

EXTRACT

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102nd Canton Trade Fair Opens

DATE: 2007/10/19

China's oldest and largest trade show opened this week in Canton, the Canton Trade Fair, which has been held since 1959. The first part of the fair takes place between October 15 - 20, with the Textile and Garment Expo held in the Liuhua Complex. Sales arranged at the fair have long been held as an important barometer of demand.

Source: Globecot

Bigger presence for foreign exporters

DATE: 2007/10/16

Exporters from other countries will have an even bigger presence at the autumn session of the China Import and Export Fair, also known as the Canton Fair, which begins today. The import section debuted at the country's largest trade fair during the 101st session in spring. The exhibition hall has doubled in size to 20,000 sqm for the autumn event.

The move is part of China's efforts to improve its imports from trade partners and narrow the trade gap, which has sparked widespread concern.

The Canton Fair isn't the only Chinese exhibition turning to imports. The Ninth China Hi-tech Fair, which is being held in Shenzhen between October 12 and 17, has set up a US section in a bid to encourage imports from the United States.

But doubts have been raised as to whether the government can achieve its target of reducing the trade surplus this year, with the figure soaring unexpectedly high in recent months.

Experts predicted the impact of government measures to curb the trade surplus would be seen from July.

Source: China Textile Network Company

Most said the trade surplus would remain high this year but growth would slow.

July's figures proved them right. The surplus for the month, although still high at \$24.35 billion, dropped from the record figure in June.

Imports increased over 20 percent year-on-year to \$86.38 billion in August.

From January to June, the government took a number of measures to tighten exports - particularly in resource-intensive and low value-added products - and encourage imports.

It lowered the tax rebate on exports of low value-added products, requiring exporters to deposit margins for some processed goods, and imposed export taxes.

Its move to scrap or reduce tax rebates on 37 percent of the country's total exports was the boldest since it joined the World Trade Organization in 2001.

These measures stimulated exports at a time when manufacturers were rushing to deliver goods to meet deadlines.

Chinese companies saw a sharp downturn in export orders in July, according to a survey of purchasing managers by brokerage firm CLSA Asia-Pacific Markets.

That suggests growth in the first half of the year was driven by "a rush of orders to beat the July cut in export tax rebates", said Eric Fishwick, CLSA's deputy chief economist.

Most economists are sticking to predictions that the annual trade surplus for 2007 will be roughly \$250 billion to \$300 billion, compared with the record \$177.47 billion last year.

If there is no significant price increase or adjustment in trade policy, the country's surplus will continue widening to over \$250 billion for the whole year, according to researchers at China Construction Bank.

Fan Jianping, a senior analyst at the State Information Center, a key government think-tank, said the figure will touch \$275 billion, up 55 percent.

That means surplus growth for the whole year will drop 28 percentage points from the first half.

Slowdowns are also expected in individual sectors, including steel and textiles, which used to produce China's trade surplus.

The 2-percentage-point reduction in tax rebates on garment exports and measures to slow process trade is expected to hit domestic textile manufacturers, said an official with the China National Textile and Apparel Industry Council, who declined to be named.

Growth of steel exports from China will slow to 20 percent for the full year due to government efforts, compared with the 97.7 percent increase in the first half, the China Iron and Steel Association said.

The forecast growth rate would be the slowest since 2003, according to the association.

But Wang Qian, an economist at JPMorgan Chase in Hong Kong, said the surplus in the second half will "stay solid", as strong global demand will counter other factors that may dampen trade growth.

Source: MINISTRY OF COMMERCE

Source: China Textile Network Company

September Yarn Production Reaches 1.7211 Million Tons

DATE: 2007/10/19

China's September 2007 yarn output reached 1.7211 million tons, the second highest monthly production level on record and was up 8.4% over the same period last year. January through September cumulative yarn output reached 14.456 million tons, which represented 17.4% year-on-year growth.

Source: Globecot

Xinjiang Expands Machine Picking

DATE: 2007/10/19

This year's sharp cost increases for hand labor cotton picking appear to be changing the economics of cotton harvesting in Xinjiang. The large, flat cotton fields of Xinjiang Production and Construction Corps (PCC) are a natural for machine picking, and the remote location of these fields is making it increasingly difficult to draw sufficient labor for picking. NCMMS calculation of this year's hand picking costs indicates that it is now cheaper to use machine pickers on the larger PCC farms than to hand pick. Total costs of machine picking are estimated at 180 yuan per mu, plus 30 yuan for defoliation. Total harvest costs, assuming two pickings, are now estimated to be 40 percent less than hand picking.

Several PCC farms have expanded machine picking this season, but there is still considerable concern that using machines will reduce the quality of cotton and lower grades. This issue may need to be addressed before machine picking becomes the established method of use in Xinjiang.

Source: Globecot

Jiangxi strives to establish self-owned clothing brands

DATE: 2007/10/18

Clothing enterprises of Jiangxi Province mainly manufacture garments for international companies. However, these enterprises have started producing for local brands and now the region can boast of having 80 apparel brands. In the first eight months this year, the clothing output of the area has reached 469 million pieces, ranking sixth in the whole China.

Jiangxi borders with Zhejiang, Guangdong, Jiangsu and other main garment producing provinces. Meanwhile, since the clothing industry of the country is shifting their bases to central and west China, investments in local apparel sector has increased in recent years. Along with this lots of local clothing enterprises are also setting up their design department in Shenzhen city and other big cities in order to get the information regarding latest fashion and style trends to design their own brands.

It is to be noted that the province heavily depends on exports of clothing products, which accounts for around 58 percent of the total apparel output of the region.

Source: Fibre2fashion

Cotton Quality Concerns Mount

DATE: 2007/10/17

The unusually wet and cold period that persisted during the September 26 through October 10 time period in the North China Plain has taken a toll on the quality of the cotton crop. The rain and cold temperatures triggered boll rot, lowered yields and significantly impacted cotton grades. Clear, but cool weather is now forecast across the entire North China Plain. Daily highs today are in the 21 to 22-degree Celsius range or 69 to 71 degrees Fahrenheit, but by Friday, October 19, are forecast to cool to 17 to 19 degrees Celsius or 62 to 66 degrees Fahrenheit in many areas. The first major problem is color grade, with little additional cotton harvested after the rain likely to be middling and above and most grades to fall to the equivalent of SLM or lower.

Domestic prices are reacting by a significant rally in T328 prices, with procurement prices by some mills up 800 yuan per ton off their seasonal lows. The average landed-the-mill price has rallied over 400 yuan per ton. Increased interest in imported and reserve cotton has occurred as well. Indian new crop has sold to Chinese mills on a daily basis since the market reopened after the National Day Holiday.

Source: *Globecot*

German Textile Machinery Manufacturers Report Increased Exports

DATE: 2007/10/16

German textile machinery manufacturers saw their machinery and accessory exports increase by 15.5 percent in the first half of 2007 compared with the same period in 2006, to total 1.9 billion euros (US\$2.703 billion) and comprise 95 percent of all German machinery exports, according to a recent report from the German Engineering Federation (VDMA) Textile Machinery Association.

Being the export world champion for over 50 years, the German textile machinery business performed extremely well in the first half of the ITMA year 2007, said Thomas Waldmann, managing director, VDMA Textile Machinery Association.

Spinning machinery topped the list of textile machinery export increases for the period, with a rise of 39 percent to 776 million euros (\$1.104 billion); followed by weaving machinery, up 19.3 percent to 191 million euros (\$272 million). Knitting, hosiery and like machinery exports rose to 639 million euros (\$909 million); and finishing machinery including washing, bleaching and dyeing totaled 292 million euros (\$416 million).

China was the top customer for German textile machinery, representing 25 percent of the export market and 477 million euros (\$679 million) in value; followed by Turkey, 172 million euros (\$245 million) a 63-percent increase from the year-earlier period; India, 154 million euros (\$219 million); Italy, 97 million euros (\$138 million); and the United States, 91 million euros (\$130 million).

VDMA also reported that more than 330 German companies exhibited in 30,000 square meters of space at ITMA 2007 in Munich, Germany, last month. This was a significant increase over the German presence at ITMA 2003 in Birmingham, England, where 232 companies exhibited their products and services.

Source: *Textileworld*

US Companies' China Outlook: Continuing Optimism Tempered by Operating Challenge and Threats

DATE: 2007/10/17

Washington, DC, October 4, 2007 - US-China Business Council (USCBC) member companies operating in China reported further market expansion in 2007 but continue to encounter difficulties finding qualified personnel, obtaining business licenses in many sectors, and enforcing intellectual property rights (IPR). Rising protectionist sentiments in both China and the United States also threaten to undermine the gains made to date, according to results of USCBC's annual survey.

The full report is available at <http://www.uschina.org/public/documents/2007/10/uscbc-member-survey-2007.pdf>.

USCBC members highlighted the following concerns:

Human resources

China is experiencing shortages of managers, financial specialists, lawyers, accountants, and other employees with the professional and technical skills companies require to fill key roles.

Administrative licensing

China's World Trade Organization (WTO) entry has opened more sectors of the economy to foreign participation, yet companies also report corresponding difficulties in obtaining business and administrative licenses. Procedures are opaque and lines of jurisdiction among regulators are often unclear.

IPR enforcement

IPR concerns continue to affect company operations, even as companies expand their market presence. Two-thirds of respondents noted that China's lack of a viable IPR protection and enforcement system affects their willingness to bring their top products to China's markets or to engage in research and development there.

Protectionism in China and the United States

Companies expressed concern over the potential of protectionism in China and the United States to affect their business operations in China. Respondents cited emerging Chinese investment policies as threatening to restrict openings made as part of China's WTO entry. The prospect of harmful US congressional legislation is a serious concern for USCBC members, with 87 percent of respondents identifying this as a growing threat over the past year.

Aside from these issues, companies are taking advantage of the openings in the Chinese market: Companies are profiting and optimistic.

USCBC members see China as important to their company's global operations: 84 % of respondents said China was at or near the top of their companies' priorities.

83 % of respondents said their China operations were profitable, up slightly from the results in the 2006 survey, and two-thirds say their profitability rate in China meets or exceeds their company's global rate.

85 % of respondents said their China revenues increased in 2006, up from 70 % in last year's poll, and 92 % expect the increases to continue in 2007, up from 80 % in 2006. The overwhelming majority of respondents, 93 %, view their companies' medium-term future in China positively. USCBC members are primarily serving the Chinese market

Nearly all respondents, 96 %, indicated they were primarily in China to access or serve the Chinese market.

Another 46 % said a secondary motive is to use China as an export platform for Asia and or other parts of the world.

Only 28 % of companies indicated their China operations were set up to export to the US market, an important and consistent finding that is often overlooked in discussions about US companies operating in China.

US companies bring higher pay and better facilities to China

Three-quarters of respondents noted that they pay employees above the average wage paid by domestic Chinese enterprises.

Almost all respondents (97 %) indicated that they bring their companies' global environment, health, and safety (EHS) standards to their operations in China. Ninety-nine % say these standards either exceed or meet local Chinese EHS standards.

The US-China Business Council (USCBC, www.uschina.org) is the leading organization of US companies engaged in business with the People's Republic of China. Founded in 1973, the USCBC provides extensive China-focused information, advisory and advocacy services, and events, to roughly 250 US corporations operating within the United States and throughout Asia.

Source: the US-China Business Council. All rights reserved.

UN official: growing Chinese economy not a threat

DATE: 2007/10/15

A senior UN official said Friday the Chinese economy enjoying sustained rapid growth was not a threat, as it has been demonstrating a positive effect in the global economy.

Speaking at the Forum on Future Development of China held in the southern Chinese city of Guangzhou on Friday, United Nations Resident Coordinator in China Malik Khalid said "China has demonstrated that it uses its economic power in a responsible way."

In his keynote speech titled "Sustaining China's Development in New Global Environment", the economist-turned-official said China has had a stabilizing effect in the global economic system when the U.S. subprime problems unleashed uncertainties.

Malik praised Chinese authorities for making efforts to combat environmental problems, noting China is "unique in facing such environmental challenges at such an early stage of its economic development."

"There has been no precedent like China, who, as a developing country with a per capita GDP of about 2,000 U.S. dollars, undertakes such great responsibilities."

Malik, who has been stationed in Beijing since August 2003, attributed China's economic growth to Chinese leadership's commitment to long-term success, efforts in capacity building and pragmatic approach towards the reform and opening up process.

He told the forum that he was amazed by "the rapid changes China has brought to its social security system" over the past months.

In a speech on a similar theme in April, Malik cited weak social security as one of the Challenges facing the Chinese government.

"There's of course much to do in China, but at least I am personally confident that China will continue to do well," Malik told the conference.

The forum, organized by Hong Kong Pei Hua Education Foundation to commemorate its 25th anniversary Friday, was attended by scholars, university heads, high profile think tanks and officials, including Singapore's Foreign Minister George Yeo.

Hong Kong Pei Hua Education Foundation was established by Hong Kong business giants to promote knowledge about the mainland.

Source: Xinhua