



BANGLADESH

Textile industry fears hit from EU's possible change in GSP

Bangladesh's textile industry apprehends an economic shock on a European Union move to change the rules of origin (RoO) by the year 2010 that favours a single-stage transformation with regard to garment manufacture.

The existing two-stage transformation allows the local garment makers to purchase fabrics from the native country, but, under the possible one-stage transformation they can buy fabrics from anywhere of the world to receive the generalised system of preferences (GSP) facility in EU countries.

Abdul Hai Sarker, President of the Bangladesh Textile Mills Association (BTMA) said that any changes in the existing GSP Scheme would surely discourage the use of local fabrics and yarn, and thus pose a threat to an investment of around US\$4 billion in the Primary Textile Sector (PTS). Sarker said he received recently a letter from the EU Dhaka office where it mentioned about its decision on simplification of the RoO criteria for duty- and quota-free imports of products manufactured in the least developed countries (LDCs) from 2010.

The BTMA Chief said nobody will not feel encouraged to make fresh investment in the PTS as they will not get any privilege from the new RoO system. He also expressed his concern that the investment made in the PTS will be in jeopardy leading to closure of mills, which will also result in retrenchment of workers affecting badly the poverty alleviation programme of the government.

However, the EU expects the proposed 'rules of origin' criteria to lower Bangladesh's value addition threshold to 30%. The EU also thinks the new simplification move will help gain more access of LDCs' products free of duty, promoting industrialisation of countries concerned. This will also enhance exports of goods manufactured in Bangladesh and other LDCs would have easier access to EU once the proposed changes are in force, according to the EU. Meanwhile, in view of the two-stage transformation process in the existing GSP scheme of EU, the local textile industry has made huge investment taking advantage of the preferential market access.

He further said the proposed new scheme will encourage India and Pakistan to export their finished goods to Europe. At the same time they will be able to sell their inputs, mainly fabrics, to Bangladesh for export to Europe under the SAARC Regional Cumulation.

Garment purchase orders pour in

More international buyers are coming to Bangladesh despite the global financial recession as they think China, one of the major competitors of Bangladesh, is no more viable for them due to higher prices of apparel items.

Chinese are no more interested in labour intensive industries like textile and ready-made garment (RMG) sector because of the currency appreciation against the dollar and higher wages of workers, said Rasheduzzaman, a local buyer in Dhaka. Recently, almost all renowned international retailers stores, including Wal-Mart, JC Penny, Marks and Spencer, H and M, Tesco, GAP, Li and Fung, Puma and G-Star, have enhanced their volume of purchase from Bangladesh.

The recent change in the purchase pattern is because Bangladesh is a vital destination for international buyers of readymade garments (RMG) items in the wake of less cost-effectiveness of Chinese apparels.

A strong presence of foreign retail buyers of apparel items from Bangladesh has outshone the growth of local buying houses, as they now focus more on direct purchase from manufacturers, according to sector people.

Bangladesh is receiving a huge number of orders from international buyers as they have been shifting their orders from China in the age of financial recession, said KI Hossain, owner of Total Apparel, a local buying house.

Textile exports up 45% in first quarter

Bangladesh's export earnings from ready-made garments (RMG) during the July-September quarter rose 45% from a year earlier to stand at nearly \$3.4 billion, said Anwarul Alam Chowdhury Parvez, President of Bangladesh Garment Manufacturers and Exporters Association. Bangladesh's export earnings from the sector in September alone were more than \$1.11 billion, up more than 45% over the same month of 2007.

The recession was unlikely to have had any impact on export earnings for July to September as orders for the period came in before the global economy started to melt down. RMG account for more than three quarters of Bangladesh's total export earnings, with more than 90% coming from the United States and European countries.

Sector leaders said domestic suppliers were feeling some impact from the recession with importers putting pressure on them to cut prices further. Exports hit a record \$14.11 billion in the last financial year ending in June 2008, with garments generating almost \$10.7 billion. Bangladesh has set a \$16.3 billion export target for the year to June 2009 and the projected target for knitwear is \$6.58 billion, up 19% from the last fiscal year, while the target for woven garments is \$5.68 billion.

CHINA

Government raises tax refund for textile exports

China has decided to raise rebates of value added taxes for textile and garment exporters to 17% from 14% to help them ride out a drop in overseas demand. China has already increased VAT refunds twice this year for the textiles sector, a big employer of semi-skilled labour.

The State Council also decided in a meeting to stop requiring low-end export processing firms to deposit cash with local banks between the time they import inputs and export the finished product, a move introduced in 2007 to curb such firms' cash flow. The Cabinet said after meeting that it would offer more tax breaks for textile, garment and some other light industrial firms, but it did not provide details. China, which unveiled a stimulus package of 4 trillion yuan to boost domestic demand through 2010, has made it a top priority to protect jobs at a time of looming global recession.



CAMBODIA

Export fees to be cut to aid textile sector

Prime Minister Hun Sen announced a 10% cut in export fees on garments and appealed to workers to stop strikes in order to avoid more turmoil in the already faltering sector. The announcement was made during the 14th government-private sector Forum following a request by Van Sou Ieng, President of the Garment Manufacturers Association of Cambodia (GMAC).

GMAC had asked for a cut of 30% to assist exporters. Hun Sen also appealed to workers to stop striking, saying that Vietnam and China are gaining a competitive advantage over Cambodia in terms of productivity.

About 28 garment factories recently closed and the bosses escaped without paying workers. Tens of thousands of workers have already been laid off as garment orders drop due to decreased demand in the United States, Cambodia's biggest buyer.



CHINA

China's textile machinery trade declines during Jan.-Nov., 2008

According to the recent custom statistics, China's export and import of textile machinery totaled US\$5.02 billion in the first 11 months of 2008, down 12.84% year-on-year, in which, the export value amounted to US\$1.48 billion, up 6.32%, while the import value was US\$3.54 billion, down 18.92% year-on-year.

China's textile machinery export kept single digit growth. Knitting machinery were still the best sellers with the export value of US\$ 447 million, up 10.96% and covering the share of 30.33% of the total. Nonwoven machinery showed the highest growth rate in export value with a year-on-year increase of 91.03%, followed by weaving machinery, growing 28.95% compared with the same period of 2007.

By ownership of enterprises, solely foreign-funded enterprises ranked the first place among exporters with export value of US\$502 million, up only 0.08% and accounting for 34.03%.

India remained the main market for textile machinery imported from China. In Jan.-Nov., China exported US\$ 296 million worth of textile machinery to India, grow-

ing 11.15%. On the basis of double-digit growth, the amount is predicated to exceed US\$300 million by the end of year 2008.

The import value continued to grow but at a slower pace. Knitting machinery was the most requested machinery, registered import value of US\$ 901 million, down 24.50% year-on-year but still taking up for 25.44% of the total.

The country had a better appetite for nonwoven machinery and chemical machinery during this period. And still solely foreign-funded enterprises were the top importers as they bought from overseas US\$1.16 billion worth of textile machinery, down 13.31%, accounting for 31.84% of the total import value.

Nonwovens to continue growth despite adverse conditions

Chinese textile researchers commented that nonwovens textile segment in the country is expected to continue its growth, though in a slower pace, especially in the areas of bio-medical applications. In recent years, the nonwovens segment has witnessed dynamic growth in both quality and quantity. The global output of nonwovens was about 5.5 million tonnes in 2007, of which, 31% came from China, representing 1.72 million tonnes.

Technical and nonwoven textiles (a relatively small amount of technical textiles in the China market is woven) accounted for 15.42% of the total output of textile and fibre production in China in 2007, up 12.97% from the previous year, according to industry estimates.

The actual output of nonwovens production was 1.72 million tonnes in 2007, up 23% from the previous year. Elsewhere in Asia, nonwoven outputs in Japan, South Korea, Taiwan and India were 340,000 tonnes (accounting for 6% of the global aggregate output), 230,000 tonnes (4%), 160,000 tonnes (3%) and 125,000 tonnes (2%) respectively.

This growth rate in China will take a slower pace under the current global economic downturn, industry experts say, but the nonwovens sector is less impacted than the conventional textile and apparel sectors.

This is because the conventional textile and apparel sectors are largely dependent on exports, which are adversely affected by the current economic downturn. Many products in the nonwovens sector are made to satisfy domestic demand from

industrial sectors, especially automobiles. However, the impact will be felt, for example, as the demand for private cars in China is expected to decline (in the coming years).

The provinces of Guangdong (accounting for 17% of the aggregate nonwovens production volume in China in 2007), Zhejiang (15%) and Shangdong (9%) are the three majors in the Chinese nonwovens sector.

One of the most potential areas lies in bio-medical nonwovens products, in particular, artificial vascular prosthesis involving advanced technologies, and these high value-added products are mainly supplied by developers and manufacturers in North America and Europe..



INDIA

High MSP will aggravate current textile crisis

Although 40% hike in Minimum Support Price (MSP) is of great help to the farmers, it has proved to be a burden to the textile companies.

With the prices falling in the international market drastically and domestic graph moving upward direction, import of cotton has increased substantially in the recent period.

Cotton production in 2008-09 is estimated to be 32.2 million bales. Consumption in India has started decline of at least 10% (around 2.5 million bales) during the year, compared to last year. International cotton prices have declined by around 40% during the last 4 months, said Mr D K Nair, Secretary General of Confederation of Indian Textile Industry (CITI).

In India, the prices should have declined, but the unreasonable MSPs are not allowing the market forces to operate. The result is that cotton textile products will be substantially out priced in the international markets, aggravating the current textile crisis. Farmers may also not get the benefits of increased MSPs, since government may not be able to procure or pay on time.

He therefore, suggests that mills may be enabled to buy cotton during the peak arrival season, by providing them working capital for cotton purchase at 7% (PLR now) interest, against margin money of 10% (25% now) and for a period of 9 months (3-4 months now) and suggested that CCI should be mandated to dispose of the procured cotton promptly, in order to avoid an artificial scarcity in the market.

Slowdown to continue in manufacturing: FICCI survey

The fiscal stimulus package announced by the government is unlikely to revive growth in the manufacturing sector, said in survey of the Federation of Indian Chambers of Commerce and Industry (FICCI). The Indian government has planned \$4 billion of extra spending this fiscal year to revive fading economic growth hit by global slowdown and boost investors' confidence following militant's attacks on Mumbai. The government's stimulus package came a day after the Reserve Bank of India cut its key interest rates by 1 percentage point to shore up growth.

The FICCI survey said sectors like textiles, metal and metal products and leather are looking to cut production by 10% to 50% between November 2008 and March 2009, which could translate into job losses by 10%-30%. Indian textile exporters have already expressed their disappointment with the stimulus package.

The FICCI survey said the government needs to raise the duty drawback rates for the textile industry and lift interest rate subsidy on bank loans to the sector to 4%. The FICCI survey said there was a need for further interest rate cuts, sought an immediate reduction in the corporate tax rate and restoration of income tax exemption for exports.

Falling demand, high input costs to hit textile exports

India's textile and apparel industry anticipates further dip in exports this year due to falling global demand and higher input costs, which offset the gains of a depreciating rupee against the dollar.

The industry contributes 13% to India's exports and 4% to the GDP. Despite a host of positive factors for India, including rising input costs in rival China, business shift from neighbouring countries like Pakistan and falling market participation of its peers in the US and the UK, the industry is still grappling with the sluggish demand coupled with high input costs, said Premal Udani, President of the Clothing Manufacturer Association of India (CMAI).

He said falling demand for garments and textile products in the US and European countries have made the manufacturers panicky, who have started cutting down production in a phased manner. India exports half of its production to the US and Europe. The textile industry

exports stood at \$22 billion last year, lower than the targeted \$25.06 billion.

If the order book position is anything to go by, this year may see further dip in exports. Order book of leading exporters has shrunk 15%-20% on an average for the third quarter of the current fiscal, while the domestic sales have dropped 10%-15% on a year-on-year (y-o-y) basis.

The country's top industry bodies — FICCI and CII — have predicted a production drop of around 10%-40% across the manufacturing sector and expects more lay-offs to manage the costs in the near future. However, the government had announced a Rs 1,400-crore stimulus package for the textile industry for technological upgradation and giving continuous assurance of more booster packages.

But industry players said revising the cotton prices would have been a greater help. The CMAI feels that the rate of duty drawback should also be increased by at least 3%-4% so that the industry could become more competitive.

500,000 textile workers may lose jobs

Textiles sector was likely to lose five lakh jobs over the next five months because of the sharp slowdown in export demand in this over the past few weeks said Commerce Secretary G K Pillai. Commerce Secretary's projection of five lakh job losses is the biggest number given out by the government ever since economic crisis broke out.

The Commerce secretary's warnings about the worsening state of the economy comes the same day the Prime Minister Manmohan Singh confirmed that the current crisis is "deep".

The textile industry, the country's second largest employment-generating sector after agriculture, employs 35 million people with exports of over \$22 billion. Over 60% India's textile exports find markets in US, Europe and Japan — all three now in economic recession.

Textiles has tremendous growth scope in India

As the importance of technical textile is rising day by day, market opportunities are increasing and thus the usage of the same is growing rapidly. Currently, approximately US \$120 billion worth of technical textiles is consumed world over and in India it is just \$6 billion.

Mr Suresh Kannan, Vice President, SRF Limited said that technical textiles is going

to be a rapidly growing space in India. The scope for growth is tremendous as our current per capita consumption in India is quite low at 0.3 Kg as against 7-10 Kg in the developed world. China has a per capita consumption of 1.7 Kg. Even among the overall textile industry, the share of Technical Textiles in India at 5% does not compare well with the corresponding figure of 30% reported in the developed world.

Though India has a significant presence in some segments of technical textiles such as automotive and industrial textiles, it is yet to make a presence in other segments of technical textiles. Government has taken initiatives to promote technical textiles through fiscal support, research spending and inter-departmental co-ordination. This is expected to stimulate domestic consumption in the coming years.

ECGC gets claims of Rs 100 crore

Nearly a dozen Indian exporters, mainly of textiles, are facing payment defaults to the tune of Rs 100 crore by US importers who have gone bankrupt. These exporters have now approached Export Credit Guarantee Corporation (ECGC) for insurance claims. The defaulting US buyers are among those forced to wind up their business due to the financial crisis that hit the American economy.

An ECGC official said that the potential claims from Indian exporters to the US as of now is estimated at around Rs 100 crore. It may take a month or two to get a clear picture on the actual number of defaults and the amount involved, the official said. There could also be cases related to exports to the US through other countries.

The Rs 100-crore potential claims are over and above the normal claims received by ECGC from Indian exporters. This year, up to October-end, it has settled claims worth Rs 160 crore. The Corporation would be able to settle these claims from its own resources.

The Corporation has witnessed an increase in demand for insurance cover from exporters following the global financial crisis that hit several economies across the world.

Realising the situation, ECGC has stopped giving credit guarantee cover to new exporters who are seeking single buyer cover. However, existing customers will continue to get all types of cover.



Corrective measures to promote textile exports

Exports of textiles and clothing from India amounted to US \$22.13 billion during 2007-08, as against the target of US \$25.06 billion, denoting a shortfall of 8.55% from the target. The shortfall in achieving the target, apart from the rupee appreciation factor, are attributable to general decrease in the volume of imports of textiles & clothing by the major buyer countries and erosion of competitive edge of the exporters in the global markets due to high domestic transition costs and incidences of multiple duties and taxes.

The share of textiles & clothing in the total exports of the country was 13.58% in 2007-08 as against 15.16% in 2006-07 although exports of textiles & clothing alone in 2007-08 at US \$22.13 billion had registered an increase of 15.59% over the exports turn over of US \$19.14 billion in 2006-07. A number of measures were introduced by the government to enhance the textiles exports. These measures included enhanced Duty Entitlement Pass Book & Duty Drawback rates, reduced ECGC premium, subvention on credit rates, refund of service tax paid by exporters on various services etc.

Wait for the best time: Vaghela to textile industry

Union Minister of Textiles Shankersinh Vaghela said the Indian textile industry needed to bide its time, wait and hope for the best as it battles with the prospects of a global economic slowdown. There are major challenges being witnessed by our country's textile sector. These gloomy prospects would not continue forever and things will change. One has to bide time, he said in his inaugural speech at the 8th India International Textile Machinery Exhibition.

He said that even other major competitors like China were being hit by the ongoing recession. His speech comes at a time when there have been lakhs of job being lost in the textile sector.

The 8th India International Textile Machinery Exhibition which is being held for the first time in India's silicon capital has seen over 400 participants.

Automotive textile industry to reach US\$ 1 billion by 2010

The Indian Automobile industry is flourishing like never before in the recent years. The production sales of the automobiles are growing strongly at a CAGR of around 16% with 11 million units produced in 2006-07 reaching to 19 million units by 2010. Technical textiles are gaining fast recognition to be one of the most dynamic and promising areas for the future of the textile industry in India for hi-performance applications. Automotive textiles happens to be the rewarding sector finding extensive use of technical textiles in the product categories viz. interior trims, safety devices like seat belts and airbags, carpets, filters, battery separators, hood liners, hoses & belt reinforcement.

Textiles, which constitute approximately 20-25 Kgs in a car, are not only used for enhanced aesthetic of automobiles but also for sensual comfort & safety. Additionally, few textile products found their applications as design solutions to engineering problems in the form of composites, tyre reinforcement, sound insulation & vibration control. Apart from woven & knitted constructions, Nonwovens also find applications in transport textiles due to certain advantages served by them. In order to ensure the correct development movement of the industry, the need of the hour is to disseminate the correct technical, product oriented and market know how about the Automotive Textile industry to the future investors that the industry would be welcoming.



Textile producers expect 2.6 % export growth in 2009

With several major economies in the West likely to fall into a recession, Indonesian textile exporters are expecting export growth to rein in next year. Benny Soetrisno, Chair of the Association of Indonesian Textile Producers (API), said in a seminar that the country's total export volume would expand by just 2.6% to 2.06 million tonnes in 2009.

This year, he said, the total volume of exports would reach 2.01 million tonnes, up by 7.45% compared to the total volume in 2007. The total value of this year's exports is expected to reach US\$10.84 million. To compensate for the sluggish demand for Indonesian products, Trade Ministry representative Subagyo said exporters must venture beyond traditional markets such as the United States and Western Europe countries.

Garment exports doing well despite global crisis

Thanks to investment worth around Rp 4 trillion (US\$363 million), garment-making businesses are expected to grow by 11.4% by year-end, and another 10% next year. Garments account for 60% of Indonesia's textile and textile products

(TTP). Garment exports are projected to reach \$6.4 billion this year, from \$5.82 billion in 2007, said Kurnia Saputra, a Board Member of Garment Partnership Indonesia.

Growth in garments will be higher than the forecast 8% increase in the total exports of TTPs, which will grow from \$10.3 billion in 2007 to an estimated \$10.81 billion this year, according to Redma Gita Wirawasta, Executive Director of Indotextiles Research Center.

Although several textile companies have had to lay off workers, garment makers have been doing well and have absorbed another 50,000 workers this year, according to Redma Gita Wirawasta, Executive Director of Indotextiles Research Center. There are already more than 1 million workers in the garment industry.

Major destinations of garment exports are the United States, contributing 26%, the European Union (12%), ASEAN (5%) and Japan (3%). Indonesia's garments account for only 3% to 4% of the world's total, said Kurnia, but we can strengthen our global position as an important garment industry player by pushing for greater compliance with global manufacturing practices.

Despite the current global crisis, the United States and Europe would remain major destinations for Indonesian garment exports, while countries in the Middle East and the former Soviet Union would act as buffer markets.



SOUTH AFRICA

Restrictions on Chinese textile imports

South Africa is unlikely to extend restrictions on Chinese textile imports beyond December 2008, when they are due to expire, said Tshediso Matona, Director General in the Department of Trade and Industry.

South Africa introduced quotas to restrict Chinese textile and clothing imports in January 2007 after unions complained the cheaper products were hurting local manufacturers and causing job losses. Retailers such as Woolworths and Truworths complained at the time that the quotas inflated their costs and the Central bank warned they would add to inflationary pressures.

Matona said a report was being finalised that would measure the impact of the restrictions, although anecdotal evidence showed a "marked reduction" in imports from China. He said the government had so far received no calls for extending quotas. The Southern African Clothing and Textile Workers Union (SACTWU) initially lodged a complaint calling for a curb on Chinese clothing imports. It said cheap Chinese imports caused thousands of job losses in one of South Africa's biggest manufacturing sectors, which was struggling to improve competitiveness in the face of declining exports.



TURKEY

Textile sector in need of government support

The global economic crisis has caused Turkey's textile businesses to ponder pulling out of the sector. Hoping to lower the impact of the crisis on their businesses, some entrepreneurs resort to halting production or lying off workers, while others move their businesses abroad, meaning the sector loses blood either way.

The textile sector ranks fifth among the list of 'most vulnerable sectors to the crisis' today, said Chairwoman of the Antalya Exporters Union. If the same crisis had happened two or three years ago, we would not have been affected this much since the development of the sector was more stable then. Today we are caught in the wave just as we have lost our advantage of competition due to high bank loans, increase in total costs, decrease in demand, and ultimate loss of confidence.

Yarn producers have been affected the most by the current crisis. This mainly stems from the state failing to promote investment and investors at the right time, said Namil Keskin, owner of Kadikoğlu Tekstil, a local firm in Antalya, adding that yarn production necessitates more technological infrastructure, as well as an expert engineering team. Yarn production can ensure high margins of profit if done in an environment of low cost labour, energy and good investment. Our profit margins have narrowed substantially in the last six months. We are afraid this trend may get even worse next year.

The textile sector has contracted 15% to 20% during the last year affected by the outbreak of the crisis, said Kalkavan, adding that companies free of liquidity problems can survive this contraction while others are eliminated. Our biggest rivals are China, India and Pakistan, while we also compete with Egypt and African countries in ready-made clothing. China is expected to be affected the least by the crisis as the liquidity accumulated in the country so far will be transferred to the private sector now. Moreover, the investment climate in these countries cannot be compared to those in Turkey.

Elegant textile manufacturer closes, 1,800 jobless

A total of 1,800 employees lost their jobs as Turkey's Tekerekoglu Tekstil, the world's third largest home textile manufacturer and producer of the Elegant brand, suspended production due to financial problems stemming from the worsening global crisis.

Tekerekoglu Tekstil, which has some \$42 million of debt, sold two of its five factories in order to pay its credit loan. The remaining three factories together with the company's other real estate assets will also be sold, the report said.

As the crisis sinks its teeth into the real economy worldwide, Turkish producers operating in the textile industry have implemented a number of cost cutting measures including reducing production, lying off employees and downsizing.

Giants of the Turkish textile sector, such as Sonmez Filament, halted production, while Edip Iplik announced it would pull out of the sector as of December, 31, 2008. Many textile manufacturers have shut down operations across Turkey, including 14 factories near Istanbul.



VIETNAM

Productivity is raised by skills rather than increasing labour

Over the last many years, Vietnam's textile and garment industry witnessed strong development. Vietnamese textile and garments products have made a way into the world market, thus rendering a vital role in the economic development of the country. Year by year, this emerging country in textile and garment industry has been marking up-trend in the graph of exports products.

The prestige and quality of Vietnamese textile and garments are being recognized in the world market and the industry has seen development in terms of number of enterprises; state-owned enterprises; limited liability companies, joint stock companies, private companies; investment projects, joint ventures, foreign equities with increased FDIs; employment; and production capacity too.

It is noteworthy that despite of challenges like global financial crisis, fierce competition from established countries, domestic high inflation, labor fluctuation etc., in first 11 months of the year 2008, Vietnam embarked US \$7.6 billion in textile and garment export; a growth of over 20% year-on-year. However, with recession getting acute problem and the situation long-drawn-out, like all other countries, Vietnam is obvious to face consequences.

Country set to move to 2nd place in apparel exports to US

The Vietnamese garment industry is making rapid strides and is expected to jump 2 places in the pecking order to emerge as the second biggest clothing exporter to the US, behind China. This was revealed by the American Chamber of Commerce which went on add that shipments from the Vietnamese apparel industry will increase by more than 8% in the current year. In the process of jumping to the second place, Vietnam is expected to pip Mexico and India, who stood second and third respectively in the previous year. According to the Chamber, exports of clothing were expected to exceed US \$5 billion compared to \$4.6 billion last year.

The only other country to record a good growth rate apart from Vietnam was Bangladesh which witnessed a growth of 8.4% in the same period. ♦