001.29.000	15	Exclusion List (EL)
4	6001.91.000	15	Exclusion List (EL)
5	6001.92.000	15	Exclusion List (EL)
6	6001.99.000	15	Exclusion List (EL)

S. No.	HS CODE	BASE RATE	CATEGORY
	6001	**Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted**	
1	6001.21.000	15	Sensitive Track (ST)
	6002	**Knitted or crocheted fabrics of a width <= 30 cm, containing by weight >= 5% of elastomeric yarn or rubber thread, other than those of heading 60.01**	
2	6002.40.000	15	Sensitive Track (ST)
3	6002.90.000	15	Sensitive Track (ST)
	6003	**Knitted or crocheted fabrics of a width <= 30 cm, other than those of heading 60.01 or 60.02**	
4	6003.10.000	15	Sensitive Track (ST)
5	6003.20.000	15	Sensitive Track (ST)
6	6003.30.000	15	Sensitive Track (ST)
7	6003.40.000	15	Sensitive Track (ST)
8	6003.90.000	15	Sensitive Track (ST)
	6004	**Knitted or crocheted fabrics of a width > 30 cm, containing by weight >= 5% of elastomeric yarn or rubber thread, other than those of heading 60.01**	
9	6004.10.000	15	Sensitive Track (ST)

S. No.	HS CODE	BASE RATE	CATEGORY
10	6004.90.000	15	Sensitive Track (ST)
	6005	**Warp knit fabrics (including those made on galloon knitting machines), other than those of headings 60.01 to 60.04**	
11	6005.21.000	15	Sensitive Track (ST)
12	6005.22.000	15	Sensitive Track (ST)
13	6005.23.000	15	Sensitive Track (ST)
14	6005.24.000	15	Sensitive Track (ST)
15	6005.31.000	15	Sensitive Track (ST)
16	6005.32.000	15	Sensitive Track (ST)
17	6005.33.000	15	Sensitive Track (ST)
18	6005.34.000	15	Sensitive Track (ST)
19	6005.41.000	15	Sensitive Track (ST)
20	6005.42.000	15	Sensitive Track (ST)
21	6005.43.000	15	Sensitive Track (ST)
22	6005.44.000	15	Sensitive Track (ST)
23	6005.90.000	15	Sensitive Track (ST)
	6006	**Other knitted or crocheted fabrics**	
24	6006.10.000	15	Sensitive Track (ST)
25	6006.21.000	15	Sensitive Track (ST)
26	6006.22.000	15	Sensitive Track (ST)
27	6006.23.000	15	Sensitive Track (ST)
28	6006.24.000	15	Sensitive Track (ST)
29	6006.31.000	15	Sensitive Track (ST)
30	6006.32.000	15	Sensitive Track (ST)
31	6006.33.000	15	Sensitive Track (ST)
32	6006.34.000	15	Sensitive Track (ST)
33	6006.41.000	15	Sensitive Track (ST)
34	6006.42.000	15	Sensitive Track (ST)
35	6006.43.000	15	Sensitive Track (ST)
36	6006.44.000	15	Sensitive Track (ST)
37	6006.90.000	15	Sensitive Track (ST)

Recommendations (Cotton Fabric):

HS-2	No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
52	16	Sensitive Track	6%	5%	Duty will get reduced to 5% from 2016 and will remain same afterwards.	Tariffs need to be reduced to zero immediately.
60	6	Exclusion List	15%	15%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	
60	37	Sensitive Track	8%	6%	Duty will get reduced to 5% from 2017 and will remain same afterwards.	

Made-ups:

- In Chapter 63, 20 made-up HS lines are in exclusion list with a current duty of 20%. The contribution of these 20 excluded HS lines is US$ 2.5 million (about 6%) of the total exports of cotton made-ups (US$ 40.6 million) to Malaysia.

S. No.	HS CODE	BASE RATE	CATEGORY
	6302	**Bed linen, table linen, toilet linen and kitchen linen**	
1	6302.10.000	20	Exclusion List (EL)
2	6302.21.000	20	Exclusion List (EL)
3	6302.22.000	20	Exclusion List (EL)
4	6302.29.000	20	Exclusion List (EL)
5	6302.32.000	20	Exclusion List (EL)
6	6302.40.000	20	Exclusion List (EL)
7	6302.51.000	20	Exclusion List (EL)
8	6302.53.000	20	Exclusion List (EL)
9	6302.59.000	20	Exclusion List (EL)
10	6302.91.100	20	Exclusion List (EL)
11	6302.91.900	20	Exclusion List (EL)
12	6302.93.100	20	Exclusion List (EL)
13	6302.93.200	20	Exclusion List (EL)
14	6302.93.300	20	Exclusion List (EL)
15	6302.93.900	20	Exclusion List (EL)
16	6302.99.100	20	Exclusion List (EL)
17	6302.99.290	20	Exclusion List (EL)
18	6302.99.900	20	Exclusion List (EL)

S. No.	HS CODE	BASE RATE	CATEGORY
	6303	**Curtains (including drapes) and interior blinds; curtain or bed valances**	
19	6303.12.000	20	Exclusion List (EL)
20	6303.91.000	20	Exclusion List (EL)

- 47 HS lines under Chapter 63 are in sensitive list.

S. No.	HS CODE	BASE RATE	CATEGORY
	6301	**Blankets and travelling rugs**	
1	6301.10.000	25	Sensitive Track (ST)
2	6301.20.100	20	Sensitive Track (ST)
3	6301.20.900	20	Sensitive Track (ST)
4	6301.30.100	20	Sensitive Track (ST)
5	6301.30.900	20	Sensitive Track (ST)
6	6301.40.000	30	Sensitive Track (ST)
7	6301.90.000	30	Sensitive Track (ST)
	6302	**Bed linen, table linen, toilet linen and kitchen linen**	
8	6302.39.000	20	Sensitive Track (ST)
9	6302.99.210	25	Sensitive Track (ST)
	6303	**Curtains (including drapes) and interior blinds; curtain or bed valances**	
10	6303.19.000	20	Sensitive Track (ST)
	6304	**Other furnishing articles, excluding those of heading 94.04**	
11	6304.11.000	20	Sensitive Track (ST)
12	6304.19.100	20	Sensitive Track (ST)
13	6304.19.200	20	Sensitive Track (ST)
14	6304.19.900	20	Sensitive Track (ST)
15	6304.91.000	20	Sensitive Track (ST)
16	6304.92.100	20	Sensitive Track (ST)
17	6304.92.900	20	Sensitive Track (ST)
18	6304.93.100	20	Sensitive Track (ST)
19	6304.93.900	20	Sensitive Track (ST)
20	6304.99.100	20	Sensitive Track (ST)
21	6304.99.900	20	Sensitive Track (ST)
	6305	**Sacks and bags, of a kind used for the packing of goods**	
22	6305.10.100	0	Sensitive Track (ST)
23	6305.10.900	20	Sensitive Track (ST)
24	6305.20.000	20	Sensitive Track (ST)
25	6305.32.000	20	Sensitive Track (ST)
26	6305.33.000	20	Sensitive Track (ST)

S. No.	HS CODE	BASE RATE	CATEGORY
27	6305.39.000	20	Sensitive Track (ST)
28	6305.90.000	20	Sensitive Track (ST)
	6306	**Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods**	
29	6306.12.100	20	Sensitive Track (ST)
30	6306.12.900	20	Sensitive Track (ST)
31	6306.19.100	20	Sensitive Track (ST)
32	6306.19.900	20	Sensitive Track (ST)
33	6306.22.000	20	Sensitive Track (ST)
34	6306.29.000	20	Sensitive Track (ST)
35	6306.30.000	20	Sensitive Track (ST)
36	6306.40.000	20	Sensitive Track (ST)
37	6306.91.000	20	Sensitive Track (ST)
38	6306.99.000	20	Sensitive Track (ST)
	6307	**Other made up articles, including dress patterns**	
39	6307.10.000	20	Sensitive Track (ST)
40	6307.20.000	20	Sensitive Track (ST)
41	6307.90.100	20	Sensitive Track (ST)
42	6307.90.200	20	Sensitive Track (ST)
43	6307.90.300	20	Sensitive Track (ST)
44	6307.90.400	5	Sensitive Track (ST)
45	6307.90.910	20	Sensitive Track (ST)
46	6307.90.990	20	Sensitive Track (ST)
	6308	**Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packings for retail sale**	
47	6308.00.000	20	Sensitive Track (ST)

Recommendations (Made-ups):

No. of HS Lines	Category	Current Rate (2015)	Rate in 2016	Duty Structure	Recommendations
20	Exclusion List	20%	20%	Exempt from the obligation of tariff reduction or elimination, i.e. duty will not be subjected to reduction.	Tariffs need to be reduced to zero immediately.
47	Sensitive Track	41 lines – 8%; 2 lines – 12%; 2 lines –10% 1 line each – 0%, 4.5%	41 lines – 6%; 2 lines – 8%; 2 lines –7% 1 line each – 0%, 4.5%	Duty will get reduced to 5% for 45 lines from July 2016 and will remain same thereafter. Duty will reduce from current rate of 4.5% to zero in 2020 for 1 line	

8. Impact of India's WTO Obligations on Export Subsidies

According to the WTO's Agreement on Subsidies and Countervailing Measures, when the share of a developing country, with per capita income below US$ 1,000 a year, in global exports touches 3.25% in any product category for two consecutive years, thereby gaining "export competitiveness", it has to phase out export subsidies for the items eight years from the second year of breach.

USA and Turkey have contended at the World Trade Organization (WTO) that India's textile and apparel exports have breached the threshold in 2005 and remained above that level in 2006, therefore its exports subsidies should have been ended by January 2015. However India stated the WTO rule book to counter this and insisted that it has time until January 2018 as the multilateral trade body asked the country to consider phasing out the subsidies for textile and apparel only in 2010.

Table 40: Textile and Apparel Exports (In US$ Billion)[75]

Year	World	India	India s Share in Global Exports
2004	453	13.5	2.97%
2005	479	16.1	3.36%
2006	530	19.5	3.68%
2007	588	19.7	3.35%
2008	618	22.0	3.54%
2009	527	20.6	3.90%
2010	602	23.9	3.96%
2011	712	30.0	4.21%
2012	707	29.1	4.11%
2013	766	35.7	4.66%

The WTO rule book says: 'Export competitiveness' shall exist either:

- on the basis of notification by the developing country member having reached export competitiveness, or
- on the basis of a computation undertaken by the (WTO) Secretariat at the request of any member.

India has sought clarification from the WTO on the definition of 'product' and the 'applicable period of phasing out the subsidy' under the agreement. It was also stated by India that although as a category textile and apparel may have exceeded the stipulated trade share level globally, many items within the group may not have attained export competitiveness, and, therefore, need continued support.

Since the general WTO norms permit import duty neutralization for exports, the duty drawback scheme available for the sector will not be affected. Moreover, schemes such as Technology Upgradation Fund Scheme (TUFS) are also unlikely to be hit as they are meant for incentivizing the production, not exclusively exports.

USA has also challenged China at the WTO for alleged extension of prohibited export subsidies to a range of products including textile and apparel. The USA has challenged China's 'Demonstration Bases-Common

[75] Data Source: WTO International Trade Statistics

Service Platform' programme under which the country provides free and discounted services as well as cash grants and other incentives to enterprises that meet export performance criteria and are located in 179 demonstration bases (industrial clusters) throughout the country. USA has claimed that under the programme, export subsidies are provided to manufacturers and producers across different economic sectors including textile and apparel.

9. Probable Impact of FTA with Key Markets on India's Export

9.1. European Union

India and EU started negotiating a Broad-based Trade and Investment Agreement (BTIA) in 2007. The BTIA is a comprehensive agreement, which aims to liberalize trade in goods, services and investment and have chapters on economic cooperation, government procurement, intellectual property rights and sustainable development, among others. Till date 15 rounds of negotiations have been completed.

EU is one of the largest trading partners for India. BTIA will help in increasing trade between India and EU. Apart from increasing volume of trade, the FTA would have several additional advantages such as technology and knowledge transfer, infrastructure development, improvement in supply chains, more job opportunities, increased competitiveness, skill development, etc. which will ultimately widen and deepen the relationships.

Despite the several benefits of India-EU FTA, progress has been slow in the negotiations. There are several issues which are adversely impacting the BTIA negotiations. Unwillingness of India to re duce tariffs in areas of EU's export interest such as automobiles and auto components sector, wines and spirits have been one of the key issues in the negotiations. Removal of trade barriers on some agricultural products can also adversely affect the livelihood of farmers in India.

There are several visa and work permit related issues faced by Indian service providers in EU which restricts their India-EU mobility. For example- an Indian software consultant with a work permit in Germany cannot offer services in Spain. Apart from that, there are FDI and other market access restrictions in India. EU wants India to remove the FDI restrictions under the BTIA in a number of sectors including multi-brand retail and insurance and undertake liberalization commitments in professional services such as accountancy and legal services.

Unlike EU, India is not a member of WTO plurilateral Government Procurement Agreement (GPA) but has an observer status. EU wants transparent access to India's government procurement market for contracts above a certain cut-off value. However, government procurement process in India is complex, involving three layers of governance - Centre, state and local.

However, trade gains from the BTIA is likely to be very significant specifically for textile and apparel sector.

India is one of the leading supplier of textile and apparel products to EU market. It has a share of 7.1% of the EU's total textile and apparel imports of US$ 108 billion in 2014. India's exports to EU has increased from US$ 7.3 billion in 2010 to US$ 7.7 billion in 2014 at a CAGR of 2%.

Table 41: EU-28's Total Textile and Apparel Imports and from India (In US$ Billion)[76]

Year	EU 28 s Total Imports	EU 28 s Imports from India	India s Share
2010	94	7.3	7.8%
2011	104	8.2	7.9%
2012	100	7.0	7.0%
2013	100	7.1	7.1%
2014	108	7.7	7.1%

In 2009, a study was commissioned by European Commission to analyze the economic, social and environmental impact of India-EU FTA. The study was titled 'Trade Sustainability Impact Assessment for the FTA between the EU and the Republic of India' (by ECORYS Netherlands, CUTS and Centad). In the study, Computable General Equilibrium (CGE) model was used to quantify the impact of FTA. In the study, following three scenarios were developed for projecting the impact:

	Description	Tariff Reduction	Trade Facilitation
Scenario 1	Limited FTA	90%	1% of value of trade
Scenario 2	Broad FTA Agreement	97%	2% of value of trade
Scenario 3	Broad Plus FTA Agreement	97%	2% of value of trade plus an additional 1% reduction for manufacturing sector

2014 was considered as baseline wherein short-run estimates were provided, quantifying an immediate impact of imposing the FTA in 2014.

Table 42: Expected Immediate Impact of EU-India FTA on Indian Textile and Apparel Exports (% Change)

	Scenario 1	Scenario 2	Scenario 3
Textiles	14.5%	17.1%	19.8%
Apparel	30.8%	37.0%	43.4%

Based on actual export values of 2014, following is the projected immediate growth in Indian exports to EU:

Table 43: Change of India' T&A Exports after FTA

US$ Mn.	2014	Scenario 1		Scenario 2		Scenario 3	
	Exports	Exports Value	Change	Exports Value	Change	Exports Value	Change
Textiles	2,695	3,086	391	3,156	461	3,229	534
Apparel	5,052	6,608	1,556	6,921	1,869	7,245	2,193
Total	**7,747**	**9,694**	**1,947**	**10,077**	**2,330**	**10,473**	**2,726**
% change			25%		30%		35%

The impact of the EU-India FTA on the textiles and apparel sector in India will be significant in terms of increasing market share, investment in R&D, technology transfer, efficiency and production of economies of scale. It is also expected to result in increased employment opportunities in India for both skilled and unskilled workers.

[76] Data Source: Eurostat

9.2. USA

USA is one of the most important destinations for India's textile and apparel exports. In 2014, India'sT&A exports to USA reached US$ 7 billion and it has grown at a CAGR of 5.5% from US$ 5.7 billion in 2010. India is third largest supplier of textile and apparel products to US market after China and Vietnam. Apparel and home textiles are the major categories of India's export to USA.

Table 44: USA's Imports of Textile and Apparel Products and India's Positioning (In US$ Million)[77]

HS Code	Description	USA s Total T&A Imports (2014)	5 year CAGR	USA s Imports from India (2014)	5 year CAGR	India s Total T&A Exports (2014)	5 year CAGR
50	Silk	133	-3%	25	-11%	141	-20%
51	Wool	316	8%	14	27%	179	6%
52	Cotton	1,077	0%	91	7%	8,884	7%
53	Vegetable Textile fibres, paper yarn, woven fabric	214	6%	42	5%	350	0%
54	Manmade Filaments	2,313	4%	191	16%	2,505	3%
55	Manmade Staple fibres	1,851	4%	115	11%	2,182	8%
56	Wadding, Felt, Nonwoven, yarns, twine, cordages	1,953	6%	60	11%	346	10%
57	Carpets and floor coverings	2,454	9%	794	11%	1,800	8%
58	Special woven and tufted fabric, lace, tapestry	761	5%	50	6%	407	14%
59	Impregnated, coated or laminated textile fabric	2,421	6%	27	-2%	394	28%
60	Knitted or crocheted fabric	1,063	10%	31	1%	259	16%
61	Knitted or crocheted apparel	45,108	4%	1,505	2%	7,482	13%
62	Woven Apparel	37,878	3%	1,941	3%	9,056	11%
63	Made-ups	13,248	4%	2,176	9%	4,613	12%
Grand Total		**110,789**	**3.8%**	**7,063**	**5.5%**	**38,598**	**9%**

China is the largest exporter of textiles and apparel products to USA with a huge share of 37% of the total US imports of US$ 111 billion (2014). However, in the medium and longer term, domestic demand for apparel in China is slated for a high growth, which will eventually steer the primary focus of Chinese textile and apparel industry away from exports towards higher domestic use. Moreover the manufacturing cost of China is increasing owing to high labor cost, which is making its textile industry less competitive in global

[77] Data Source: UN Comtrade Database

markets. There is also a specific shift in focus of China from just primary industries like textiles towards innovation driven industries like biotechnology, information systems, photonics, nanotechnology, robotics, etc. China's textiles will advance in sophistication and value addition at the same time.

All the above points put together, China's share in USA trade of textile & apparel will likely come down. China's loss of share in US market will undoubtedly throw up opportunities for India to take up a more significant market share. India at present face very high tariff rates for apparel and home textile in US market. The duty advantage provided through a FTA will directly improve the cost competitiveness and result in increase in exports to US market.

For projecting India's textile and apparel exports to USA, following scenarios were considered-

Scenario 1: Without FTA

India's trade of textile and apparel products to US has grown at a CAGR of 5.5% over last 5 years. In absence of any FTA with USA, India's textile and apparel exports could at best keep the same growth rate over next 5 years.

(Values in US$ Billion)	2014			2025(P)		
Segment	**Total imports**	**Imports from India**	**India's share**	**Total imports**	**Imports from India**	**India's share**
Textile	14.6 (13.2%)	1.4 (20%)	9.3%	25 (15%)	2.5 (20%)	10%
Apparel and Made-ups	96.2 (86.8%)	5.6 (80%)	5.8%	142 (85%)	10.1 (80%)	7%
Total	**110.8**	**7.0**	**6.3%**	**167**	**12.6**	**7.5%**
CAGR				**3.8%**	**5.5%**	

Note: Overall growth of USA's T&A imports is taken same as that achieved in last 5 years.

This scenario also excludes the impact of TPP, in case it gets signed during this period. The obvious impact of TPP would be increase in US imports from other TPP countries, most notably Vietnam. This will stall or perhaps reduce the growth rate of Indian exports to USA; but much will depend on the final clauses that get incorporated in the deal. The last TPP discussions, held in July 2015, could not lead to any conclusion and hence the timeline for TPP finalization is not certain yet.

Scenario 2: With FTA

After signing of FTA, Indian textile and apparel exporters will get a duty advantage in the range of 10% to 32% in various product categories. This will provide a major boost to Indian exports, as the manufacturing cost in China is already increasing and India with its large and complete value chain is the only credible alternate.

In line with discussion with industry stakeholders, it is expected that FTA with USA will majorly improve India's share in USA's apparel imports. From a value of 5.8%, it could increase as high as 20% in by 2025.

India's share in USA's imports of textiles will also increase majorly in segments of MMF yarns and fabrics. From a present value of 9.3%, India's share could improve to 15%.

(Values in US$ Billion)	2014			2025(P)		
Segment	**Total imports**	**Imports from India**	**India's share**	**Total imports**	**Imports from India**	**India's share**
Textile	14.6 (13.2%)	1.4 (20%)	9.3%	25 (15%)	3.75 (12%)	15%
Apparel and Made-ups	96.2 (86.8%)	5.6 (80%)	5.8%	142 (85%)	28 (88%)	20%
Total	**110.8**	**7.0**	**6.3%**	**167**	**31.75**	**19%**
CAGR				**3.8%**	**15%**	

10. High Potential Products and Markets for Indian Textile and Apparel Exports[78]

In order to identify the potential products and markets, we have divided the countries into 7 regions.The imports of textile and apparel products in these regions along with India's share is tabulated below:

Table 45: Region-wise Imports of Textile and Apparel Products (2013) (In US$ Billion)

Regions	Total Imports	Imports from India	India's Share
Africa	33	3	8%
Asia	239	12	5%
China	37	5	14%
EU-28	269	10	4%
Latin America and the Caribbean	41	2	5%
North America	123	8	6%
Oceania	11	0.4	4%
Others	20	0.2	1%
World	**773**	**40**	**5%**

Note: The above trade excludes Handicrafts

In these regions, we have studied the top 25 imported commodities (having share in region's total imports more than 65%) and India's share in them. Based on India's share, we have classified these top 25 commodities into high, medium and low market share commodities.

- High market share – denoted by 'green' bracket, means India's market share in those commodities is more than India's average market share in that region (> Avg. share)
- Medium market share – denoted by 'orange' bracket, means India's market share in those commodities is in the range of 2% to India's average share in that region (2% to Avg. share)
- Low market share – denoted by 'red' bracket, means India's market share in those commodities is less than 2% (< 2%)

After this, the top 5 exporting and importing countries for the top 25 commodities was studied in detail.

The detailed analysis of the above mentioned regions is given ahead.

[78] Data Source: UN Comtrade Database

10.1. Africa

In 2013, the imports of top 25 T&A commodities of Africa was worth US$ 22 billion. It constituted a share of 67% in Africa's total T&A imports of US$ 33 billion. The analysis of these top 25 categories is given below:

Table 46: Africa's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
24	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	0.41	0.28	67.8%
19	5515	Woven fabrics of synthetic staple fibres, nes	0.46	0.13	29.2%
15	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	0.54	0.13	23.4%
9	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	0.83	0.17	20.4%
11	6109	T-shirts, singlets and other vests, knitted or crocheted	0.75	0.15	20.0%
16	5810	Embroidery in the piece, in strips or in motifs	0.50	0.09	17.6%
20	6305	Sacks and bags of textile material for packing goods	0.45	0.08	17.5%
7	6204	Women's suits, ensembles, dresses, skirts, etc., woven	0.90	0.14	15.7%
1	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	3.83	0.39	10.2%
2	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	2.23	0.19	8.3%
6	6203	Men's suits, ensembles, jackets, trousers, etc., woven	1.01	0.06	5.8%
14	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	0.59	0.03	5.5%
10	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	0.81	0.04	5.2%
12	6302	Bed linen, table linen, toilet linen and kitchen linen	0.74	0.04	5.0%
4	6309	Worn clothing and other worn articles	1.55	0.06	3.9%
21	5513	Woven fabrics of synthetic staple fibres, < 85% synthetic staple fibres, mixed mainly with cotton, >= 170 gsm	0.43	0.01	2.2%
25	5201	Cotton, not carded or combed	0.40	0.01	2.0%
8	6006	Knitted or crocheted fabrics, nes	0.83	0.01	1.6%
23	5702	Carpets and other textile floor coverings, woven, not tufted/flocked, whether or not made up	0.41	0.01	1.4%
13	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.59	0.01	1.4%
18	6301	Blankets and travelling rugs	0.47	0.01	1.2%
5	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	1.05	0.01	1.1%
3	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	1.73	0.01	0.6%
22	5516	Woven fabrics of artificial staple fibres	0.41	0.00	0.5%
17	5603	Nonwovens, whether or not impregnated, coated, etc.	0.48	0.00	0.4%

Table 47: Africa's Top 5 Exporters and Importers for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
1	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	3.83	0.39	10%	China & HK		India		Netherlands		Czech Rep.		Austria	
						2.57	67%	0.39	10%	0.14	4%	0.09	2%	0.08	2%
						Benin		Togo		Nigeria		Gambia		Senegal	
						1.03	27%	0.65	17%	0.27	7%	0.17	4%	0.16	4%
2	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	2.23	0.19	8%	China & HK		India		Spain		France		Turkey	
						1.47	66%	0.19	8%	0.17	7%	0.07	3%	0.07	3%
						Morocco		Egypt		Nigeria		South Africa		Benin	
						0.27	12%	0.27	12%	0.22	10%	0.22	10%	0.21	10%
3	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	1.73	0.01	1%	China & HK		South Africa		Turkey		Spain		Mauritius	
						1.60	93%	0.02	1%	0.02	1%	0.01	1%	0.01	1%
						Egypt		South Africa		Morocco		Algeria		Nigeria	
						0.47	27%	0.28	16%	0.11	7%	0.10	6%	0.10	6%
4	6309	Worn clothing and other worn articles	1.55	0.06	4%	United Kingdom		Germany		USA		Rep. of Korea		Belgium	
						0.23	15%	0.18	11%	0.16	10%	0.14	9%	0.12	8%
						Ghana		Kenya		Benin		Cameroon		United Rep. of Tanzania	
						0.15	10%	0.14	9%	0.14	9%	0.13	8%	0.09	6%
5	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	1.05	0.01	1%	China & HK		South Africa		Turkey		India		Italy	
						0.96	92%	0.03	3%	0.01	1%	0.01	1%	0.01	1%
						Egypt		South Africa		Algeria		Libya		Nigeria	
						0.29	27%	0.11	11%	0.10	9%	0.07	7%	0.07	7%
6	6203	Men's suits, ensembles, jackets, trousers, etc., woven	1.01	0.06	6%	China & HK		Turkey		South Africa		India		Mauritius	
						0.57	57%	0.08	8%	0.06	6%	0.06	6%	0.04	4%
						South Africa		Libya		Nigeria		Egypt		Algeria	
						0.36	36%	0.08	8%	0.06	6%	0.06	6%	0.06	6%
7	6204		0.90	0.14	16%	China & HK		India		Turkey		South Africa		Spain	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
		Women's suits, ensembles, dresses, skirts, etc., woven				0.41	46%	0.14	16%	0.10	11%	0.05	6%	0.03	3%
						South Africa		Egypt		Nigeria		Algeria		Libya	
						0.35	39%	0.08	9%	0.08	9%	0.05	6%	0.05	6%
8	6006	Knitted or crocheted fabrics, nes	0.83	0.01	2%	China & HK		France		Spain		Turkey		Italy	
						0.43	51%	0.15	18%	0.08	10%	0.08	9%	0.02	2%
						Morocco		Tunisia		South Africa		Egypt		Algeria	
						0.22	27%	0.17	20%	0.11	13%	0.10	12%	0.05	6%
9	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	0.83	0.17	20%	China & HK		India		Turkey		Rep. of Korea		Malaysia	
						0.28	34%	0.17	20%	0.07	8%	0.05	6%	0.04	5%
						Egypt		Morocco		South Africa		Algeria		Tunisia	
						0.44	53%	0.07	9%	0.07	8%	0.05	6%	0.04	5%
10	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	0.81	0.04	5%	Turkey		Italy		China & HK		Spain		Pakistan	
						0.15	18%	0.14	17%	0.13	16%	0.09	12%	0.09	11%
						Tunisia		Morocco		Egypt		South Africa		Kenya	
						0.28	35%	0.20	24%	0.16	20%	0.04	5%	0.02	3%
11	6109	T-shirts, singlets and other vests, knitted or crocheted	0.75	0.15	20%	China & HK		India		Mauritius		Turkey		South Africa	
						0.29	38%	0.15	20%	0.06	8%	0.05	6%	0.04	5%
						South Africa		Nigeria		Algeria		Libya		Tunisia	
						0.27	36%	0.05	7%	0.03	5%	0.03	4%	0.03	4%
12	6302	Bed linen, table linen, toilet linen and kitchen linen	0.74	0.04	5%	China & HK		Pakistan		India		Turkey		South Africa	
						0.49	67%	0.05	7%	0.04	5%	0.03	4%	0.03	4%
						South Africa		Algeria		Egypt		Namibia		Sudan	
						0.13	18%	0.07	10%	0.06	9%	0.06	8%	0.05	7%
13	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.59	0.01	1%	China & HK		Turkey		Italy		South Africa		Bangladesh	
						0.41	70%	0.04	6%	0.03	5%	0.02	3%	0.02	3%
						South Africa		Egypt		Libya		Algeria		Tunisia	
						0.21	36%	0.10	17%	0.07	12%	0.06	10%	0.04	7%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
14	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	0.59	0.03	5%	China & HK		Spain		India		France		Germany	
						0.34	58%	0.07	11%	0.03	5%	0.03	5%	0.02	3%
						Morocco		Egypt		Tunisia		South Africa		Nigeria	
						0.11	18%	0.09	15%	0.08	14%	0.08	13%	0.07	12%
15	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	0.54	0.13	23%	China & HK		India		Indonesia		Viet Nam		Turkey	
						0.20	37%	0.13	23%	0.08	15%	0.03	5%	0.02	3%
						Egypt		Morocco		South Africa		Tunisia		Algeria	
						0.30	54%	0.06	11%	0.03	6%	0.03	5%	0.03	5%
16	5810	Embroidery in the piece, in strips or in motifs	0.50	0.09	18%	China & HK		India		Austria		Thailand		Rep. of Korea	
						0.29	58%	0.09	18%	0.04	9%	0.02	5%	0.02	5%
						Nigeria		Benin		Algeria		Morocco		Senegal	
						0.27	55%	0.07	13%	0.02	5%	0.02	4%	0.02	3%
17	5603	Nonwovens, whether or not impregnated, coated, etc.	0.48	0.00	0%	China & HK		Italy		Germany		Turkey		Spain	
						0.10	21%	0.07	15%	0.06	13%	0.06	13%	0.04	9%
						South Africa		Egypt		Morocco		Algeria		Tunisia	
						0.10	20%	0.09	19%	0.08	17%	0.08	16%	0.05	11%
18	6301	Blankets and travelling rugs	0.47	0.01	1%	China & HK		South Africa		Turkey		Kenya		Spain	
						0.39	82%	0.02	5%	0.02	4%	0.01	2%	0.01	1%
						Libya		South Africa		Algeria		Egypt		Sudan	
						0.12	25%	0.08	17%	0.06	12%	0.05	10%	0.02	3%
19	5515	Woven fabrics of synthetic staple fibres, nes	0.46	0.13	29%	China & HK		India		France		Spain		Turkey	
						0.15	34%	0.13	29%	0.05	11%	0.04	8%	0.01	3%
						Morocco		Egypt		Tunisia		South Africa		Togo	
						0.10	21%	0.07	15%	0.06	13%	0.03	6%	0.02	5%
20	6305	Sacks and bags of textile material for packing goods	0.45	0.08	18%	China & HK		India		Côte d'Ivoire		Germany		South Africa	
						0.11	24%	0.08	18%	0.03	7%	0.03	6%	0.03	6%
						Ghana		Tunisia		South Africa		Sudan		Kenya	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
						0.05	11%	0.03	8%	0.03	6%	0.02	5%	0.02	4%
21	5513	Woven fabrics of synthetic staple fibres, < 85% synthetic staple fibres, mixed mainly with cotton, >= 170 gsm	0.43	0.01	2%	China & HK		Pakistan		Thailand		India		Spain	
						0.30	70%	0.06	14%	0.01	3%	0.01	2%	0.01	2%
						South Africa		Benin		Kenya		Egypt		Morocco	
						0.07	16%	0.06	14%	0.04	10%	0.03	7%	0.02	6%
22	5516	Woven fabrics of artificial staple fibres	0.41	0.00	1%	China & HK		Spain		France		Turkey		Thailand	
						0.26	64%	0.06	15%	0.03	8%	0.02	4%	0.01	1%
						Morocco		Mauritania		Algeria		Tunisia		Somalia	
						0.11	27%	0.07	17%	0.06	13%	0.04	10%	0.03	6%
23	5702	Carpets and other textile floor coverings, woven, not tufted/flocked, whether or not made up	0.41	0.01	1%	Turkey		Saudi Arabia		China & HK		Belgium		Egypt	
						0.31	77%	0.03	7%	0.02	5%	0.01	3%	0.01	2%
						Libya		Egypt		Algeria		South Africa		Morocco	
						0.21	51%	0.05	12%	0.03	8%	0.02	5%	0.02	5%
24	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	0.41	0.28	68%	India		China & HK		Pakistan		Zimbabwe		Turkey	
						0.28	68%	0.03	6%	0.02	5%	0.02	4%	0.02	4%
						Egypt		Morocco		Mauritius		Tunisia		South Africa	
						0.20	49%	0.05	13%	0.05	12%	0.04	9%	0.02	6%
25	5201	Cotton, not carded or combed	0.40	0.01	2%	Zimbabwe		Greece		USA		Zambia		Benin	
						0.10	24%	0.09	23%	0.08	20%	0.04	9%	0.02	4%
						Egypt		South Africa		Morocco		Tunisia		Lesotho	
						0.14	34%	0.13	32%	0.07	17%	0.01	3%	0.01	3%

From the above tables, Africa's top imported commodities have been categorized on the basis of India's market share in them. The key markets of these categorized products have been identified and tabulated below:

India s Market Share >		**High (>8%)**	**Medium (2 8%)**	**Low (<2%)**
	Yarn	Cotton, synthetic and filament		
	Fabric	Woven – cotton (<=200 gsm), synthetic and filament	Woven – cotton (>200 gsm), synthetic and plastic coated	Knitted and synthetic woven
Key Products	Woven Apparel	Women's suits, dresses, etc.	Men's suits, jackets, etc.	
	Knitted Apparel	T-shirts, singlets, etc.		Jerseys, cardigans, etc.; men's suits, trousers, etc.; women's suits, dresses, etc.
	Home textiles & Made-ups	Sacks and bags	Bed linen, table linen, toilet linen and kitchen linen	Carpets and other textile floor coverings; Blankets & travelling rugs
	Others			Non-wovens
Key Markets		Egypt, Morocco, South Africa, Benin, Togo, Tunisia and Nigeria	Morocco, South Africa, Tunisia, Egypt, Algeria and Benin	Egypt, Morocco, South Africa, Libya, Tunisia and Algeria

From the analysis of Africa's top 25 imported textile and apparel commodities following have been concluded as the **India's target categories and their target markets for Africa**:

- Cotton textiles: Egypt, Morocco, Tunisia and Benin
- Man-made textiles: Egypt and Morocco
- Knitted & coated fabrics: Morocco
- Apparel: South Africa and Egypt
- Home textiles: Libya and South Africa

10.2. Asia (ex-China)

In 2013, the imports of top 25 T&A commodities of Asia was worth US$ 164 billion. It constituted a share of 69% in Asia's total T&A imports of US$ 239 billion. The analysis of these top 25 categories is given below:

Table 48: Asia's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
15	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	4.64	1.65	35.6%
10	5201	Cotton, not carded or combed	7.68	1.73	22.5%
11	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	5.96	0.56	9.5%
16	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	4.24	0.38	9.0%
22	6205	Men's shirts, woven	3.07	0.27	8.9%
25	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	2.68	0.24	8.8%
4	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	11.46	0.87	7.6%
8	6109	T-shirts, singlets and other vests, knitted or crocheted	8.03	0.58	7.2%
9	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	7.80	0.41	5.2%
3	6204	Women's suits, ensembles, dresses, skirts, etc., woven	12.11	0.50	4.2%
5	6203	Men's suits, ensembles, jackets, trousers, etc., woven	8.86	0.33	3.7%
19	6211	Track suits, ski suits and swimwear, woven	3.55	0.12	3.4%
24	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	2.78	0.08	2.7%
7	6006	Knitted or crocheted fabrics, nes	8.09	0.15	1.8%
6	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	8.73	0.14	1.6%
12	6302	Bed linen, table linen, toilet linen and kitchen linen	5.88	0.09	1.6%
13	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	4.90	0.07	1.4%
1	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	18.89	0.15	0.8%
21	5603	Nonwovens, whether or not impregnated, coated, etc.	3.47	0.02	0.7%
18	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	3.76	0.02	0.5%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	12.14	0.05	0.4%
20	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	3.54	0.01	0.4%
23	6210	Garments of felt, non-wovens, impregnated fabric, etc.	2.80	0.01	0.2%
17	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	4.14	0.00	0.1%
14	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	4.76	0.00	0.1%

Table 49: Asia's Top 5 Exporters and Importers for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
1	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	18.89	0.15	0.8%	China & HK		Italy		India		Spain		Viet Nam	
						17.36	92%	0.15	1%	0.15	1%	0.13	1%	0.13	1%
						China, Hong Kong SAR		Viet Nam		Japan		United Arab Emirates		Russian Federation	
						3.64	19%	2.92	15%	2.01	11%	1.48	8%	1.24	7%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	12.14	0.05	0.4%	China & HK		Italy		Bangladesh		Viet Nam		Germany	
						9.57	79%	0.45	4%	0.37	3%	0.28	2%	0.20	2%
						Japan		China, Hong Kong SAR		Russian Federation		Rep. of Korea		Viet Nam	
						4.48	37%	2.02	17%	1.42	12%	0.71	6%	0.51	4%
3	6204	Women's suits, ensembles, dresses, skirts, etc., woven	12.11	0.50	4.2%	China & HK		Italy		India		Viet Nam		Spain	
						7.01	58%	1.19	10%	0.50	4%	0.49	4%	0.48	4%
						Japan		Russian Federation		China, Hong Kong SAR		United Arab Emirates		Rep. of Korea	
						3.80	31%	1.75	14%	1.65	14%	0.75	6%	0.71	6%
4	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	11.46	0.87	7.6%	China & HK		Rep. of Korea		India		Indonesia		Japan	
						6.73	59%	1.33	12%	0.87	8%	0.61	5%	0.42	4%
						United Arab Emirates		Viet Nam		Russian Federation		Indonesia		Pakistan	
						1.66	15%	1.30	11%	0.74	6%	0.71	6%	0.63	5%
5	6203	Men's suits, ensembles, jackets, trousers, etc., woven	8.86	0.33	3.7%	China & HK		Viet Nam		Italy		Bangladesh		India	
						5.01	57%	0.67	8%	0.53	6%	0.47	5%	0.33	4%
						Japan		Russian Federation		United Arab Emirates		China, Hong Kong SAR		Rep. of Korea	
						2.96	33%	0.95	11%	0.86	10%	0.74	8%	0.73	8%
6	6103		8.73	0.14	1.6%	China & HK		India		Cambodia		Viet Nam		Indonesia	
						8.02	92%	0.14	2%	0.10	1%	0.08	1%	0.06	1%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted				Malaysia		United Arab Emirates		Japan		China, Hong Kong SAR		Viet Nam	
						0.85	10%	0.78	9%	0.72	8%	0.69	8%	0.57	7%
7	6006	Knitted or crocheted fabrics, nes	8.09	0.15	1.8%	China & HK		Rep. of Korea		Turkey		India		Viet Nam	
						5.79	72%	1.22	15%	0.29	4%	0.15	2%	0.10	1%
						Viet Nam		China, Hong Kong SAR		Cambodia		Indonesia		Russian Federation	
						1.84	23%	1.16	14%	1.01	12%	0.89	11%	0.39	5%
8	6109	T-shirts, singlets and other vests, knitted or crocheted	8.03	0.58	7.2%	China & HK		India		Viet Nam		Turkey		Bangladesh	
						4.34	54%	0.58	7%	0.51	6%	0.45	6%	0.39	5%
						Japan		Russian Federation		United Arab Emirates		China, Hong Kong SAR		Rep. of Korea	
						3.50	44%	0.67	8%	0.66	8%	0.50	6%	0.38	5%
9	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	7.80	0.41	5.2%	China & HK		India		Pakistan		Thailand		Italy	
						6.44	83%	0.41	5%	0.19	2%	0.16	2%	0.13	2%
						Viet Nam		Bangladesh		China, Hong Kong SAR		Philippines		Indonesia	
						1.71	22%	1.13	14%	0.88	11%	0.72	9%	0.44	6%
10	5201	Cotton, not carded or combed	7.68	1.73	22.5%	USA		India		Brazil		Australia		Greece	
						2.50	33%	1.73	22%	0.88	11%	0.84	11%	0.33	4%
						Turkey		Indonesia		Bangladesh		Viet Nam		Pakistan	
						1.17	15%	1.16	15%	1.14	15%	0.95	12%	0.69	9%
11	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	5.96	0.56	9.5%	China & HK		India		Rep. of Korea		Viet Nam		Japan	
						2.25	38%	0.56	9%	0.50	8%	0.38	6%	0.37	6%
						Turkey		Rep. of Korea		Viet Nam		Pakistan		Thailand	
						1.38	23%	0.64	11%	0.52	9%	0.38	6%	0.36	6%
12	6302		5.88	0.09	1.6%	China & HK		Viet Nam		Pakistan		Turkey		India	
						4.89	83%	0.18	3%	0.14	2%	0.14	2%	0.09	2%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Bed linen, table linen, toilet linen and kitchen linen				Japan		Russian Federation		United Arab Emirates		Kyrgyzstan		Kazakhstan	
						1.42	24%	1.25	21%	0.36	6%	0.31	5%	0.26	4%
13	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	4.90	0.07	1.4%	China & HK		Rep. of Korea		Japan		Germany		Italy	
						3.48	71%	0.49	10%	0.19	4%	0.12	2%	0.08	2%
						Viet Nam		China, Hong Kong SAR		India		Indonesia		Russian Federation	
						0.88	18%	0.70	14%	0.57	12%	0.38	8%	0.36	7%
14	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	4.76	0.00	0.1%	China & HK		Viet Nam		Italy		Germany		Bangladesh	
						3.58	75%	0.32	7%	0.24	5%	0.10	2%	0.08	2%
						Russian Federation		Japan		Rep. of Korea		China, Hong Kong SAR		Kazakhstan	
						1.60	34%	1.23	26%	0.64	13%	0.30	6%	0.27	6%
15	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	4.64	1.65	35.6%	China & HK		India		Pakistan		Indonesia		Rep. of Korea	
						1.82	39%	1.65	36%	0.51	11%	0.14	3%	0.13	3%
						China, Hong Kong SAR		Bangladesh		Rep. of Korea		Viet Nam		Japan	
						1.36	29%	0.87	19%	0.47	10%	0.33	7%	0.26	6%
16	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	4.24	0.38	9.0%	China & HK		Pakistan		India		Thailand		Turkey	
						2.49	59%	0.67	16%	0.38	9%	0.12	3%	0.10	2%
						Bangladesh		China, Hong Kong SAR		Viet Nam		Indonesia		Turkey	
						1.41	33%	0.66	16%	0.51	12%	0.28	7%	0.25	6%
17	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	4.14	0.00	0.1%	China & HK		Viet Nam		Italy		Bangladesh		Germany	
						2.82	68%	0.50	12%	0.19	5%	0.12	3%	0.08	2%
						Japan		Russian Federation		Rep. of Korea		Kazakhstan		China, Hong Kong SAR	
						0.98	24%	0.70	17%	0.65	16%	0.32	8%	0.27	6%
18	6115		3.76	0.02	0.5%	China & HK		Serbia		Italy		Belarus		Thailand	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Panty hose, tights, socks and other hosiery, etc., knitted or crocheted				2.88	76%	0.13	3%	0.09	2%	0.09	2%	0.08	2%
						Japan		Russian Federation		Viet Nam		Kyrgyzstan		United Arab Emirates	
						1.13	30%	0.82	22%	0.39	10%	0.23	6%	0.16	4%
19	6211	Track suits, ski suits and swimwear, woven	3.55	0.12	3.4%	China & HK		France		Italy		Viet Nam		India	
						1.79	51%	0.55	15%	0.45	13%	0.19	5%	0.12	3%
						Japan		Rep. of Korea		Russian Federation		China, Hong Kong SAR		United Arab Emirates	
						1.10	31%	0.42	12%	0.36	10%	0.30	9%	0.29	8%
20	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	3.54	0.01	0.4%	China & HK		Rep. of Korea		Italy		Turkey		Viet Nam	
						2.01	57%	0.96	27%	0.15	4%	0.11	3%	0.08	2%
						Viet Nam		China, Hong Kong SAR		Indonesia		Cambodia		Sri Lanka	
						0.75	21%	0.70	20%	0.38	11%	0.30	8%	0.24	7%
21	5603	Nonwovens, whether or not impregnated, coated, etc.	3.47	0.02	0.7%	China & HK		USA		Japan		Rep. of Korea		Germany	
						1.26	36%	0.36	10%	0.26	8%	0.26	8%	0.25	7%
						Japan		Russian Federation		Turkey		Viet Nam		China, Hong Kong SAR	
						0.60	17%	0.30	9%	0.29	8%	0.29	8%	0.28	8%
22	6205	Men's shirts, woven	3.07	0.27	8.9%	China & HK		Bangladesh		India		Viet Nam		Italy	
						1.56	51%	0.30	10%	0.27	9%	0.17	5%	0.12	4%
						Japan		United Arab Emirates		Russian Federation		China, Hong Kong SAR		Turkey	
						1.08	35%	0.32	10%	0.29	10%	0.28	9%	0.17	6%
23	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	2.80	0.01	0.2%	China & HK		Italy		Viet Nam		France		Bangladesh	
						1.35	48%	0.57	20%	0.25	9%	0.18	6%	0.09	3%
						Japan		Russian Federation		Rep. of Korea		China, Hong Kong SAR		Kazakhstan	
						0.59	21%	0.45	16%	0.44	16%	0.36	13%	0.22	8%
24	6108		2.78	0.08	2.7%	China & HK		India		Thailand		Viet Nam		Turkey	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted				2.18	78%	0.08	3%	0.06	2%	0.06	2%	0.05	2%
						Japan		United Arab Emirates		Russian Federation		China, Hong Kong SAR		Saudi Arabia	
						0.93	34%	0.36	13%	0.25	9%	0.23	8%	0.11	4%
25	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	2.68	0.24	8.8%	China & HK		Indonesia		Viet Nam		India		Thailand	
						1.21	45%	0.44	17%	0.29	11%	0.24	9%	0.09	4%
						Turkey		Rep. of Korea		Bangladesh		China, Hong Kong SAR		India	
						0.41	15%	0.38	14%	0.37	14%	0.27	10%	0.22	8%

From the above tables, Asia's top imported commodities have been categorized on the basis of India's market share in them. The key markets of these categorized products have been identified and tabulated below:

India s Market Share >		High (>5%)	Medium (2 5%)	Low (<2%)
Key Products	Yarn	Cotton, synthetic and filament		
	Fabric	Woven – cotton, filament		Knitted fabric; Plastic coated fabric
	Woven Apparel	Men's shirts	Women's suits, dresses, skirts, etc.; Men's suits, jackets, trousers, etc.; Track suits, ski suits and swimwear	Garments of felt, non-wovens, etc.; Men's and women's overcoats, cloaks, wind-cheaters, etc.
	Knitted Apparel	T-shirts, singlets and other vests	Women's slips, briefs, nightdresses, bathrobes, etc.	Men's suits, jackets, trousers, etc.; Women's suits, dresses, skirts, etc.; Panty hose, tights, socks and other hosiery, etc.; Jerseys, pullovers, cardigans, etc.
	Home textiles & Made-ups			Bed linen, table linen, toilet linen and kitchen linen
	Others			Non-wovens
Key Markets		Hong Kong, Turkey, Japan, Bangladesh, Vietnam, Indonesia, UAE, Rep. of Korea	Japan and Russia	Japan, Russia, Vietnam and Hong Kong

It is also important to state here that Rep. of Korea and Japan have FTAs with 10 ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Malaysia, Singapore, Thailand, and Vietnam) wherein they get duty free access.

From the analysis of Asia's top 25 imported textile and apparel commodities following have been concluded as the **India's target categories and their target markets for Asia**:

- Cotton textiles – Hong Kong and Turkey
- Man-made textiles – Turkey
- Knitted and Coated fabrics – Hong Kong
- Apparel – Russia and UAE
- Home textiles – Russia

10.3. China

In 2013, the imports of top 25 T&A commodities of China was worth US$ 30 billion. It constituted a share of 81% in China's total T&A imports of US$ 37 billion. The analysis of these top 25 categories is given below:

Table 50: China's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
1	5201	Cotton, not carded or combed	7.48	2.77	37.0%
2	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	6.06	2.02	33.3%
16	6204	Women's suits, ensembles, dresses, skirts, etc., woven	0.49	0.01	1.7%
21	6109	T-shirts, singlets and other vests, knitted or crocheted	0.32	0.005	1.5%
9	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	0.87	0.01	1.2%
14	6203	Men's suits, ensembles, jackets, trousers, etc., woven	0.54	0.006	1.2%
13	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	0.58	0.004	0.7%
17	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	0.41	0.002	0.6%
7	5603	Nonwovens, whether or not impregnated, coated, etc.	0.94	0.004	0.4%
20	5112	Woven fabrics of combed wool or fine animal hair	0.33	0.001	0.4%
10	5503	Synthetic staple fibres, not carded, combed, etc.	0.75	0.003	0.4%
19	5911	Textile products and articles, for technical uses	0.36	0.001	0.3%
5	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1.04	0.003	0.3%
15	5206	Cotton yarn (not sewing thread), < 85% cotton, not retail	0.49	0.00	0.2%
25	5211	Woven fabrics of cotton, < 85% cotton, mixed mainly with man-made fibres, > 200 gsm	0.28	0.000	0.1%
18	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.39	0.000	0.1%
4	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	1.50	0.002	0.1%
24	5512	Woven fabrics of synthetic staple fibres, >= 85% synthetic staple fibres	0.29	0.000	0.1%
8	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	0.92	0.000	0.1%
6	6006	Knitted or crocheted fabrics, nes	0.95	0.000	0.0%
22	5301	Flax, raw or processed but not spun; flax tow and waste	0.31	0.000	0.0%
11	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	0.68	0.000	0.0%
23	6005	Warp knit fabrics, nes	0.31	0.000	0.0%
3	5101	Wool, not carded or combed	2.69	0.000	0.0%
12	5502	Artificial filament tow	0.65	0.000	0.0%

Table 51: China's Top 5 Exporters for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
1	5201	Cotton, not carded or combed	7.48	2.77	37.0%	India		USA		Australia		Brazil		Burkina Faso	
						2.77	37%	2.18	29%	1.67	22%	0.19	3%	0.12	2%
2	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	6.06	2.02	33.3%	India		Pakistan		China, Hong Kong SAR		Viet Nam		Indonesia	
						2.02	27%	1.54	21%	1.08	14%	0.78	10%	0.20	3%
3	5101	Wool, not carded or combed	2.69	0.000	0.0%	Australia		New Zealand		South Africa		Uruguay		United Kingdom	
						1.88	70%	0.32	12%	0.20	7%	0.08	3%	0.04	2%
4	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	1.50	0.002	0.1%	Japan		Rep. of Korea		China, Hong Kong SAR		Thailand		Viet Nam	
						0.50	19%	0.42	16%	0.42	16%	0.05	2%	0.02	1%
5	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1.04	0.003	0.3%	China, Hong Kong SAR		Rep. of Korea		Japan		USA		Viet Nam	
						0.41	39%	0.15	14%	0.10	10%	0.09	9%	0.05	5%
6	6006	Knitted or crocheted fabrics, nes	0.95	0.000	0.0%	China, Hong Kong SAR		Rep. of Korea		Japan		Italy		Thailand	
						0.48	46%	0.24	23%	0.17	16%	0.02	2%	0.01	1%
7	5603	Nonwovens, whether or not impregnated, coated, etc.	0.94	0.004	0.4%	USA		Japan		China, Hong Kong SAR		Rep. of Korea		Germany	
						0.24	26%	0.19	21%	0.14	15%	0.11	12%	0.09	9%
8	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	0.92	0.000	0.1%	China, Hong Kong SAR		Rep. of Korea		Japan		Germany		USA	
						0.37	40%	0.19	21%	0.18	19%	0.06	6%	0.03	3%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
9	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	0.87	0.01	1.2%	China, Hong Kong SAR		Pakistan		Japan		Turkey		Rep. of Korea	
						0.51	59%	0.19	22%	0.09	10%	0.03	4%	0.01	1%
10	5503	Synthetic staple fibres, not carded, combed, etc.	0.75	0.003	0.4%	Japan		Rep. of Korea		Thailand		USA		China, Hong Kong SAR	
						0.39	45%	0.17	19%	0.04	5%	0.04	5%	0.03	3%
11	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	0.68	0.000	0.0%	China, Hong Kong SAR		Rep. of Korea		Japan		Italy		Viet Nam	
						0.37	54%	0.18	27%	0.09	13%	0.01	2%	0.01	1%
12	5502	Artificial filament tow	0.65	0.000	0.0%	USA		Japan		Germany		Rep. of Korea		Mexico	
						0.45	66%	0.11	16%	0.08	12%	0.01	1%	0.00	0%
13	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	0.58	0.004	0.7%	China, Hong Kong SAR		Pakistan		Japan		Italy		Rep. of Korea	
						0.29	50%	0.11	19%	0.09	16%	0.03	5%	0.02	4%
14	6203	Men's suits, ensembles, jackets, trousers, etc., woven	0.54	0.006	1.2%	China, Hong Kong SAR		Italy		Bangladesh		Germany		Viet Nam	
						0.16	27%	0.09	15%	0.05	9%	0.05	8%	0.03	6%
15	5206	Cotton yarn (not sewing thread), < 85% cotton, not retail	0.49	0.00	0.2%	China, Hong Kong SAR		Viet Nam		USA		Rep. of Korea		Malaysia	
						0.36	74%	0.06	11%	0.02	5%	0.01	3%	0.01	3%
16	6204	Women's suits, ensembles, dresses, skirts, etc., woven	0.49	0.01	1.7%	China, Hong Kong SAR		Italy		Rep. of Korea		Spain		Viet Nam	
						0.13	26%	0.08	16%	0.07	15%	0.06	13%	0.04	8%
17	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	0.41	0.002	0.6%	China, Hong Kong SAR		Indonesia		Japan		Viet Nam		Rep. of Korea	
						0.33	81%	0.03	6%	0.01	4%	0.01	2%	0.01	2%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
18	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.39	0.000	0.1%	China, Hong Kong SAR		Italy		Spain		Viet Nam		Bangladesh	
						0.15	38%	0.05	12%	0.04	9%	0.03	7%	0.02	6%
19	5911	Textile products and articles, for technical uses	0.36	0.001	0.3%	Japan		Germany		USA		China, Hong Kong SAR		Italy	
						0.09	26%	0.08	21%	0.04	12%	0.03	9%	0.03	8%
20	5112	Woven fabrics of combed wool or fine animal hair	0.33	0.001	0.4%	Japan		Italy		China, Hong Kong SAR		Rep. of Korea		United Kingdom	
						0.11	31%	0.11	30%	0.06	18%	0.01	3%	0.01	3%
21	6109	T-shirts, singlets and other vests, knitted or crocheted	0.32	0.005	1.5%	China, Hong Kong SAR		Viet Nam		Bangladesh		Spain		Rep. of Korea	
						0.07	21%	0.04	13%	0.04	12%	0.03	9%	0.03	9%
22	5301	Flax, raw or processed but not spun; flax tow and waste	0.31	0.000	0.0%	France		Belgium		Lithuania		Belarus		Egypt	
						0.18	56%	0.13	40%	0.00	1%	0.00	1%	0.00	0%
23	6005	Warp knit fabrics, nes	0.31	0.000	0.0%	China, Hong Kong SAR		Rep. of Korea		Japan		Germany		Malta	
						0.12	38%	0.08	25%	0.06	21%	0.02	7%	0.01	2%
24	5512	Woven fabrics of synthetic staple fibres, >= 85% synthetic staple fibres	0.29	0.000	0.1%	China, Hong Kong SAR		Rep. of Korea		USA		Japan		Thailand	
						0.16	51%	0.07	23%	0.02	8%	0.02	5%	0.01	2%
25	5211	Woven fabrics of cotton, < 85% cotton, mixed mainly with man-made fibres, > 200 gsm	0.28	0.000	0.1%	China, Hong Kong SAR		Japan		Rep. of Korea		Turkey		Italy	
						0.18	63%	0.08	28%	0.01	3%	0.00	1%	0.00	1%

In China's key imported textile and apparel commodities, India has significant share only in cotton yarn imports of China.

From the analysis of China's top 25 imported textile and apparel commodities, it has been concluded that **India's target categories for China should be cotton textiles, man-made textiles and knitted fabrics.**

Duty advantage to key suppliers:

- Australia, Rep. of Korea and Pakistan has signed FTA with China.
- China has signed FTA with ASEAN which includes Vietnam.

10.4. EU-28

In 2013, the imports of top 25 T&A commodities of EU-28 was worth US$ 198 billion. It constituted a share of 73% in EU-28's total T&A imports of US$ 269 billion. The analysis of these top 25 categories is given below:

Table 52: EU-28's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
9	6206	Women's blouses, shirts and shirt-blouses, woven	6.10	0.70	11.5%
23	6111	Babies' garments and clothing accessories, knitted or crocheted	2.95	0.32	10.9%
19	6211	Track suits, ski suits and swimwear, woven	3.84	0.38	9.9%
10	6205	Men's shirts, woven	6.07	0.46	7.6%
14	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	4.77	0.30	6.2%
21	6105	Men's shirts, knitted or crocheted	3.30	0.17	5.1%
3	6109	T-shirts, singlets and other vests, knitted or crocheted	20.89	1.02	4.9%
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	25.26	0.99	3.9%
7	6302	Bed linen, table linen, toilet linen and kitchen linen	7.13	0.28	3.9%
25	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	2.81	0.11	3.8%
22	5703	Carpets and other textile floor coverings, tufted, whether or not made up	3.25	0.12	3.8%
18	6307	Made-up articles of textile materials, including dress patterns, nes	4.15	0.13	3.1%
15	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	4.74	0.12	2.6%
5	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	13.30	0.33	2.5%
20	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	3.80	0.09	2.3%
16	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	4.38	0.09	2.0%
4	6203	Men's suits, ensembles, jackets, trousers, etc., woven	20.31	0.36	1.8%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	22.68	0.15	0.6%
8	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	6.25	0.03	0.5%
17	6212	Brassieres, girdles, corsets, garters, etc., woven	4.33	0.02	0.5%
24	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	2.91	0.01	0.4%
11	5603	Nonwovens, whether or not impregnated, coated, etc.	5.84	0.01	0.2%
13	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	5.51	0.01	0.2%
12	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	5.68	0.00	0.1%
6	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	7.50	0.01	0.1%

Table 53: EU-28's Top 5 Exporters for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	25.26	0.99	3.9%	China & HK		Bangladesh		Italy		Turkey		Germany	
						5.02	20%	1.77	7%	1.74	7%	1.71	7%	1.63	6%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	22.68	0.15	0.6%	China & HK		Bangladesh		Italy		Germany		Turkey	
						7.13	31%	2.74	12%	1.62	7%	1.59	7%	1.34	6%
3	6109	T-shirts, singlets and other vests, knitted or crocheted	20.89	1.02	4.9%	Bangladesh		Turkey		China & HK		Germany		Belgium	
						3.64	17%	2.57	12%	1.88	9%	1.57	8%	1.35	6%
4	6203	Men's suits, ensembles, jackets, trousers, etc., woven	20.31	0.36	1.8%	China & HK		Bangladesh		Germany		Italy		Turkey	
						2.95	15%	2.54	12%	1.95	10%	1.30	6%	1.10	5%
5	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	13.30	0.33	2.5%	China & HK		Turkey		Germany		Bangladesh		Italy	
						4.62	35%	1.01	8%	0.86	6%	0.78	6%	0.56	4%
6	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	7.50	0.01	0.1%	China & HK		Italy		Germany		Spain		Netherlands	
						2.94	39%	0.67	9%	0.67	9%	0.43	6%	0.31	4%
7	6302	Bed linen, table linen, toilet linen and kitchen linen	7.13	0.28	3.9%	Pakistan		China & HK		Turkey		Germany		Portugal	
						1.32	19%	1.15	16%	0.90	13%	0.50	7%	0.41	6%
8	6115	Panty hose, tights, socks and other	6.25	0.03	0.5%	China & HK		Turkey		Italy		Germany		Netherlands	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
		hosiery, etc., knitted or crocheted				1.30	21%	1.00	16%	0.88	14%	0.47	7%	0.32	5%
9	6206	Women's blouses, shirts and shirt-blouses, woven	6.10	0.70	11.5%	India		China & HK		Turkey		Spain		Germany	
						0.70	12%	0.70	11%	0.47	8%	0.45	7%	0.43	7%
10	6205	Men's shirts, woven	6.07	0.46	7.6%	Bangladesh		China & HK		Germany		India		Turkey	
						0.97	16%	0.90	15%	0.52	9%	0.46	8%	0.36	6%
11	5603	Nonwovens, whether or not impregnated, coated, etc.	5.84	0.01	0.2%	Germany		Italy		France		Belgium		USA	
						1.45	25%	0.75	13%	0.42	7%	0.40	7%	0.37	6%
12	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	5.68	0.00	0.1%	China & HK		Italy		Netherlands		Germany		Belgium	
						2.04	36%	0.51	9%	0.41	7%	0.40	7%	0.29	5%
13	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	5.51	0.01	0.2%	China & HK		Spain		Belgium		Germany		Tunisia	
						2.45	45%	0.57	10%	0.34	6%	0.33	6%	0.19	3%
14	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	4.77	0.30	6.2%	China & HK		India		Bangladesh		Germany		Sri Lanka	
						1.45	30%	0.30	6%	0.29	6%	0.26	6%	0.23	5%
15	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	4.74	0.12	2.6%	Italy		China & HK		Netherlands		Turkey		Germany	
						0.67	14%	0.61	13%	0.53	11%	0.34	7%	0.30	6%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
16	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	4.38	0.09	2.0%	China & HK		Italy		Germany		Turkey		Belgium	
						1.04	24%	0.54	12%	0.50	11%	0.37	8%	0.32	7%
17	6212	Brassieres, girdles, corsets, garters, etc., woven	4.33	0.02	0.5%	China & HK		Germany		France		Belgium		Austria	
						1.30	30%	0.30	7%	0.28	7%	0.24	6%	0.22	5%
18	6307	Made-up articles of textile materials, including dress patterns, nes	4.15	0.13	3.1%	China & HK		Germany		Netherlands		United Kingdom		France	
						1.15	28%	0.52	13%	0.25	6%	0.17	4%	0.17	4%
19	6211	Track suits, ski suits and swimwear, woven	3.84	0.38	9.9%	China & HK		Tunisia		India		Italy		Belgium	
						0.80	21%	0.61	16%	0.38	10%	0.19	5%	0.17	4%
20	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	3.80	0.09	2.3%	China & HK		Cambodia		Belgium		Turkey		Italy	
						1.44	38%	0.34	9%	0.28	7%	0.24	6%	0.17	4%
21	6105	Men's shirts, knitted or crocheted	3.30	0.17	5.1%	Bangladesh		China & HK		Germany		Belgium		Italy	
						0.63	19%	0.42	13%	0.23	7%	0.23	7%	0.20	6%
22	5703	Carpets and other textile floor coverings, tufted, whether or not made up	3.25	0.12	3.8%	Belgium		Netherlands		Germany		China & HK		United Kingdom	
						1.01	31%	0.75	23%	0.23	7%	0.22	7%	0.17	5%
23	6111	Babies' garments and clothing accessories, knitted or crocheted	2.95	0.32	10.9%	China & HK		Bangladesh		India		France		Germany	
						0.96	33%	0.36	12%	0.32	11%	0.17	6%	0.15	5%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting Countries									
24	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	2.91	0.01	0.4%	Germany		China & HK		Italy		United Kingdom		Belgium	
						0.58	20%	0.48	16%	0.34	12%	0.21	7%	0.18	6%
25	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	2.81	0.11	3.8%	China & HK		Germany		Italy		Pakistan		Turkey	
						0.42	15%	0.35	13%	0.34	12%	0.32	11%	0.18	7%

From the above tables, EU-28's top imported commodities have been categorized on the basis of India's market share in them. These categorized products have been tabulated below:

India s Market Share >		High (>4%)	Medium (2 4%)	Low (<2%)
Key Products	Yarn		Filament	
	Fabric		Woven – cotton (<=200 gsm), filament	Plastic coated
	Woven Apparel	Women's blouses, shirts and shirt-blouses; Track suits, ski suits and swimwear; Men's shirts	Women's suits, dresses, skirts, etc.	Men's suits, jackets, trousers, etc.; Brassieres, girdles, corsets, garters, etc.; Garments of felt, non-wovens, etc.; Men's and women's overcoats, cloaks, wind-cheaters, etc.
	Knitted Apparel	Babies garments and accessories; Women's slips, briefs, night-dresses, etc.; Men's shirts; T-shirts, singlets and other vests	Women's suits, dresses, skirts, etc.; Men's suits, jackets, trousers, etc.	Jerseys, pullovers, cardigans, etc.; Panty hose, tights, socks and other hosiery, etc.
	Home textiles & Made-ups		Bed linen, table linen, toilet linen and kitchen linen, Carpets and other textile floor coverings; Made-up articles of textile materials	
	Others			Non-wovens

From the analysis of EU-28's top 25 imported textile and apparel commodities, it has been concluded that **India's target categories for EU-28 should be finished products, namely apparel and home textiles**.

Duty advantage to key suppliers:

- Turkey has Custom Union with EU-28.
- Bangladesh has been given Everything But Arms (EBA) status by EU-28.

10.5. Latin America and the Caribbean (LAC)

In 2013, the imports of top 25 T&A commodities of LAC was worth US$ 27 billion. It constituted a share of 67% in LAC's total T&A imports of US$ 41 billion. The analysis of these top 25 categories is given below:

Table 54: LAC's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
3	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1.75	0.43	24.9%
7	5205	Cotton yarn (not sewing thread), >= 85% cotton, not retail	1.59	0.34	21.6%
25	6206	Women's blouses, shirts and shirt-blouses, woven	0.52	0.11	20.3%
24	6105	Men's shirts, knitted or crocheted	0.52	0.10	19.1%
13	5509	Yarn (not sewing thread) of synthetic staple fibres, not retail	0.95	0.10	10.6%
5	6204	Women's suits, ensembles, dresses, skirts, etc., woven	1.64	0.12	7.2%
17	6205	Men's shirts, woven	0.64	0.04	6.1%
6	6109	T-shirts, singlets and other vests, knitted or crocheted	1.62	0.08	5.1%
19	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	0.64	0.03	4.0%
12	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	1.15	0.04	3.8%
15	6302	Bed linen, table linen, toilet linen and kitchen linen	0.76	0.03	3.4%
8	6203	Men's suits, ensembles, jackets, trousers, etc., woven	1.56	0.03	1.8%
21	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	0.55	0.01	1.6%
1	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	2.11	0.02	1.1%
9	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	1.54	0.01	1.0%
20	6307	Made-up articles of textile materials, including dress patterns, nes	0.59	0.00	0.8%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	1.66	0.01	0.7%
10	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	1.32	0.00	0.4%
2	6006	Knitted or crocheted fabrics, nes	1.80	0.00	0.2%
11	5603	Nonwovens, whether or not impregnated, coated, etc.	1.30	0.00	0.2%
18	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	0.64	0.00	0.1%
22	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	0.53	0.00	0.1%
16	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	0.70	0.00	0.1%
14	5201	Cotton, not carded or combed	0.83	0.00	0.0%
23	6001	Pile fabrics, knitted or crocheted	0.53	0.00	0.0%

Table 55: LAC's Top 5 Exporters and Importers for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
1	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	2.11	0.02	1.1%	China & HK		USA		Rep. of Korea		Brazil		Guatemala	
						1.44	68%	0.30	14%	0.07	3%	0.03	1%	0.03	1%
						Brazil		Mexico		Chile		Colombia		Argentina	
						0.67	32%	0.55	26%	0.13	6%	0.12	6%	0.09	4%
2	6006	Knitted or crocheted fabrics, nes	1.80	0.00	0.2%	China & HK		USA		Rep. of Korea		Guatemala		Peru	
						0.98	54%	0.40	22%	0.12	7%	0.09	5%	0.06	4%
						Mexico		Brazil		Nicaragua		El Salvador		Guatemala	
						0.34	19%	0.30	16%	0.24	13%	0.21	12%	0.19	10%
3	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1.75	0.43	24.9%	India		China & HK		USA		Rep. of Korea		Indonesia	
						0.43	25%	0.38	22%	0.33	19%	0.11	6%	0.06	3%
						Brazil		Mexico		Colombia		Argentina		Peru	
						0.74	43%	0.35	20%	0.15	9%	0.13	7%	0.09	5%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	1.66	0.01	0.7%	China & HK		USA		Peru		Spain		Chile	
						1.26	76%	0.09	5%	0.07	4%	0.05	3%	0.04	2%
						Mexico		Panama		Chile		Brazil		Honduras	
						0.37	22%	0.36	22%	0.28	17%	0.18	11%	0.09	5%
5	6204	Women's suits, ensembles, dresses, skirts, etc., woven	1.64	0.12	7.2%	China & HK		Spain		India		USA		Colombia	
						0.94	57%	0.16	10%	0.12	7%	0.08	5%	0.05	3%
						Panama		Brazil		Mexico		Chile		Venezuela	
						0.36	22%	0.33	20%	0.28	17%	0.26	16%	0.07	4%
6	6109	T-shirts, singlets and other vests, knitted or crocheted	1.62	0.08	5.1%	China & HK		USA		Peru		Spain		El Salvador	
						0.64	40%	0.21	13%	0.16	10%	0.09	5%	0.09	5%
						Mexico		Brazil		Chile		Panama		Venezuela	
						0.39	24%	0.24	15%	0.23	14%	0.18	11%	0.14	9%
7	5205		1.59	0.34	21.6%	USA		India		Mexico		El Salvador		Peru	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Cotton yarn (not sewing thread), >= 85% cotton, not retail				1.06	66%	0.34	22%	0.04	3%	0.04	2%	0.02	1%
						Honduras		Dominican Rep.		Peru		Mexico		Colombia	
						0.56	36%	0.28	18%	0.14	9%	0.13	8%	0.13	8%
8	6203	Men's suits, ensembles, jackets, trousers, etc., woven	1.56	0.03	1.8%	China & HK		USA		Spain		Bangladesh		Viet Nam	
						0.89	57%	0.15	9%	0.07	5%	0.07	5%	0.04	3%
						Brazil		Chile		Panama		Mexico		Peru	
						0.31	20%	0.29	18%	0.25	16%	0.25	16%	0.07	5%
9	5903	Textile fabrics impregnated, coated, covered, etc. with plastics (not tyre cord, etc.)	1.54	0.01	1.0%	USA		China & HK		Brazil		Rep. of Korea		Germany	
						0.71	46%	0.66	43%	0.04	2%	0.02	2%	0.02	1%
						Mexico		Brazil		Colombia		Peru		Argentina	
						0.94	61%	0.18	12%	0.09	6%	0.06	4%	0.06	4%
10	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	1.32	0.00	0.4%	China & HK		Bangladesh		USA		El Salvador		Spain	
						0.81	61%	0.12	9%	0.09	7%	0.07	5%	0.06	5%
						Chile		Mexico		Brazil		Panama		Peru	
						0.32	24%	0.32	24%	0.24	18%	0.09	7%	0.08	6%
11	5603	Nonwovens, whether or not impregnated, coated, etc.	1.30	0.00	0.2%	USA		China & HK		Brazil		Argentina		Germany	
						0.67	52%	0.17	13%	0.16	12%	0.07	6%	0.04	3%
						Mexico		Brazil		Colombia		Chile		Argentina	
						0.52	40%	0.16	12%	0.09	7%	0.09	7%	0.08	6%
12	5209	Woven fabrics of cotton, >= 85% cotton, > 200 gsm	1.15	0.04	3.8%	USA		Dominican Rep.		China & HK		Mexico		Brazil	
						0.40	35%	0.19	16%	0.16	14%	0.08	7%	0.08	7%
						Mexico		Haiti		Nicaragua		Colombia		Dominican Rep.	
						0.37	33%	0.17	15%	0.14	12%	0.07	6%	0.06	6%
13	5509	Yarn (not sewing thread) of	0.95	0.10	10.6%	USA		Indonesia		India		China & HK		Thailand	
						0.40	42%	0.21	23%	0.10	11%	0.07	8%	0.04	4%
						Honduras		Brazil		El Salvador		Colombia		Mexico	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		synthetic staple fibres, not retail				0.30	32%	0.27	28%	0.06	7%	0.06	6%	0.06	6%
14	5201	Cotton, not carded or combed	0.83	0.00	0.0%	USA		Brazil		Paraguay		Mexico		Argentina	
						0.79	94%	0.01	2%	0.01	1%	0.01	1%	0.00	0%
						Mexico		Peru		Colombia		El Salvador		Ecuador	
						0.42	50%	0.13	15%	0.06	8%	0.05	6%	0.05	6%
15	6302	Bed linen, table linen, toilet linen and kitchen linen	0.76	0.03	3.4%	China & HK		Pakistan		USA		Chile		Brazil	
						0.42	55%	0.08	10%	0.05	7%	0.03	4%	0.03	4%
						Chile		Brazil		Panama		Mexico		Peru	
						0.22	29%	0.09	12%	0.08	10%	0.07	9%	0.04	5%
16	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	0.70	0.00	0.1%	China & HK		USA		Chile		El Salvador		Italy	
						0.39	56%	0.14	20%	0.05	6%	0.03	5%	0.01	2%
						Chile		Mexico		El Salvador		Panama		Brazil	
						0.20	29%	0.11	16%	0.08	12%	0.06	8%	0.04	6%
17	6205	Men's shirts, woven	0.64	0.04	6.1%	China & HK		Bangladesh		India		USA		Spain	
						0.36	55%	0.04	6%	0.04	6%	0.03	5%	0.03	5%
						Brazil		Mexico		Chile		Panama		Peru	
						0.15	24%	0.12	19%	0.11	18%	0.08	13%	0.03	5%
18	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	0.64	0.00	0.1%	China & HK		USA		Spain		Mexico		Italy	
						0.48	75%	0.10	16%	0.01	2%	0.01	2%	0.01	2%
						Chile		Brazil		Mexico		Dominican Rep.		Argentina	
						0.18	27%	0.15	24%	0.14	22%	0.05	8%	0.03	5%
19	5208	Woven fabrics of cotton, >= 85% cotton, <= 200 gsm	0.64	0.03	4.0%	China & HK		Pakistan		Dominican Rep.		India		USA	
						0.41	64%	0.04	6%	0.03	5%	0.03	4%	0.02	4%
						Brazil		Mexico		Argentina		Colombia		Haiti	
						0.19	29%	0.14	22%	0.06	9%	0.05	8%	0.03	5%
20	6307	Made-up articles of textile	0.59	0.00	0.8%	USA		China & HK		Mexico		Germany		Chile	
						0.31	53%	0.18	31%	0.02	3%	0.01	2%	0.01	1%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		materials, including dress patterns, nes				Mexico		Brazil		Chile		Venezuela		Peru	
						0.26	44%	0.06	11%	0.04	7%	0.04	7%	0.03	4%
21	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	0.55	0.01	1.6%	China & HK		Chile		Cambodia		Peru		USA	
						0.40	73%	0.03	5%	0.02	4%	0.01	3%	0.01	2%
						Panama		Chile		Mexico		Brazil		Venezuela	
						0.14	26%	0.10	18%	0.08	15%	0.06	11%	0.03	5%
22	6004	Knitted/crocheted fabrics of width > 30 cm, >= 5% elastomeric yarn (not pile fabrics, etc.)	0.53	0.00	0.1%	China & HK		USA		Rep. of Korea		Peru		Colombia	
						0.17	31%	0.13	25%	0.08	15%	0.05	9%	0.05	9%
						Nicaragua		Honduras		Mexico		Venezuela		Guatemala	
						0.08	16%	0.08	15%	0.06	12%	0.05	10%	0.04	8%
23	6001	Pile fabrics, knitted or crocheted	0.53	0.00	0.0%	China & HK		USA		Rep. of Korea		Germany		Indonesia	
						0.36	68%	0.13	24%	0.02	3%	0.01	1%	0.00	1%
						Mexico		Brazil		Chile		Peru		El Salvador	
						0.18	35%	0.08	16%	0.07	12%	0.03	7%	0.03	5%
24	6105	Men's shirts, knitted or crocheted	0.52	0.10	19.1%	China & HK		India		Peru		USA		Bangladesh	
						0.20	39%	0.10	19%	0.07	13%	0.02	4%	0.02	4%
						Brazil		Panama		Mexico		Chile		Curacao	
						0.15	29%	0.09	18%	0.08	16%	0.05	9%	0.03	5%
25	6206	Women's blouses, shirts and shirt-blouses, woven	0.52	0.11	20.3%	China & HK		India		Spain		USA		Peru	
						0.17	33%	0.11	20%	0.06	11%	0.05	10%	0.02	4%
						Brazil		Mexico		Chile		Venezuela		Colombia	
						0.16	31%	0.11	21%	0.06	12%	0.03	6%	0.03	6%

From the above tables, LAC's top imported commodities have been categorized on the basis of India's market share in them. The key markets of these categorized products have been identified and tabulated below:

India s Market Share >		High (>5%)	Medium (2 5%)	Low (<2%)
Key Products	Yarn	Cotton, synthetic and filament		
	Fabric		Woven – cotton	Woven – filament; plastic coated fabric; knitted fabric; pile fabric
	Woven Apparel	Women's blouses, shirts and shirt-blouses; Women's suits, dresses, skirts, etc.; Men's shirts		Men's suits, jackets, trousers, etc.; Garments, of felt, non-wovens, etc.
	Knitted Apparel	Men's shirts; T-shirts, singlets and other vests		Men's suits, jackets, trousers, etc.; Women's suits, dresses, skirts, etc.; Jerseys, pullovers, cardigans, etc.; Panty hose, tights, socks and other hosiery, etc.
	Home textiles & Made-ups		Bed linen, table linen, toilet linen and kitchen linen	Made-up articles of textile materials
	Others			Non-wovens
Key Markets		Brazil, Mexico, Honduras, Panama and Chile	Brazil, Mexico, Chile and Haiti	Brazil, Mexico, Panama, Chile, Nicaragua and Honduras

From the analysis of LAC's top 25 imported textile and apparel commodities following have been concluded as the **India's target categories and their target markets for LAC**:

- Cotton textiles: Mexico and Honduras
- Man-made textiles: Mexico and Honduras
- Knitted & coated fabrics: Mexico
- Apparel: Mexico and Panama
- Home textiles & made-ups: Mexico and Panama

10.6. North America

In 2013, the imports of top 25 T&A commodities of North America was worth US$ 98 billion. It constituted a share of 80% in North America's total T&A imports of US$ 123 billion. The analysis of these top 25 categories is given below:

Table 56: North America's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
14	6304	Furnishing articles of textile material, nes	2.17	1.14	52.5%
25	5703	Carpets and other textile floor coverings, tufted, whether or not made up	1.38	0.27	19.6%
6	6302	Bed linen, table linen, toilet linen and kitchen linen	4.92	0.82	16.7%
10	6206	Women's blouses, shirts and shirt-blouses, woven	3.02	0.48	15.9%
5	6109	T-shirts, singlets and other vests, knitted or crocheted	8.03	0.72	8.9%
18	6211	Track suits, ski suits and swimwear, woven	2.04	0.18	8.8%
12	6105	Men's shirts, knitted or crocheted	2.30	0.18	8.0%
7	6205	Men's shirts, woven	3.88	0.29	7.5%
19	6111	Babies' garments and clothing accessories, knitted or crocheted	1.89	0.13	7.0%
15	6114	Garments, nes, knitted or crocheted	2.16	0.13	6.2%
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	13.13	0.65	4.9%
8	6307	Made-up articles of textile materials, including dress patterns, nes	3.69	0.17	4.5%
9	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	3.06	0.13	4.3%
21	6106	Women's blouses, shirts and shirt-blouses, knitted or crocheted	1.58	0.062	3.9%
3	6203	Men's suits, ensembles, jackets, trousers, etc., woven	9.75	0.31	3.2%
11	6212	Brassieres, girdles, corsets, garters, etc., woven	2.86	0.07	2.5%
24	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	1.41	0.03	2.4%
23	5603	Nonwovens, whether or not impregnated, coated, etc.	1.44	0.03	2.4%
13	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	2.29	0.04	1.6%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	8.06	0.13	1.6%
16	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	2.15	0.02	0.9%
22	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	1.55	0.01	0.7%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	11.56	0.05	0.4%
20	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	1.62	0.00	0.3%
17	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	2.09	0.001	0.03%

Table 57: North America's Top 5 Exporters and Importers for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	13.13	0.65	4.9%	China & HK		Viet Nam		Bangladesh		India		Indonesia	
						7.04	54%	1.37	10%	0.87	7%	0.65	5%	0.56	4%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						12.01	91%	1.12	9%	0.00	0%	0.00	0%	0.00	0%
2	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	11.56	0.05	0.4%	China & HK		Viet Nam		Indonesia		Bangladesh		USA	
						6.93	60%	1.62	14%	0.60	5%	0.43	4%	0.21	2%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						10.44	90%	1.11	10%	0.00	0%	0.00	0%	0.00	0%
3	6203	Men's suits, ensembles, jackets, trousers, etc., woven	9.75	0.31	3.2%	China & HK		Bangladesh		Mexico		Viet Nam		Italy	
						2.69	28%	1.71	18%	1.62	17%	0.86	9%	0.34	4%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						8.82	90%	0.92	9%	0.00	0%	0.00	0%	0.00	0%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	8.06	0.13	1.6%	China & HK		Viet Nam		Cambodia		Indonesia		Nicaragua	
						3.81	47%	1.16	14%	0.61	8%	0.44	5%	0.38	5%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						7.25	90%	0.80	10%	0.00	0%	0.00	0%	0.00	0%
5	6109	T-shirts, singlets and other vests, knitted or crocheted	8.03	0.72	8.9%	China & HK		Mexico		El Salvador		India		Viet Nam	
						2.27	28%	0.82	10%	0.72	9%	0.72	9%	0.67	8%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						7.18	89%	0.85	11%	0.00	0%	0.00	0%	0.00	0%
6	6302		4.92	0.82	16.7%	China & HK		Pakistan		India		Turkey		USA	
						2.11	43%	1.04	21%	0.82	17%	0.16	3%	0.12	2%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
		Bed linen, table linen, toilet linen and kitchen linen				USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						4.43	90%	0.49	10%	0.00	0%	0.00	0%	0.00	0%
7	6205	Men's shirts, woven	3.88	0.29	7.5%	China & HK		Bangladesh		Indonesia		India		Viet Nam	
						1.25	32%	0.78	20%	0.29	8%	0.29	8%	0.27	7%
						USA		Canada		Bermuda		Greenland		Saint Kitts and Nevis	
						3.54	91%	0.34	9%	0.00	0%	0.00	0%	0.00	0%
8	6307	Made-up articles of textile materials, including dress patterns, nes	3.69	0.17	4.5%	China & HK		Mexico		Pakistan		USA		Viet Nam	
						1.99	54%	0.46	13%	0.31	9%	0.19	5%	0.18	5%
						USA		Canada		Bermuda		Greenland		Saint Pierre and Miquelon	
						3.32	90%	0.37	10%	0.00	0%	0.00	0%	0.00	0%
9	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	3.06	0.13	4.3%	China & HK		Sri Lanka		Cambodia		Viet Nam		Bangladesh	
						1.42	46%	0.25	8%	0.23	8%	0.20	7%	0.20	6%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						2.79	91%	0.27	9%	0.00	0%	0.00	0%	0.00	0%
10	6206	Women's blouses, shirts and shirt-blouses, woven	3.02	0.48	15.9%	China & HK		India		Indonesia		Nicaragua		Viet Nam	
						1.17	39%	0.48	16%	0.34	11%	0.29	10%	0.21	7%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						2.79	92%	0.23	8%	0.00	0%	0.00	0%	0.00	0%
11	6212	Brassieres, girdles, corsets, garters, etc., woven	2.86	0.07	2.5%	China & HK		Sri Lanka		Indonesia		Thailand		USA	
						1.69	59%	0.24	9%	0.19	7%	0.11	4%	0.09	3%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						2.62	91%	0.24	8%	0.00	0%	0.00	0%	0.00	0%
12	6105		2.30	0.18	8.0%	China & HK		Pakistan		Viet Nam		Guatemala		India	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
		Men's shirts, knitted or crocheted				0.49	21%	0.30	13%	0.29	13%	0.25	11%	0.18	8%
						USA		Canada		Bermuda		Greenland		Saint Kitts and Nevis	
						2.14	93%	0.15	7%	0.00	0%	0.00	0%	0.00	0%
13	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	2.29	0.04	1.6%	China & HK		Cambodia		Viet Nam		Pakistan		Indonesia	
						0.79	35%	0.37	16%	0.20	9%	0.14	6%	0.14	6%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						2.07	90%	0.22	10%	0.00	0%	0.00	0%	0.00	0%
14	6304	Furnishing articles of textile material, nes	2.17	1.14	52.5%	India		China & HK		Pakistan		Mexico		Turkey	
						1.14	53%	0.85	39%	0.04	2%	0.03	1%	0.02	1%
						USA		Canada		Bermuda		Saint Pierre and Miquelon		Greenland	
						2.04	94%	0.13	6%	0.00	0%	0.00	0%	0.00	0%
15	6114	Garments, nes, knitted or crocheted	2.16	0.13	6.2%	Jordan		China & HK		Viet Nam		India		Mexico	
						0.87	40%	0.40	18%	0.29	13%	0.13	6%	0.07	3%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						1.99	92%	0.16	8%	0.00	0%	0.00	0%	0.00	0%
16	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	2.15	0.02	0.9%	China & HK		El Salvador		Pakistan		Mexico		Rep. of Korea	
						1.22	57%	0.20	9%	0.15	7%	0.13	6%	0.11	5%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						1.87	87%	0.28	13%	0.00	0%	0.00	0%	0.00	0%
17	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	2.09	0.001	0.03%	China & HK		Italy		France		Mexico		Bangladesh	
						1.24	59%	0.17	8%	0.12	6%	0.12	6%	0.10	5%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						1.80	86%	0.29	14%	0.00	0%	0.00	0%	0.00	0%
18	6211		2.04	0.18	8.8%	China & HK		Mexico		India		France		Viet Nam	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
		Track suits, ski suits and swimwear, woven				0.84	41%	0.22	11%	0.18	9%	0.15	7%	0.14	7%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						1.78	87%	0.26	13%	0.00	0%	0.00	0%	0.00	0%
19	6111	Babies' garments and clothing accessories, knitted or crocheted	1.89	0.13	7.0%	China & HK		Cambodia		India		Bangladesh		Thailand	
						1.04	55%	0.15	8%	0.13	7%	0.10	5%	0.09	5%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						1.73	92%	0.16	8%	0.00	0%	0.00	0%	0.00	0%
20	6202	Women's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	1.62	0.00	0.3%	China & HK		Viet Nam		Bangladesh		Italy		United Kingdom	
						0.86	53%	0.28	17%	0.10	6%	0.08	5%	0.04	3%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						1.36	84%	0.26	16%	0.00	0%	0.00	0%	0.00	0%
21	6106	Women's blouses, shirts and shirt-blouses, knitted or crocheted	1.58	0.062	3.9%	Guatemala		Viet Nam		Indonesia		China & HK		Philippines	
						0.44	28%	0.16	10%	0.15	10%	0.24	15%	0.09	6%
						USA		Canada		Greenland		Bermuda		Saint Kitts and Nevis	
						1.48	93%	0.10	6%	0.00	0%	0.00	0%	0.00	0%
22	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	1.55	0.01	0.7%	China & HK		Viet Nam		Bangladesh		Indonesia		Mexico	
						0.70	45%	0.23	15%	0.14	9%	0.12	8%	0.07	5%
						USA		Canada		Greenland		Bermuda		Saint Pierre and Miquelon	
						1.33	86%	0.22	14%	0.00	0%	0.00	0%	0.00	0%
23	5603	Nonwovens, whether or not impregnated, coated, etc.	1.44	0.03	2.4%	USA		China & HK		Germany		Japan		Canada	
						0.36	25%	0.20	14%	0.12	8%	0.10	7%	0.10	7%
						USA		Canada		Bermuda		Greenland		Saint Pierre and Miquelon	
						1.03	72%	0.41	28%	0.00	0%	0.00	0%	0.00	0%
24	5402		1.41	0.03	2.4%	Canada		China & HK		Mexico		USA		Rep. of Korea	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing countries									
		Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex				0.35	25%	0.20	14%	0.20	14%	0.15	11%	0.12	8%
						USA		Canada		Bermuda		Greenland		Saint Kitts and Nevis	
						1.16	83%	0.25	17%	0.00	0%	0.00	0%	0.00	0%
25	5703	Carpets and other textile floor coverings, tufted, whether or not made up	1.38	0.27	19.6%	USA		India		China & HK		Canada		Mexico	
						0.60	43%	0.27	20%	0.24	17%	0.14	10%	0.03	2%
						USA		Canada		Bermuda		Greenland		Saint Pierre and Miquelon	
						0.72	52%	0.67	48%	0.00	0%	0.00	0%	0.00	0%

From the above tables, North America’s top imported commodities have been categorized on the basis of India’s market share in them. The key markets of these categorized products have been identified and tabulated below:

India s Market Share >		High (>6%)	Medium (2 6%)	Low (<2%)
Key Products	Yarn		Filament	
	Woven Apparel	Women's blouses, shirts and shirt-blouses; Track suits, ski suits and swimwear; Men's shirts	Women's suits, dresses, skirts, etc.; Men's suits, jackets, trousers, etc.; Brassieres, girdles, corsets, garters, etc.	Men's and women’s overcoats, cloaks, wind-cheaters, etc.; Garments of felt, non-wovens, impregnated fabric, etc.
	Knitted Apparel	T-shirts, singlets and other vests; Men's shirts; Babies' garments and clothing accessories	Women's slips, briefs, nightdresses, etc.; Women's blouses, shirts and shirt-blouses;	Men's suits, jackets, trousers, etc.; Women's suits, dresses, skirts, etc.; Panty hose, tights, socks and other hosiery, etc.; Jerseys, pullovers, cardigans, etc.
	Home textiles & Made-ups	Furnishing articles of textile material; Carpets and other textile floor coverings; Bed linen, table linen, toilet linen and kitchen linen	Made-up articles of textile materials	
	Others		Non-wovens	
Key Markets		USA and Canada		

From the analysis of North America’s top 25 imported textile and apparel commodities, it has been concluded that **India’s target categories for North America should be finished products, namely apparel, home textiles and made-ups, and target markets for these products should be USA and Canada.**

Duty advantage to key suppliers:

- Bangladesh has been given LDC status by Canada.
- Mexico has signed NAFTA with USA and Canada.

10.7. Oceania

In 2013, the imports of top 25 T&A commodities of Oceania was worth US$ 8 billion. It constituted a share of 77% in Oceania's total T&A imports of US$ 11 billion. The analysis of these top 25 categories is given below:

Table 58: Oceania's Top 25 Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share
22	6305	Sacks and bags of textile material for packing goods	0.14	0.02	14.9%
25	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	0.12	0.01	10.2%
14	6206	Women's blouses, shirts and shirt-blouses, woven	0.18	0.01	6.9%
6	6302	Bed linen, table linen, toilet linen and kitchen linen	0.66	0.04	6.8%
11	6211	Track suits, ski suits and swimwear, woven	0.21	0.01	6.2%
18	6111	Babies' garments and clothing accessories, knitted or crocheted	0.16	0.01	6.1%
19	6114	Garments, nes, knitted or crocheted	0.15	0.01	3.8%
7	5703	Carpets and other textile floor coverings, tufted, whether or not made up	0.35	0.01	3.7%
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	1.08	0.04	3.4%
8	6205	Men's shirts, woven	0.29	0.01	3.0%
9	6307	Made-up articles of textile materials, including dress patterns, nes	0.25	0.01	2.8%
2	6109	T-shirts, singlets and other vests, knitted or crocheted	0.83	0.02	2.3%
23	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic monofilament of < 67dtex	0.14	0.00	1.5%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	0.72	0.01	1.2%
5	6203	Men's suits, ensembles, jackets, trousers, etc., woven	0.70	0.01	1.1%
24	5603	Nonwovens, whether or not impregnated, coated, etc.	0.14	0.00	0.8%
10	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	0.24	0.00	0.7%
12	6103	Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted	0.20	0.00	0.7%
17	6105	Men's shirts, knitted or crocheted	0.17	0.00	0.6%
16	6306	Tarpaulins, awnings, tents, sails, etc.	0.17	0.00	0.5%
15	6212	Brassieres, girdles, corsets, garters, etc., woven	0.17	0.00	0.4%
3	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.73	0.00	0.4%
13	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	0.18	0.00	0.1%
21	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	0.15	0.00	0.1%
20	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	0.15	0.00	0.0%

Table 59: Oceania's Top 5 Exporters and Importers for Largest Imported T&A Commodities (2013) (In US$ Billion)

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
1	6204	Women's suits, ensembles, dresses, skirts, etc., woven	1.08	0.04	3.4%	China & HK		India		New Zealand		United Kingdom		Bangladesh	
						0.80	74%	0.04	3%	0.03	3%	0.03	3%	0.03	3%
						Australia		New Zealand		Fiji		New Caledonia		Papua New Guinea	
						0.95	88%	0.11	10%	0.00	0%	0.00	0%	0.00	0%
2	6109	T-shirts, singlets and other vests, knitted or crocheted	0.83	0.02	2.3%	China & HK		Bangladesh		USA		India		United Kingdom	
						0.55	66%	0.13	16%	0.02	2%	0.02	2%	0.01	2%
						Australia		New Zealand		New Caledonia		Papua New Guinea		Fiji	
						0.70	85%	0.11	13%	0.00	1%	0.00	0%	0.00	0%
3	6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	0.73	0.00	0.4%	China & HK		Bangladesh		New Zealand		Viet Nam		Cambodia	
						0.59	80%	0.05	6%	0.02	2%	0.01	2%	0.01	1%
						Australia		New Zealand		Guam		New Caledonia		N. Mariana Isds	
						0.63	86%	0.10	14%	0.00	0%	0.00	0%	0.00	0%
4	6104	Women's suits, ensembles, dresses, skirts, etc., knitted or crocheted	0.72	0.01	1.2%	China & HK		Bangladesh		New Zealand		United Kingdom		Cambodia	
						0.59	82%	0.03	5%	0.02	2%	0.02	2%	0.01	1%
						Australia		New Zealand		Papua New Guinea		Fiji		New Caledonia	
						0.63	87%	0.08	12%	0.00	0%	0.00	0%	0.00	0%
5	6203	Men's suits, ensembles, jackets, trousers, etc., woven	0.70	0.01	1.1%	China & HK		Bangladesh		New Zealand		Fiji		Germany	
						0.44	63%	0.07	9%	0.02	3%	0.02	3%	0.02	3%
						Australia		New Zealand		Papua New Guinea		Guam		Fiji	
						0.59	84%	0.09	13%	0.01	1%	0.00	0%	0.00	0%
6	6302		0.66	0.04	6.8%	China & HK		Pakistan		India		Bangladesh		France	
						0.37	56%	0.17	26%	0.04	7%	0.02	4%	0.01	1%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Bed linen, table linen, toilet linen and kitchen linen				Australia		New Zealand		Papua New Guinea		New Caledonia		French Polynesia	
						0.57	86%	0.08	12%	0.00	0%	0.00	0%	0.00	0%
7	5703	Carpets and other textile floor coverings, tufted, whether or not made up	0.35	0.01	3.7%	New Zealand		China & HK		USA		Thailand		Australia	
						0.10	27%	0.08	23%	0.05	13%	0.04	12%	0.03	8%
						Australia		New Zealand		Fiji		Papua New Guinea		New Caledonia	
						0.28	81%	0.06	18%	0.00	0%	0.00	0%	0.00	0%
8	6205	Men's shirts, woven	0.29	0.01	3.0%	China & HK		Bangladesh		Indonesia		Viet Nam		India	
						0.19	63%	0.02	8%	0.02	5%	0.01	3%	0.01	3%
						Australia		New Zealand		Papua New Guinea		Guam		N. Mariana Isds	
						0.25	85%	0.03	11%	0.00	1%	0.00	1%	0.00	0%
9	6307	Made-up articles of textile materials, including dress patterns, nes	0.25	0.01	2.8%	China & HK		USA		Australia		India		Pakistan	
						0.16	61%	0.02	9%	0.01	5%	0.01	3%	0.01	2%
						Australia		New Zealand		Papua New Guinea		New Caledonia		Fiji	
						0.21	83%	0.03	13%	0.00	1%	0.00	1%	0.00	0%
10	6108	Women's slips, petticoats, briefs, nightdresses, bathrobes, etc., knitted or crocheted	0.24	0.00	0.7%	China & HK		New Zealand		Bangladesh		Indonesia		Cambodia	
						0.19	77%	0.01	6%	0.01	5%	0.01	2%	0.00	2%
						Australia		New Zealand		New Caledonia		Papua New Guinea		French Polynesia	
						0.21	85%	0.03	14%	0.00	0%	0.00	0%	0.00	0%
11	6211	Track suits, ski suits and swimwear, woven	0.21	0.01	6.2%	China & HK		France		Italy		India		USA	
						0.13	62%	0.02	12%	0.01	7%	0.01	6%	0.01	2%
						Australia		New Zealand		New Caledonia		French Polynesia		Papua New Guinea	
						0.17	80%	0.02	11%	0.01	4%	0.00	2%	0.00	2%
12	6103		0.20	0.00	0.7%	China & HK		Bangladesh		Cambodia		Indonesia		Italy	

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		Men's suits, ensembles, jackets, trousers, etc., knitted or crocheted				0.15	73%	0.01	7%	0.01	4%	0.00	2%	0.00	2%
						Australia		New Zealand		Papua New Guinea		Vanuatu		Fiji	
						0.17	84%	0.03	13%	0.00	2%	0.00	0%	0.00	0%
13	6115	Panty hose, tights, socks and other hosiery, etc., knitted or crocheted	0.18	0.00	0.1%	China & HK		USA		Italy		New Zealand		Australia	
						0.14	76%	0.01	5%	0.01	3%	0.00	2%	0.00	2%
						Australia		New Zealand		Papua New Guinea		New Caledonia		Fiji	
						0.15	84%	0.03	14%	0.00	0%	0.00	0%	0.00	0%
14	6206	Women's blouses, shirts and shirt-blouses, woven	0.18	0.01	6.9%	China & HK		India		New Zealand		Indonesia		United Kingdom	
						0.11	59%	0.01	7%	0.01	6%	0.01	4%	0.01	4%
						Australia		New Zealand		Fiji		Guam		New Caledonia	
						0.16	87%	0.02	11%	0.00	0%	0.00	0%	0.00	0%
15	6212	Brassieres, girdles, corsets, garters, etc., woven	0.17	0.00	0.4%	China & HK		Indonesia		New Zealand		Australia		France	
						0.11	63%	0.02	13%	0.01	6%	0.00	3%	0.00	2%
						Australia		New Zealand		New Caledonia		French Polynesia		Papua New Guinea	
						0.13	77%	0.04	22%	0.00	1%	0.00	0%	0.00	0%
16	6306	Tarpaulins, awnings, tents, sails, etc.	0.17	0.00	0.5%	China & HK		USA		New Zealand		Germany		Australia	
						0.13	75%	0.01	8%	0.01	3%	0.00	2%	0.00	2%
						Australia		New Zealand		Papua New Guinea		New Caledonia		French Polynesia	
						0.14	84%	0.02	12%	0.00	1%	0.00	1%	0.00	1%
17	6105	Men's shirts, knitted or crocheted	0.17	0.00	0.6%	China & HK		Bangladesh		Viet Nam		Thailand		Singapore	
						0.12	74%	0.01	8%	0.00	2%	0.00	2%	0.00	2%
						Australia		New Zealand		Papua New Guinea		Guam		New Caledonia	
						0.14	86%	0.02	10%	0.00	2%	0.00	1%	0.00	0%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
18	6111	Babies' garments and clothing accessories, knitted or crocheted	0.16	0.01	6.1%	China & HK		Bangladesh		New Zealand		India		Cambodia	
						0.11	71%	0.02	10%	0.01	7%	0.01	6%	0.00	1%
						Australia		New Zealand		New Caledonia		French Polynesia		Papua New Guinea	
						0.13	84%	0.02	14%	0.00	1%	0.00	0%	0.00	0%
19	6114	Garments, nes, knitted or crocheted	0.15	0.01	3.8%	China & HK		Bangladesh		Australia		France		New Zealand	
						0.05	31%	0.03	18%	0.02	14%	0.02	10%	0.01	4%
						Australia		New Zealand		New Caledonia		French Polynesia		Papua New Guinea	
						0.11	70%	0.03	20%	0.01	7%	0.00	1%	0.00	1%
20	6201	Men's overcoats, car-coats, cloaks, wind-cheaters, etc., woven	0.15	0.00	0.0%	United Kingdom		China & HK		Australia		Indonesia		Viet Nam	
						0.06	41%	0.06	43%	0.00	2%	0.00	2%	0.00	2%
						Australia		New Zealand		Papua New Guinea		New Caledonia		Guam	
						0.13	85%	0.02	14%	0.00	0%	0.00	0%	0.00	0%
21	6210	Garments, of felt, non-wovens, impregnated fabric, etc.	0.15	0.00	0.1%	China & HK		Fiji		Italy		USA		Australia	
						0.10	68%	0.01	9%	0.01	4%	0.01	4%	0.01	4%
						Australia		New Zealand		New Caledonia		Papua New Guinea		French Polynesia	
						0.12	80%	0.03	17%	0.00	1%	0.00	1%	0.00	0%
22	6305	Sacks and bags of textile material for packing goods	0.14	0.02	14.9%	China & HK		India		Thailand		Indonesia		Viet Nam	
						0.07	54%	0.02	15%	0.01	9%	0.01	8%	0.00	2%
						Australia		New Zealand		Papua New Guinea		Fiji		New Caledonia	
						0.11	80%	0.02	13%	0.01	5%	0.00	1%	0.00	1%
23	5402	Synthetic filament yarn (not sewing thread), not retail, incl. synthetic	0.14	0.00	1.5%	Belgium		China & HK		USA		Italy		Germany	
						0.04	28%	0.03	26%	0.02	15%	0.01	6%	0.01	5%
						Australia		New Zealand		Kiribati		Papua New Guinea		Fiji	
						0.11	78%	0.03	22%	0.00	0%	0.00	0%	0.00	0%

Rank	HS 4	Description	Total Imports	Import from India	India's Share	Top Exporting & Importing Countries									
		monofilament of < 67dtex													
24	5603	Nonwovens, whether or not impregnated, coated, etc.	0.14	0.00	0.8%	China & HK		USA		Germany		Malaysia		Italy	
						0.04	30%	0.03	22%	0.01	8%	0.01	6%	0.01	4%
						Australia		New Zealand		Papua New Guinea		New Caledonia		Fiji	
						0.10	76%	0.03	19%	0.00	3%	0.00	1%	0.00	1%
25	5407	Woven fabrics of synthetic filament yarn, incl. monofilament of >= 67 dtex	0.12	0.01	10.2%	China & HK		India		Indonesia		Australia		Turkey	
						0.04	36%	0.01	10%	0.01	9%	0.01	6%	0.01	5%
						Australia		New Zealand		Fiji		Papua New Guinea		Samoa	
						0.08	61%	0.03	24%	0.01	8%	0.00	4%	0.00	1%

From the above tables, Oceania's top imported commodities have been categorized on the basisofIndia's market share in them. The key markets of these categorized products have been identified and tabulated below:

India s Market Share >		High (>4%)	Medium (2 4%)	Low (<2%)
Key Products	Yarn			Filament
	Fabric	Woven – filament		
	Woven Apparel	Women's blouses, shirts and shirt-blouses; Track suits, ski suits and swimwear	Women's suits, dresses, skirts, etc.; Men's shirts	Men's suits, jackets, trousers, etc.; Brassieres, girdles, corsets, garters, etc.; Garments, of felt, non-wovens, impregnated fabric, etc.; Men's overcoats, cloaks, wind-cheaters, etc.
	Knitted Apparel	Babies' garments and clothing accessories	T-shirts, singlets and other vests	Women's suits, dresses, skirts, etc.; Women's slips, briefs, nightdresses, etc.; Men's suits, jackets, trousers, etc.; Men's shirts; Jerseys, pullovers, cardigans, etc.; Panty hose, tights, socks and other hosiery, etc.
	Home textiles & Made-ups	Sacks and bags of textile material; Bed linen, table linen, toilet linen and kitchen linen	Carpets and other textile floor coverings; Made-up articles of textile materials	Tarpaulins, awnings, tents, sails, etc.
	Others			Non-wovens
Key Markets		Australia and New Zealand		

From the analysis of Oceania's top 25 imported textile and apparel commodities, it has been concluded that **India's target categories for Oceania should be finished products, namely apparel, home textiles and made-ups, and target markets for these products should be Australia and New Zealand.**

Region	Target Categories	Target Markets
Africa	Cotton textiles	Egypt, Morocco, Tunisia and Benin
	Man-made textiles	Egypt and Morocco
	Knitted & coated fabrics	Morocco
	Apparel	South Africa and Egypt
	Home textiles	Libya and South Africa
Asia (excl. China)	Cotton textiles	Hong Kong and Turkey
	Man-made textiles	Turkey
	Knitted & coated fabrics	Hong Kong
	Apparel	Russia and UAE
	Home textiles	Russia
China	Textiles – cotton textiles, man-made textiles & knitted fabrics	China
EU-28	Finished products – apparel & home textiles	EU-28
Latin America & the Caribbean (LAC)	Cotton textiles	Mexico and Honduras
	Man-made textiles	Mexico and Honduras
	Knitted & coated fabrics	Mexico
	Apparel	Mexico and Panama
	Home textiles & made-ups	Mexico and Panama
North America	Finished products – apparel, home textiles & made-ups	USA and Canada
Oceania	Finished products – apparel, home textiles & made-ups	Australia and New Zealand

Annexure

A. **Note**

1. **Overview of GATT and WTO**

General Agreement on Tariffs and Trade (**GATT**) was a multilateral agreement regulating international trade from 1948 to 1995. In 1995, the signatory nations established **World Trade Organization (WTO)** which superseded GATT. The original GATT text is still in effect under the WTO framework, subject to the modifications of 1994.

Whilst GATT was a set of rules agreed upon by nations, the WTO is an institutional body.

2. **Multi Fibre Arrangement (MFA) and Quota Free World**

Multi Fibre Arrangement (MFA) governed the world trade in textiles and garments from 1974 to 2004, imposing quotas on the amount developing countries could export to developed countries.

In 1995, under WTO, it was decided to dismantle these quotas in a 10-year time under **Agreement on Textile and Clothing (ATC)**, which finally removed all quotas on 1 January 2005.

3. **WTO obligation to phase out export subsidies**

Clause to phase out export subsidy-

> **When the share of a developing country, with per capita income below US$ 1,000 a year, in global exports touches 3.25% in any product category for 2 consecutive years, it has to phase out export subsidies for the items 8 years from the 2nd year of breach.**
>
> *Source: WTO's Agreement on Subsidies and Countervailing Measures*

- USA and Turkey have contended at the World Trade Organization (WTO) that India's textile and apparel exports have breached the threshold in 2005 and remained above that level in 2006, therefore its exports subsidies should have been ended by January 2015.

Year	World Trade	India s exports	India s share
2005	US$ 479 bn.	US$ 16.1 bn.	3.36%
2006	US$ 530 bn.	US$ 19.5 bn	3.68%

As per WTO International Trade Statistics

- However, India stated the WTO rule book to counter this and insisted that it has time until January 2018 as WTO asked India to consider phasing out the subsidies only in 2010.
- India has also contented that although as a category textile and apparel may have exceeded the stipulated trade share level globally, but many items within the group not have attained export competitiveness, and, therefore, need continued support.

- It should be noted that phasing out export subsidies do not include Duty Draw back as it is not an incentive scheme but a duty neutralization scheme only

4. Impact of India's existing FTAs on textile and apparel exports

Country	S. Korea			Japan			Vietnam			Indonesia			Malaysia		
Year of Implementation	CEPA 1-Jan-10			CEPA 1-Aug-11			India- ASEAN CECA 1-Jun-10			India- ASEAN CECA October 1, 2010			India- ASEAN CECA January 1, 2010		
Year	2009	2013	CAGR / change	2010	2014	CAGR / change	2009	2013	CAGR / change	2009	2013	CAGR / change	2009	2013	CAGR / change
T&A imports of country (US$ bn.)	7.28	13.24	16%	32.8	38.66	4%	6.393	12.85	19%	4.171	8.473	19%	3.325	7.595	23%
India's T&A exports (US$ mn.)	261	357	8%	357	471	7%	98	345	37%	98	176	16%	134	319	24%
India's share	3.6%	2.7%	-0.9%	1.1%	1.2%	0.1%	1.5%	2.7%	1.2%	2.3%	2.1%	-0.3%	4.0%	4.2%	0.2%
Remarks	Indian T&A exports registered positive growth but much lower than the overall import growth of S. Korea. This caused reduction of India's share in S. Korean market even after the CEPA has been signed			Indian T&A exports registered growth higher than the overall import growth of Japan; but not to a great extent. As a result, India's share in Japanese market has marginally improved after signing pof CEPA.			Indian T&A exports registered very healthy growth in Vietnam - double than the growth rate of overall exports. Starting from less than US$ 100 mn. India's share has improved substantially in Vietnam			Just like in S. Korea, Indian T&A exports registered positive growth in Indonesia albeit lower than the overall import growth which led to reduction of India's share in Indonesia			Indian exports have grown marginally higher than the growth rate of overall imports. Hence, India's market share grew only marginally in Malaysia		
Impact	NEGATIVE			NO IMPACT			POSITIVE			NEGATIVE			NO IMPACT		

5. **Restriction to enter into trade arrangement only for textile sector**

- Article XXIV of GATT titled 'Territorial Application - Frontier Traffic - Customs Unions and FTA' rules that trade arrangements between two geographies should cover 'substantial trade'. This basically prohibits any two regions/countries to enter into Bilateral Agreement for a single sector. This implies that we cannot pursue an FTA with any country only for textile sector; it has to be more encompassing.

6. **Per Capita imports of largest markets**

Region	Population	Apparel Imports	Textile Imports	Per Capita apparel imports	Per Capita textile imports
USA	319 million	US$ 83 bn.	US$ 28 bn.	US$ 260	US$ 88
Europe	507 million	US$ 98 bn.	US$ 35 bn.	US$ 193	US$ 69
Japan	127 million	US$ 30 bn.	US$ 9 bn.	US$ 236	US$ 71

B. Key for HS Codes

1. Fibre

HS Code	Description
5001	Silk-worm cocoons suitable for reeling.
5002	Raw silk (not thrown).
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock).
5101	Wool, not carded or combed.
5102	Fine or coarse animal hair, not carded or combed.
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.
5104	Garnetted stock of wool or of fine or coarse animal hair.
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).
5201	Cotton, not carded or combed.
5202	Cotton waste (including yarn waste and garnetted stock).
5203	Cotton, carded or combed.
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock).
5302	True hemp (Cannabis sativa L.), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock).
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).
5304	Sisal and other textile fibres of the genus Agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock).
5305	Coconut, abaca (Manila hemp or Musa textilis Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock).
5501	Synthetic filament tow.
5502	Artificial filament tow.
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning.
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning.
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres.
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning.
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning.

2. Filament

HS Code	Description
5401	Sewing thread of man-made filaments, whether or not put up for retail sale.
5402	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex.
5403	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex.
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm.
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm.
5406	Man-made filament yarn (other than sewing thread), put up for retail sale.

3. Yarn

HS Code	Description
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale.
5005	Yarn spun from silk waste, not put up for retail sale.
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut.
5106	Yarn of carded wool, not put up for retail sale.
5107	Yarn of combed wool, not put up for retail sale.
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale.
5109	Yarn of wool or of fine animal hair, put up for retail sale.
5110	Yarn of coarse animal hair or of horsehair (including gimped horsehair yarn), whether or not put up for retail sale.
5204	Cotton sewing thread, whether or not put up for retail sale.
5205	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale.
5206	Cotton yarn (other than sewing thread), containing less than 85 % by weight of cotton, not put up for retail sale.
5207	Cotton yarn (other than sewing thread) put up for retail sale.
5306	Flax yarn.
5307	Yarn of jute or of other textile bast fibres of heading 53.03.
5308	Yarn of other vegetable textile fibres; paper yarn.
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale.
5509	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale.
5510	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale.
5511	Yarn (other than sewing thread) of man-made staple fibres, put up for retail sale.

4. Fabric

HS Code	Description
5007	Woven fabrics of silk or of silk waste.
5111	Woven fabrics of carded wool or of carded fine animal hair.
5112	Woven fabrics of combed wool or of combed fine animal hair.
5113	Woven fabrics of coarse animal hair or of horsehair.
5208	Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing not more than 200 g/m2.
5209	Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing more than 200 g/m2.
5210	Woven fabrics of cotton, containing less than 85 % by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200 g/m2.
5211	Woven fabrics of cotton, containing less than 85 % by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200 g/m2.
5212	Other woven fabrics of cotton.
5309	Woven fabrics of flax.
5310	Woven fabrics of jute or of other textile bast fibres of heading 53.03.
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn.
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04.
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading 54.05.
5512	Woven fabrics of synthetic staple fibres, containing 85 % or more by weight of synthetic staple fibres.
5513	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m².
5514	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight exceeding 170 g/m².
5515	Other woven fabrics of synthetic staple fibres.
5516	Woven fabrics of artificial staple fibres.
5801	Woven pile fabrics and chenille fabrics, other than fabrics of heading 58.02 or 58.06.
5802	Terry towelling and similar woven terry fabrics, other than narrow fabrics of heading 58.06; tufted textile fabrics, other than products of heading 57.03.
5803	Gauze, other than narrow fabrics of heading 58.06.
5804	Tulles and other net fabrics, not including woven, knitted or crocheted fabrics; lace in the piece, in strips or in motifs, other than fabrics of headings 60.02 to 60.06.
5805	Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up.
5806	Narrow woven fabrics, other than goods of heading 58.07; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs).
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered.
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery, other than knitted or crocheted; tassels, pompons and similar articles.
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading 56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included.
5810	Embroidery in the piece, in strips or in motifs.

HS Code	Description
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise, other than embroidery of heading 58.10.
5901	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations.
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon.
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading 59.02.
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape.
5905	Textile wall coverings.
5906	Rubberised textile fabrics, other than those of heading 59.02.
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like.
5908	Textile wicks, woven, plaited or knitted , for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated.
5909	Textile hosepiping and similar textile tubing, with or without lining, armour or accessories of other materials.
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material.
5911	Textile products and articles, for technical uses, specified in Note 7 to this Chapter.
6001	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted.
6002	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5 % or more of elastomeric yarn or rubber thread, other than those of heading 60.01.
6003	Knitted or crocheted fabrics of a width not exceeding 30 cm, other than those of heading 60.01 or 60.02.
6004	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5 % or more of elastomeric yarn or rubber thread, other than those of heading 60.01.
6005	Warp knit fabrics (including those made on galloon knitting machines), other than those of headings 60.01 to 60.04.
6006	Other knitted or crocheted fabrics.

5. Apparel

HS Code	Description
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 61.03.
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind- jackets and similar articles, knitted or crocheted, other than those of heading 61.04.
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.
6105	Men's or boys' shirts, knitted or crocheted.
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted.

HS Code	Description
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted.
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted.
6109	T-shirts, singlets and other vests, knitted or crocheted.
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted.
6111	Babies' garments and clothing accessories, knitted or crocheted.
6112	Track suits, ski suits and swimwear, knitted or crocheted.
6113	Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07.
6114	Other garments, knitted or crocheted.
6115	Panty hose, tights, stockings, socks and other hosiery, including graduated compression hosiery (for example, stockings for varicose veins) and footwear without applied soles, knitted or crocheted.
6116	Gloves, mittens and mitts, knitted or crocheted.
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories.
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading 62.03.
6202	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading 62.04.
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear).
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear).
6205	Men's or boys' shirts.
6206	Women's or girls' blouses, shirts and shirt-blouses.
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles.
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, dressing gowns and similar articles.
6209	Babies' garments and clothing accessories.
6210	Garments, made up of fabrics of heading 56.02, 56.03, 59.03, 59.06 or 59.07.
6211	Track suits, ski suits and swimwear; other garments.
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted.
6213	Handkerchiefs.
6214	Shawls, scarves, mufflers, mantillas, veils and the like.
6215	Ties, bow ties and cravats.
6216	Gloves, mittens and mitts.
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 62.12.

6. Home Textiles

HS Code	Description
5701	Carpets and other textile floor coverings, knotted, whether or not made up.
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including “Kelem”, “Schumacks”, “Karamanie” and similar hand-woven rugs.
5703	Carpets and other textile floor coverings, tufted, whether or not made up.
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up.
5705	Other carpets and other textile floor coverings, whether or not made up.
6301	Blankets and travelling rugs.
6302	Bed linen, table linen, toilet linen and kitchen linen.
6303	Curtains (including drapes) and interior blinds; curtain or bed valances.
6304	Other furnishing articles, excluding those of heading 94.04.

7. Others

HS Code	Description
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps.
5602	Felt, whether or not impregnated, coated, covered or laminated.
5603	Nonwovens, whether or not impregnated, coated, covered or laminated.
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading 54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal.
5606	Gimped yarn, and strip and the like of heading 54.04 or 54.05, gimped (other than those of heading 56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn.
5607	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics.
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials.
5609	Articles of yarn, strip or the like of heading 54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included.
6305	Sacks and bags, of a kind used for the packing of goods.
6306	Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods.
6307	Other made up articles, including dress patterns.
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered table cloths or serviettes, or similar textile articles, put up in packing for retail sale.
6309	Worn clothing and other worn articles.
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials.

C. The EU’s Generalised Scheme of Preferences (GSP)

European Commission

The EU's Generalised Scheme of Preferences (GSP)

Highlights of the GSP

For more information:
http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/

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Highlights of the Generalised Scheme of Preferences

DISCLAIMER: This info pack is not a legal text and has been prepared exclusively for information purposes. This should not be used by any party as a basis for any decisions with legal implications. The exclusive legal basis for the GSP is Regulation (EU) No 978/2012 of the European Parliament and of the Council.

1. What is the Generalised Scheme of Preferences?

1.1 Background to the GSP

The EU's Generalised Scheme of Preferences (GSP), created following UNCTAD recommendations in 1971, helps developing countries (DC) by making it easier for them to export their products to the European Union. This is done in the form of reduced tariffs for their goods when entering the EU market. Through the **additional export revenue** which is generated, the GSP fosters **growth in their income and supports economic growth and job creation**.

The GSP is a specific instrument focussing on a single dimension only: tariff preferences for trade in goods. It does not have the ambition or the possibility to tackle other problems faced by developing countries. Only a much broader policy mix can address those complex issues.

The GSP is subject to WTO law, in particular to the GATT and the so-called "Enabling Clause" which allows for an exception to the WTO "Most-Favoured Nation" (MFN) principle (i.e. equal treatment should be accorded to all WTO Members).

As the **needs of developing countries vary widely**, the GSP takes a differentiated approach, providing a sliding scale of preferences according to different needs:

(1) **General/standard arrangement - duty reductions** for ca. 66% of all EU tariff lines for **beneficiaries in general**. Currently, 30 countries and territories enjoy these reductions.

(2) Special Incentive Arrangement for Sustainable Development and Good Governance, or "**GSP+**" - **zero duties** for essentially the same 66% tariff lines for countries which ratify and effectively implement core international human and,

labour rights, environment and good governance conventions. Currently, there are 13 beneficiaries.

(3) Everything But Arms, or "**EBA**" special arrangement for the Least-Developed Countries (**LDCs**) **- full duty-free, quota-free** access for all products except arms and ammunition. Currently, there are 49 beneficiaries.

The GSP undergoes regular reviews to take account of evolutions in international trade patterns, whilst remaining within a stable and predictable framework.

The current scheme was established by Regulation (EU) No 978/2012, preferences under which started to apply on 1 January 2014 and will be effective for 10 years. This Regulation replaced Council Regulation (EC) No 732/2008, whose application was extended by Regulation (EU) No 512/2011.

Some terminology

There are three different terms to describe imports under the scheme. The first is "**covered**" imports. These are those which can theoretically obtain preferences. But some products are graduated from the scheme or preferences are temporarily withdrawn so certain goods from certain beneficiary countries are not eligible for preferences. If excluded products are subtracted from the "covered" imports, "**eligible**" imports are obtained. Finally, sometimes economic operators may choose not to make use of the preferences at hand: "**preferential**" imports are those goods to which the EU customs actually accorded preferences, because the economic operators fulfilled the applicable procedure requirements.

1.2 Background to the GSP+

The philosophy of the GSP+ is that of an incentive based mechanism. It fosters the achievement of its goals by offering the "carrot" of preferences, which it provides when the relevant conventions are ratified and effectively implemented. Thereafter, preferences are used as a lever to ensure that implementation (i) does not deteriorate and (ii) improves over time. A regular dialogue with beneficiaries provides the necessary follow-up, which includes temporary withdrawal mechanisms. This approach of progressive improvement is considered the most appropriate given that the changes that need to take place to fully implement the conventions are of a complex, structural nature and involve high economic costs. Thus, they will not happen overnight, and need to be accompanied of support over longer periods.

The GSP+ currently covers 13 beneficiaries: Armenia, Bolivia, Cape Verde, Costa Rica, El Salvador, Georgia, Guatemala, Mongolia, Pakistan, Panama, Paraguay, Peru, and the Philippines.

In order to qualify for the GSP+, a country must meet the following **criteria**:

(1) must be considered 'vulnerable[1].' A vulnerable country means a country:

- which is not classified by the World Bank as a high-income or upper-middle income country during three consecutive years (in other words, is a beneficiary of the standard GSP);
- whose imports into the EU are heavily concentrated in a few products (the 7 largest sections of its GSP-covered imports into the EU represent more than 75% in value of its total GSP-covered imports);
- and with a low level of imports into the EU (its GSP-covered imports into the EU represent less than 6,5% in value of the EU's total GSP-covered imports from all GSP beneficiaries).

(2) must have ratified the 27 core international conventions in the fields of human and labour right, the environment and good governance listed in Annex VIII to the GSP Regulation and the monitoring bodies under these conventions must not identify a serious failure to its effective implementation of any of these conventions.

(3) must give the following binding undertakings:

- to maintain the ratification of these 27 conventions and to ensure their effective implementation,
- to accept without reservation reporting requirements and monitoring imposed by those conventions,
- to accept and cooperate with the EU monitoring procedure.

Once a country qualifies for the GSP+, it has to duly comply with its binding undertakings. Its performance in this regard is subject to an enhanced monitoring mechanism by the EU side.

1.3 The dynamics of the GSP reform

The Generalised Scheme of Preferences is born out of three factors.

- First, there is a wide agreement that international trade is essential for development, as it can generate significant revenue and economic activity.

[1] For a list of all countries deemed vulnerable hence eligible to apply for the GSP+ see the Information Notice for countries which may request to be granted GSP+ published in the EU *Official Journal* on 21 February 2013 and available at http://trade.ec.europa.eu/doclib/docs/2012/november/tradoc_150043.pdf.

- Second, certain countries face difficulties to integrate fully into the international trading system, and require preferences to partake in the benefits of international trade.

- Third, development will only be sustainable in the long run if an economy can also rely on industrial production rather than primarily on commodities—in other words if it is sufficiently diversified. Preferences should thus foster exports of industrial products.

Development and poverty reduction are complex goals, which necessitate myriad building blocks to be realised. The GSP scheme is one of those many blocks. While, on its own, the scheme will not reduce poverty, it can help developing countries boost exports and develop new industries — a factor which, in an adequate political and economic context, can contribute significantly towards development and poverty reduction. This explains why the EU was the pioneer in the introduction of a GSP scheme in 1971, and why it has remained an important policy tool, whose objective is the expansion of exports to the EU by developing countries in accordance with their needs.

In a changing world, the EU’s scheme has had to adapt. In particular, the last two decades has seen a move towards greater differentiation amongst beneficiary countries in terms of development, trade and financial needs. Consequently, they require also different patterns of preferences. Particularly, the poorest countries - LDCs - have been provided with full duty-free, quota-free access to the EU through the Everything But Arms (“EBA") initiative (introduced in 2005). Moreover, high-income and upper-middle income developing countries no longer need the EU's unilateral support to penetrate its markets and keep a solid presence therein hence they were deferred the GSP preferences (approach introduced by the current scheme).

Also, since 2005, the scheme has taken up a new role: to provide incentives to those vulnerable countries committed to promote sustainable development and good governance. Such countries are granted additional preferences *via* the "GSP+" arrangement. This objective is intended to complement the overall goal to help those most in need to boost exports.

In 2014, almost €76 billion of imports received GSP preferences – €52 billion of imports from countries under the general arrangement, around €6,6 billion of imports from GSP+ beneficiaries and €17 billion of imports from EBA countries.

2. THE REFORMED GSP: RATIONALE AND CONTENT OF THE REFORM

The GSP was reformed in 2012. A powerful institutional reason to reform the GSP was the entry into force of the **Lisbon Treaty**. This required a redesign of the GSP Regulation to reflect the new institutional environment, with the reinforced **role of the European Parliament in trade policy**.

From a substantive point of view, the European Commission engaged in a mid-term review of the instrument. Extensive preparatory analysis (independent studies and the Commission's own Impact Assessment) and a broad public consultation showed that, while it had been successful in achieving its objectives, the EU **GSP was no longer adapted to the current global landscape**. To remain relevant and efficient, the GSP has been reformed along the following main lines:

1. Better focus on those countries most in need

The last decade has seen the emergence of more advanced developing countries, which are now competitive on a global scale. The EU was providing preferences to many such countries and sectors which no longer needed them: the more advanced economies had successfully integrated in world trade.

On the other hand, many poorer countries are lagging behind. They are affected by competition from the more advanced developing countries which often export very similar products.

Previously, the GSP preferences increased the competitive advantage of more advanced developing countries at the cost of exports from the LDCs and other poor economies. In fact, 40% of preferential exports were absorbed by the more advanced countries. This goes some way to explain the disappointing performance of the poorest.

Hence the need to concentrate preferences on those that most need them: low-income and lower-middle income countries.

This need is the more urgent as tariffs continue to drop as a result of multilateral and bilateral trade liberalisation. With tariff levels falling, preferences also diminish — a process called “preference erosion”. The more advanced countries can compete effectively with low or no preferences but the poorer, if they are to successfully join the path of export-led growth and development, need to exploit the diminishing preferences to the full.

2. Further promote core principles of sustainable development and good governance

The previous GSP+ arrangement, which provided additional preferences to countries which ratified and implemented a number of core international conventions on human and labour rights, the environment and good governance, had a positive impact on the ratification of such conventions. However, the impact on their effective implementation was less evident. Hence the arrangement has been enhanced to provide stronger incentives for additional countries to sign up to and effectively implement the relevant international conventions.

3. Enhance legal certainty, stability and predictability of the scheme

The success of the GSP regime depends on the ease with which exporters and importers can use its preferences. The EU has ensured that the reformed scheme is sufficiently stable and predictable for economic operators.

2.1 Focus on need: which countries?

The current GSP focuses **preferences exclusively on those countries that do need them**. The number of GSP beneficiaries has been reduced **from 178 to 92 compared to the previous scheme**.

The following groups of countries and territories no longer benefit from the GSP preferential treatment:

I. 33 overseas countries and territories ("OCTs", listed in Annex I), mainly those linked to the EU but also some US, Australian and New Zealand territories.

The US, Australia or New Zealand are developed countries and therefore do not have the same needs as developing countries. As to the EU overseas territories, they have their own preferential market access arrangement. Consequently, the GSP exports to the EU by these countries and territories were marginal (if at all) and the option of utilising the GSP mostly risked creating confusion for economic operators.

These territories have ceased to be eligible for the GSP.

Due to their minimal use of the scheme in the past, the impact of the **reform is expected to be neutral for them**.

II. 26 countries with other preferential market access arrangements (listed in Annex II).

Each of these countries enjoys another preferential trade arrangement with the EU which provides substantially equivalent (or better) coverage as compared to the GSP. This includes countries with a Free Trade Agreement (such as "Euromed" or "Cariforum" FTAs) or with an autonomous preferential arrangement (such as the special regimes for respectively Moldova and Kosovo).

These countries remain “eligible” for the GSP but have ceased to receive the preferences (they are not “beneficiaries”) — this nuance is important as **they could come back into the “beneficiary” list if the preferential market arrangement was terminated**.

Again, the use of the GSP was marginal if at all by these countries. This is why in general these countries are **not expected to suffer any negative impacts** due to the GSP reform — in fact, **some are benefiting** from new export opportunities as several of their competitors have ceased to receive the GSP preferences (see next paragraph).

III. High and upper-middle income countries

While the first two sets of countries above have in general moved to other market access arrangements, this group of countries has lost GSP beneficiary status because their needs are no longer comparable to those of poorer developing countries. These more advanced economies no longer need preferences to export; in fact, providing preferences to them was increasing the competitive pressure on exports from LDCs and other poor countries.

Largely thanks to their exporting prowess, some of these countries have grown so significantly that their per capita income levels are similar or higher than the incomes of certain developed countries. In terms of the World Bank per capita income classification, which is an objective and internationally recognised indicator, they have become high or upper-middle income economies**.** They **clearly no longer need unilateral preferences such as the GSP to successfully trade with the rest of the world** — and they have the resources to tackle more complex development problems such as income distribution, which require adequate internal policies.

Countries which have been listed in the World Bank classification as **high or upper-middle income economies during the most recent three years**, based on Gross National Income (GNI) per capita, continue to be eligible for the GSP but have ceased to be beneficiaries. This includes 7 high-income countries and 1 territory and 18 upper-middle income countries (listed in Annex III)**.**

Negative **impacts** on these countries' exports are typically expected to be **marginal** (total exports fall by less than 1%).

Why are negative effects on these countries so small?

- The first reason is that for more advanced developing countries, exports under the GSP were not necessarily a significant proportion out of their total exports to the EU (the average was 8%).

- The second is that the margins of preference provided by the EU GSP are relatively low, given the EU's already low normal (MFN) tariff levels.

A key point is that even **marginal drops in exports by the more advanced**, bigger economies can potentially **provide significant opportunities for the poorest**, whose exports are very small in comparison. To give an idea of the order or magnitude, a drop of 1% in, say, Brazilian exports, is equivalent to more than 16 times Burkina Faso's total exports to the EU.

These countries remain "eligible", but are no longer "beneficiaries" of the GSP scheme. This means that in case their situation changed (if they are no longer classified as high or middle-upper income economies) they would **become beneficiaries of the scheme again**.

The list of beneficiaries of the current GSP (sub-divided per the three arrangements) is provided under Annex IV.

2.2. What has changed regarding "graduation" of competitive sectors?

Some developing countries still have a low per capita income but have extremely successful export sectors for many industries. These industries (e.g. textiles, chemicals, leather products) are competitive worldwide at the highest level. They also do not need preferences to successfully penetrate world markets. Therefore, the EU's GSP scheme withdraws preferences to such sectors on the basis of a so-called "graduation" mechanism.

Graduation means that imports of particular groups of products originating in a given GSP beneficiary country lose GSP preferences while imports of the other groups of products from that country keep the preferential treatment. Graduation concerns imports that are competitive on the EU market and so no longer need the GSP to penetrate it and keep a solid presence therein.

The current GSP **maintains the core principles** behind graduation but **adjusts three elements from the previous scheme**:

- **Product sections used for graduation are expanded** from 21 to 32. This ensures that graduation is **more objective**, as the products in the categories are more homogenous. This avoids that graduation "overshoots", removing preferences for some products which are not competitive simply because they are in a section which includes other very competitive products from a different industry.

- **Graduation thresholds have increased** from 15% to 17.5% (and from 12.5% to 14.5% for textiles). Still, as the number of beneficiaries has dropped, graduation will happen sooner. This is an intended effect, as the previous mechanism "undershooted", failing to identify many sectors which had already become competitive and thus no longer needed preferences. However, an increase in the thresholds was necessary to keep this **increase in graduation to the minimum level necessary.**

- **Graduation no longer applies to GSP+ countries**. Like EBA countries, GSP+ countries are vulnerable and display a non-diversified export base. Given that graduation has never applied to EBA, it is only fair to treat GSP+ countries in the same fashion. This should also make the GSP+ more attractive to potential applicants (see below).

On the whole, the revamped graduation is expected to remove preferences from sectors that no longer need them — and provide opportunity to those most in need of the EU's help.

The graduated sectors for the period 2014 – 2016

On 17 December 2012, the Commission adopted a list of the sectors that are graduated for the period running from 1 January 2014 – 31 December 2016 (see Annex VI). Thus, economic operators had more than a year to adapt to the new conditions.

2.3. A carefully selected product expansion and increase of preference margins

The current GSP incorporates also an expansion in products and preference margins, albeit a limited one:

- 15 new tariff lines were added to the standard GSP as “non-sensitive” (duty-free access);

- 4 tariff lines under the standard GSP which were “sensitive” turned to “non-sensitive” (duty-free access);

- 4 new tariff lines were added to the GSP+ (duty-free access).

These items have been **carefully selected**.

Why such a careful selection, leading to a relatively modest number of further liberalised lines? The reason is that the poorest (LDCs) already have duty-free, quota-free access for all products. This means that they have an advantage for most of those products — they can export them without duty while other developing countries have to pay duties. Increasing the number of products which enjoy the standard GSP/GSP+ or depth of these preferences would make LDCs exports relatively less attractive. This would set the poorest back, rather than help them. This discussion underlines a general point: products from **developing countries are competing amongst each other** in the EU market, and **preferences often determine which country can sell products** and which cannot.

Also, this whole question should be seen in context. In fact, product coverage under the standard GSP is already very high: 66% of the EU tariff lines. If 25% of other lines which are already at 0% normal (MFN) duty are added, **only 9% tariff lines** (mostly agricultural products) **are today outside the GSP**. The room for expansion is thus very limited — underlining the generosity of the scheme.

The EU’s decision has thus focussed on tariff lines (mainly raw materials, see Annex V for details) which expand the opportunities to export of GSP and GSP+ beneficiaries, but minimise the negative impact on LDCs.

2.4. What is new under the reformed GSP+?

The EU has the objective to further promote core human and labour rights, and other principles of sustainable development and good governance. To achieve these aims, the EU has provided for **more incentives for countries to join the GSP+** arrangement, while at the same time **enhancing its monitoring to ensure those rights and principles are effectively respected**.

The GSP provides **powerful incentives to join the GSP+** and to implement the 27 core international conventions:

1. There is now less competition from more advanced developing economies and sectors which lost preferences.

2. GSP+ countries are no longer "graduated" by sections.

3. The so-called "vulnerability criterion" (economic conditions a country needs to fulfil in order to be eligible for the GSP+) has been relaxed (in particular, the country's share in the overall EU GSP imports has been increased from 1% to 2%) so more countries can apply. For example, Pakistan and the Philippines have thus become eligible, and both countries already have made a successful application to join the arrangement.

4. Applications will be accepted at any time — not only every 1.5 years, as in the past.

5. The number of core conventions has not been expanded, allowing beneficiary countries a realistic chance to focus on the essentials.

While more incentives have been introduced, the current scheme **reinforces the mechanisms to track the implementation of the conventions by GSP+ countries**. The main changes are as follows:

1. Monitoring has been enhanced by means of the European Commission's continuous dialogue with beneficiary countries, and by mandating reports every 2 instead of every 3 years. Scrutiny is now carried out not only by the Council of the EU, but also by the European Parliament.

2. Beneficiary countries need to fully cooperate with the international monitoring bodies, without reservations, including as regards their reporting obligations.

3. Withdrawal mechanisms are more objective. To complement the reports of the international monitoring bodies, the EU may use other sources of accurate information. Also, the burden of proof has been reversed: when evidence points to problems with the implementation, it is up to the beneficiary country to demonstrate a positive record.

All countries which wish to enter the GSP+ must make a formal application showing that the requirements of the GSP Regulation are met.

The **rules of procedure for the granting of GSP+** preferences are established by a dedicated Commission Regulation which entered into force on 22 February 2013. Once a country applies for GSP+ preferences, a final decision on the granting of these preferences can take up to 10 months. The Commission has up to 6 months to analyse the application and to propose the granting of the GSP+, if the criteria are met. Then, the Council of the EU and the European Parliament have up to 4 months to object to such a Commission proposal (2 months which may be extended by further 2).

More information on the rules of procedure for the granting of GSP+ preferences may be found at :
http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150584.pdf.

Once a country qualifies for the GSP+, it has to duly comply with its binding undertakings. Its performance in this regard is subject to close **monitoring** by the European Commission. The Commission namely monitors that the country:

- maintains ratification of the 27 core international conventions on human and labour rights, environmental protection and good governance listed in Annex VIII of the GSP Regulation;
- ensures their effective implementation;
- complies with reporting requirements under the respective conventions;
- accepts regular monitoring and review of its implementation record by the monitoring bodies of the respective conventions; and
- cooperates with the Commission in its monitoring role and provides all necessary information.

In order to meet its monitoring obligations, the Commission prepares a **"*scorecard*"** for each GSP+ beneficiary. The scorecards list the shortcomings, in particular in effective implementation of the conventions, which have to be addressed by the beneficiaries in order to duly comply with their binding undertakings. The basic elements of the scorecards are the shortcomings identified by the monitoring bodies of the conventions while the Commission also takes into account reliable information from other sources, such as civil society, social partners, the European Parliament or the EU Member States.

The beneficiary countries receive their first individual scorecards shortly after entering the GSP+ arrangement. The Commission then establishes a continuous ***dialogue*** on GSP+ compliance with the beneficiaries' authorities, drawing their attention to the problematic areas identified in the scorecards. The Commission updates the scorecards annually, taking into account information received during the GSP+ dialogues, new reports issued by the monitoring bodies as well as reliable information from third parties.

Every two years since the start of application of the reformed GSP, the Commission is obliged to present to the European Parliament and to the Council of the EU a **report** on the implementation of the GSP+, in particular the status of ratification and effective implementation of the 27 conventions by the beneficiaries and these countries' compliance with their reporting obligations under the conventions. The first such report should be submitted by the end of 2015.

2.5. What is new under EBA?

The Everything But Arms arrangement was already an open-ended tool and this has not changed. Least Developed Countries continue to benefit from duty-free, quota-free access to the EU market for all products – except for arms and ammunition. LDCs also continue to benefit from the amended, more favourable, GSP Rules of Origin applying since 2011.

Under the current GSP, the **effectiveness of the EBA arrangement has been strengthened**. Reducing the GSP to fewer beneficiaries and increasing graduation has reduced competitive pressure and made the preferences for LDCs more meaningful — providing significantly more opportunity to export.

2.6. Enhancing certainty, stability and predictability of the scheme

Importers and exporters need legal certainty, stability and predictability to actually use GSP preferences. These elements have been reinforced by the current GSP in several ways:

1. The scheme no longer ends every 3 years, as used to be the case. Rather, it will **last 10 years** (until the end of 2023).

2. There are **transition periods of at least one year** for changes to the beneficiaries lists.

3. Removals from the beneficiary lists due to the income criterion happen only if countries are listed as high or upper-middle income **3 years in a row**, i.e. their level of economic development is sustained.

4. There are many **procedures** (temporary withdrawals, safeguards etc) which affect operators — yet the previous Regulation was often silent about how these work and how operators can defend their rights in practice. The current GSP has made all of these **more detailed and transparent**. Fundamental provisions are included in the basic GSP Regulation and further details are provided for by a dedicated Commission Regulation (available at http://trade.ec.europa.eu/doclib/docs/2014/january/tradoc_152058.pdf**).**

2.7. Other changes

The current GSP has also introduced balanced improvements to the conditions for withdrawal from the scheme – notably in making explicit that **unfair trading practices** include those affecting the supply on raw materials.

Procedures that trigger the general safeguard clause have also been clarified, and special/automatic safeguards have been expanded to cover all textiles and ethanol.

2.8. Institutional adaptations

The institutional framework of the Treaty of Lisbon, with the enhanced role of the European Parliament in trade policy, is reflected in the current GSP.

The current scheme is a dynamic tool, allowing countries to potentially come in and out of the beneficiary lists. This implies that the different thresholds foreseen in the basic GSP Regulation which are linked to the beneficiary pool (graduation, vulnerability), as well as the different lists of beneficiaries, have to be amended swiftly. In particular all these elements, which have been included in different annexes, can be amended by the Commission via **delegated acts** and not via the ordinary legislative procedure which would take much longer.

An overview of the different institutional provisions is included in Annex VII.

3. IMPLEMENTATION OF GSP RULES

3.1 Implementation by secondary legislation

The GSP is a "dynamic" tool: its application follows the changes in trade flows and EU Trade policy, to adapt the instrument to the actual needs of GSP eligible countries.

The Commission ensures the correct implementation of the Regulation, by preparing a series of legal acts which are necessary to update the application of the rules. The following procedures are followed:

1. *Delegated acts to amend country lists:*

    a. *Annex I of GSP Regulation (list of eligible countries; amended to reflect changes in international classification of countries)*

    b. *Annex II of GSP Regulation (list of standard GSP beneficiaries; amended when data shows changes to qualification status or evidence is found justifying temporary withdrawal of preferences)*

    c. *Annex III of GSP Regulation (list of GSP+ beneficiaries; amended when successful applications are made or when beneficiaries no longer meet requirements to keep the preferences)*

    d. *Annex IV of GSP Regulation (list of EBA beneficiaries; amended when data shows changes to qualification status or evidence is found justifying temporary withdrawal of preferences)*

2. *Delegated acts adjusting graduation and GSP+ vulnerability thresholds (specified in Annexes VI and VII of GSP Regulation) to offset the impact of changes to the country lists, notably the list of standard GSP beneficiaries (Annex II of GSP Regulation)*

3. *Delegated acts on some procedural aspects (GSP+ entry, GSP/GSP+ withdrawals, safeguards)*

4. *Implementing acts establishing successive lists of graduated sections.*

Please see DG TRADE dedicated website for further information:

Highlights of the Generalised Scheme of Preferences

http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/

Post legislative act	Function
Commission Implementing Regulation 1213/2012	Establishing list of graduated sections for 2014-2016
Commission Delegated Regulation 154/2013	Amending Annex II
Commission Delegated Regulation 155/2013	Establishing rules of procedure for granting GSP+
Commission Delegated Regulation 1083/2013	Establishing rules of procedure for temporary withdrawal and safeguards
Commission Delegated Regulation 1421/2013	Amending Annexes I, II, and IV
Commission Delegated Regulation 1/2014	Establishing Annex III
Commission Delegated Regulation 182/2014	Amending Annex III
Commission Delegated Regulation 1015/2014	Amending Annexes II and III
Commission Delegated Regulation 1016/2014	Amending Annex II
Commission Delegated Regulation 1386/2014	Amending Annex III
Commission Delegated Regulation 602/2015	Amending Annex VII

4. ANNEXES

ANNEX I

"Overseas countries and territories (OCT's)" (33):

As explained in the body of the text, these partners already have a special market access arrangement to the EU or belong to other developed countries. They were among the beneficiaries of the previous GSP but are no longer eligible for preferences under the current scheme.

Anguilla, former Netherlands Antilles, Antarctica, American Samoa, Aruba, Bermuda, Bouvet Island, Cocos Islands, Christmas Islands, Falkland Islands, Gibraltar, Greenland, South Georgia and South Sandwich Islands, Guam, Heard Island and McDonald Islands, British Indian Ocean Territory, Cayman Islands, Northern Mariana Islands, Montserrat, New Caledonia, Norfolk Island, French Polynesia, St Pierre and Miquelon, Pitcairn, Saint Helena, Turks and Caicos Islands, French Southern Territories, Tokelau, United States Minor Outlying Islands, Virgin Islands – British, Virgin Islands- US, Wallis and Futuna, Mayotte.

ANNEX II

Partners which have another preferential market access arrangement (26):

The following partners (which belonged to the beneficiaries of the previous scheme) are no longer on the GSP beneficiary list under the current scheme:

- "Euromed" (6): Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia
- Cariforum (14): Belize, St. Kitts and Nevis, Bahamas, Dominican Republic, Antigua and Barbuda, Dominica, Jamaica, Saint Lucia, Saint-Vincent and the Grenadines, Barbados , Trinidad and Tobago, Grenada, Guyana, Surinam
- Eastern and Southern Africa (3): Seychelles, Mauritius, Zimbabwe
- Pacific (1): Papua New Guinea
- Other (2): Mexico, South Africa

Note: Colombia, Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, Panama and Peru are going to receive GSP preferences until 31 December 2015. Subsequently, they are going to be removed from the list of beneficiaries because they have been applying a free trade agreement with the EU since 2014. This is provided for by a Commission Delegated Regulation published on 27 September 2014.

ANNEX III

<u>High-income countries</u> (7) and a territory (1) according to the World Bank classification

The following partners (which belonged to the beneficiaries of the previous scheme) are no longer on the GSP beneficiary list under the current scheme:

- Countries: Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman, Brunei Darussalam
- Territory: Macao

<u>Upper-middle income countries</u> (18) according to the World Bank classification

The following partners (which belonged to the beneficiaries of the previous scheme) are no longer on the GSP beneficiary list under the current scheme:

- Latin America (6): Argentina, Brazil, Cuba, Ecuador, Uruguay, Venezuela
- ex-USSR (4): Azerbaijan, Belarus, Russia, Kazakhstan
- other (8): China (People's Republic of), Iran, Gabon, Libya, Malaysia, The Maldives, Palau, Thailand.

Note:. Turkmenistan is going to receive GSP preferences until 31 December 2015. Subsequently, it is going to be removed from the list of beneficiaries because it was classified as upper-middle income countries for the third consecutive time in 2014. This is provided for by a Commission Delegated Regulation published on 27 September 2014.

ANNEX IV

List of beneficiaries under the current GSP

1. **EBA (49 partners):** Forty-nine Least Developed Countries continue to receive Everything But Arms (EBA) treatment, i.e. duty-free quota-free access for all their products except arms and ammunition (see notes below).

Africa:

1. Angola
2. Benin
3. Burkina Faso
4. Burundi
5. Central African Republic
6. Chad
7. Comoros
8. Congo, Dem. Rep. of the
9. Djibouti
10. Equatorial Guinea
11. Eritrea
12. Ethiopia
13. Gambia
14. Guinea
15. Guinea-Bissau
16. Lesotho
17. Liberia
18. Madagascar
19. Malawi
20. Mali
21. Mauritania
22. Mozambique
23. Niger
24. Rwanda
25. Sao Tome and Principe
26. Senegal
27. Sierra Leone
28. Somalia
29. South Sudan
30. Sudan
31. Tanzania
32. Togo
33. Uganda
34. Zambia

Asia:

35. Afghanistan
36. Bangladesh
37. Bhutan
38. Cambodia
39. Lao PDR
40. Myanmar/Burma
41. Nepal
42. Timor-Leste
43. Yemen

Australia and Pacific:

44. Kiribati
45. Samoa
46. Solomon Islands
47. Tuvalu
48. Vanuatu

Caribbean:

49. Haiti

Notes:

- Following the decision by the Conference of the ILO to lift its negative opinion on Myanmar/Burma on 13 June 2012, the EU reinstated GSP preferences for the country on 19 July 2013, with retroactive application as from 13 June 2012. GSP preferences were withdrawn from Myanmar/Burma in 1997 due to serious and systematic violations of the principles of the ILO Convention on forced labour.
- Following South Sudan's independence in July 2011 and its recognition by the UN as an LDC in December 2012, the EU included it among the beneficiaries of the EBA arrangement in May 2013, with retro-active application as from January 2013.
- Samoa ceased to be an LDC in 2014 and, on the basis of a Commission Delegated Regulation, will be granted a transitional period of three years during which it can still benefit from EBA.

2. (Standard) **GSP** beneficiaries **(30)**: Botswana, Cameroon, Colombia, Congo (Republic of) Cook Islands, Cote d'Ivoire, Fiji, Ghana, Honduras, India, Indonesia, Iraq, Kenya, Kirghizstan, Marshall (Islands), Micronesia (Federate States of), Namibia, Nauru, Nicaragua, Nigeria, Niue, Sri Lanka, Syrian (Arab Republic), Swaziland, Tajikistan, Tonga, Turkmenistan, Ukraine, Uzbekistan, Vietnam.

Note:

Azerbaijan and Iran also received GSP preferences until 22 February 2014. They were then removed from the list of beneficiaries because they had been classified as upper-middle income countries for the third consecutive time in 2012. This is provided for by a Commission Delegated Regulation published on 21 February 2013. Similarly, China (People's Republic of), Ecuador, the Maldives and Thailand were removed from the list of GSP beneficiaries as from 1 January 2015 because they had been classified as upper-middle income countries for the third consecutive time in 2013. This is provided for by a Commission Delegated Regulation published on 31 December 2013.*

3. **GSP+** beneficiaries (**13**): Armenia, Bolivia, Cape Verde, Costa Rica, El Salvador, Georgia, Guatemala, Mongolia, Pakistan, Panama, Paraguay, Peru and the Philippines.

* *Due to this sustained higher level of economic development Ecuador had to exit also the GSP+ arrangement.*

ANNEX V

Products which have been incorporated into the current GSP; products with higher preferences under the current GSP

(Standard) GSP: New tariff lines benefiting from preferences as non-sensitive products

CN code	***Description***
280519	Alkali/alkaline-earth metals other than sodium & calcium
280530	Rare-earth metals, scandium & yttrium, whether/not intermixed/interalloyed
281820	Aluminium oxide (excl. artificial corundum)
310221	Ammonium sulphate
310240	Mixtures of ammonium nitrate with calcium carbonate/other inorganic non-fertilising substance
310250	Sodium nitrate
310260	Double salts & mixtures of calcium nitrate & ammonium nitrate
320120	Wattle extract
780199	Unwrought lead other than refined, n.e.s. in 78.01
810194	Unwrought tungsten (wolfram), incl. bars & rods obt. simply by sintering
810411	Unwrought magnesium, containing at least 99.8% by weight of magnesium
810419	Unwrought magnesium (excl. of 8104.11)
810720	Unwrought cadmium; powders
810820	Unwrought titanium; powders
810830	Titanium waste & scrap

(Standard) GSP: Tariff lines which were sensitive under the previous scheme but are non-sensitive under the current one

CN code	*Description*
06031200	Fresh Cut Carnations And Buds, Of A Kind Suitable For Bouquets Or For Ornamental Purposes
24011060	Sun-Cured Oriental Type Tobacco, Unstemmed Or Unstripped
39076020	Poly "Ethylene Terephthalate", In Primary Forms, Having A Viscosity Number Of >= 78 Ml/G")
85219000	Video Recording Or Reproducing Apparatus (Excl. Magnetic Tape-Type);Video Recording Or Reproducing Apparatus, Whether Or Not Incorporating A Video Tuner (Excl. Magnetic Tape-Type And Video Camera Recorders)

GSP+: New tariff lines benefiting from preferences

CN code	*Description*
280519	Alkali/alkaline-earth metals other than sodium & calcium
280530	Rare-earth metals, scandium & yttrium, whether/not intermixed/interalloyed
281820	Aluminium oxide (excl. artificial corundum)
780199	Unwrought lead other than refined, n.e.s. in 78.01

ANNEX VI

List of graduated sectors for the period 1 January 2014 – 31 December 2016 provided for by Regulation (EU) No 1213/2012

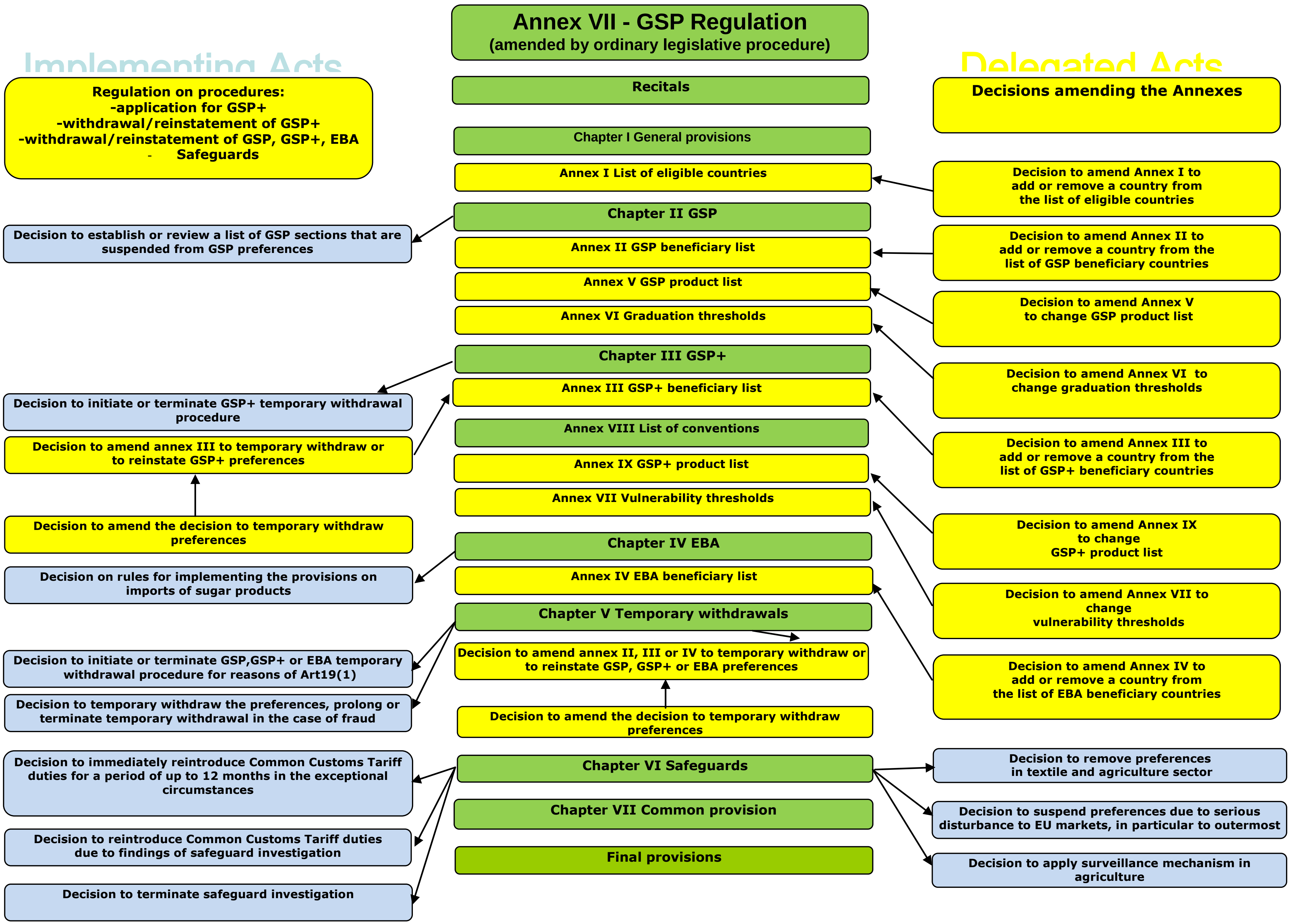
N.B. For countries which are granted GSP+, graduation does not apply (currently this is the situation of Costa Rica).

China P.R., Ecuador and Thailand lost GSP preferences on all their exports on 1 January 2015 as a result of their World Bank classification as upper-middle income economies over three consecutive years (2011, 2012 and 2013).

Country	GSP Section	Description
China P.R.	S-1a	Live animals and animal products excluded fish
	S-1b	Fish, crustaceans, molluscs and aquatic invertebrates
	S-2b	Vegetables and fruit
	S-2c	Coffee, tea, maté and spices
	S-2d	Cereals, flour, nuts, resins and vegetable plaiting
	S-4b	Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar
	S-6a	Inorganic and organic chemicals
	S-6b	Chemicals, other than organic and inorganic chemicals
	S-7a	Plastics
	S-7b	Rubber
	S-8a	Raw hides and skins and leather
	S-8b	Articles of leather and fur skins
	S-9a	Wood and wood charcoal
	S-9b	Cork, straw and plaiting
	S-11a	Textiles
	S-11b	Apparels and clothing

	S-12a	Footwear
	S-12b	Headgear, umbrellas, sun umbrellas, sticks, whips, feathers and down
	S-13	Articles of stone, ceramic products and glass
	S-14	Pearls and precious metals
	S-15a	Iron, steel and articles of iron and steel
	S-15b	Base metals (excl. iron and steel), articles of base metals (excl. articles of iron and steel)
	S-16	Machinery and equipment
	S-17a	Railway and tramway vehicles and products
	S-17b	Road vehicles, bicycles, aviation and space, boats and parts thereof
	S-18	Optical, clocks and watches, musical equipment
	S-20	Miscellaneous
Costa Rica	S-2b	Vegetables and fruit
Ecuador	S-2a	Live plants and floricultural products
	S-4a	Preparations of meat and fish
India	S-5	Mineral products
	S-6a	Inorganic and organic chemicals
	S-6b	Chemicals, other than organic and inorganic chemicals
	S-8a	Raw hides and skins and leather
	S-11a	Textiles
	S-17b	Road vehicles, bicycles, aviation and space, boats and parts thereof
Indonesia	S-1a	Live animals and animal products excluded fish
	S-3	Animal or vegetable oils, fats and waxes
	S-6b	Chemicals, other than organic and inorganic chemicals

Nigeria	S-8a	Raw hides and skins and leather
Ukraine	S-17a	Railway and tramway vehicles and products
Thailand	S-4a	Preparations of meat and fish
	S-4b	Prepared foodstuffs (excl. meat and fish), beverages, spirits and vinegar
	S-14	Pearls and precious metals


Annex VII - GSP Regulation
(amended by ordinary legislative procedure)
Implementing Acts
Delegated Acts
Regulation on procedures:
-application for GSP+
-withdrawal/reinstatement of GSP+
-withdrawal/reinstatement of GSP, GSP+, EBA
- Safeguards
Recitals
Decisions amending the Annexes
Chapter I General provisions
Annex I List of eligible countries
Decision to amend Annex I to add or remove a country from the list of eligible countries
Chapter II GSP
Decision to establish or review a list of GSP sections that are suspended from GSP preferences
Annex II GSP beneficiary list
Decision to amend Annex II to add or remove a country from the list of GSP beneficiary countries
Annex V GSP product list
Decision to amend Annex V to change GSP product list
Annex VI Graduation thresholds
Decision to amend Annex VI to change graduation thresholds
Chapter III GSP+
Decision to initiate or terminate GSP+ temporary withdrawal procedure
Annex III GSP+ beneficiary list
Decision to amend annex III to temporary withdraw or to reinstate GSP+ preferences
Decision to amend Annex III to add or remove a country from the list of GSP+ beneficiary countries
Annex VIII List of conventions
Annex IX GSP+ product list
Annex VII Vulnerability thresholds
Decision to amend the decision to temporary withdraw preferences
Decision to amend Annex IX to change GSP+ product list
Chapter IV EBA
Decision on rules for implementing the provisions on imports of sugar products
Annex IV EBA beneficiary list
Decision to amend Annex VII to change vulnerability thresholds
Chapter V Temporary withdrawals
Decision to initiate or terminate GSP,GSP+ or EBA temporary withdrawal procedure for reasons of Art19(1)
Decision to amend annex II, III or IV to temporary withdraw or to reinstate GSP, GSP+ or EBA preferences
Decision to amend Annex IV to add or remove a country from the list of EBA beneficiary countries
Decision to temporary withdraw the preferences, prolong or terminate temporary withdrawal in the case of fraud
Decision to amend the decision to temporary withdraw preferences
Chapter VI Safeguards
Decision to remove preferences in textile and agriculture sector
Decision to immediately reintroduce Common Customs Tariff duties for a period of up to 12 months in the exceptional circumstances
Chapter VII Common provision
Decision to suspend preferences due to serious disturbance to EU markets, in particular to outermost
Decision to reintroduce Common Customs Tariff duties due to findings of safeguard investigation
Final provisions
Decision to apply surveillance mechanism in agriculture
Decision to terminate safeguard investigation