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**Textile Manufacturers See Little Success In US/China Talks**

DATE: 2008/06/27

Although US Secretary of the Treasury Henry M. Paulson, Jr. touted the success of last week's US/China Strategic Economic Dialogue (SED), textile and other manufacturers were less than excited about it. At the conclusion of the talks at the US Naval Academy in Annapolis, Md., Paulson said, "I am pleased that we continue to build stronger relationships between our leaders and our countries and that this innovative effort to strengthen a unique economic relationship is a success."

Paulson cited success in dealing with two specific initiatives: energy and environmental cooperation. He pointed out that China and the United States are the two largest net importers of oil, account for more than half of the world's coal consumption and are the two largest emitters of greenhouse gases. He announced that the two countries will sign a 10-year Energy and Environmental Cooperation Framework. Paulson also said the two nations have agreed to launch negotiations on a bilateral investment treaty that he said could lead to treating each other's investors in a "fair and transparent manner."

Textile and other industry representatives in Washington expressed their disappointment that the talks did not focus on international trade issues, and particularly, what they see as China's manipulation of its currency in order to gain advantages in international trade. The Alliance for American Manufacturing (AAM), a partnership of labor and industry representatives, said the talks "squandered an opportunity to make China trade more balanced and market driven." AAM's Executive Director Scott Paul said the SED is built on a "flawed premise" that periodic discussions alone can achieve progress on critical issues. He called for a "more robust" approach from Washington that includes specific objectives, a mechanism for assessing progress, and incentives for making progress and punitive measures for backsliding.

Prior to the opening of the talks, a bipartisan group of 11 senators sent a letter to Secretary Paulson urging him to "push the Chinese government to stop manipulating its currency and allow great appreciation of its renminbi (RMB)."

In part, the letter said: "The lack of significant progress on the continuously misaligned RMB has substantial negative effects on American manufacturers. China's long-standing policy of undervaluing its currency in violation of the International Monetary Fund commitments effectively gives an unfair competitive advantage of up to 40 percent to its frequently state-run firms. The unfair price advantage that the under-valued RMB gives Chinese firms has forced many American companies to

Source: China Textile Network Company

declare bankruptcy or even to go out of business, harming our workers, families and middle class.

The senators said they believe US manufacturers can compete in a world economy, but that they cannot compete when their competitors are supported by government policies that deliberately make their exports artificially cheaper. The letter was signed by Democratic Sens. Barack Obama, Ill.; Sherrod Brown, Ohio; Sander Levin, Mich.; Evan Bayh, Ind.; Debbie Stabenow, Mich.; Charles Schumer, N.Y.; and Sheldon Whitehouse, R.I.; and Republican Sens. Elizabeth Dole, N.C.; Jim Bunning, Ky.; Olympia Snow, Maine; and Kent Conrad, Mont.

Secretary Paulson said China has been making some progress toward increasing the pace of its currency appreciation, but he urged the Chinese to continue its move toward currency flexibility.

*Source: Textile World*

## **The Rupp Report: China Looks For More Sustainability**

DATE: 2008/06/27

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Over the past few years, as China has become one of the biggest consumers of energy and a powerhouse of production, it has increased its ability to damage the environment very badly. However, the Chinese government is taking action to protect the environment and to encourage its industries to produce in a more sustainable way. Already with the government's recent Five-Year Plan, the Chinese textile industry is forced to generate 70-percent less wastewater in its finishing plants than in the previous period. Some plants already have been shut down for not achieving the mandated results.

### Environmental Labeling

Now there is a new effort to further reduce environmental damage. According to information from the Hong Kong Trade Development Council (HKTDC), environmental labeling in China has developed into a complete system encompassing standards, certification, assessment and quality assurance.

### Bottlenecks And Obstacles

Resource and energy consumption and the weakening of the ecological environment have created bottlenecks and obstacles to sustainable economic and social development. In order to achieve harmonized development of the environment and the economy, the government has made the building of a resource-efficient and environmentally friendly society its goal and embarked on the road of sustainable development by initiating changes to the existing mode of production and way of life.

### Promotion For Sustainable Consumption

Chinese authorities are taking proactive steps to promote sustainable consumption by adopting new government procurement procedures. Its policy for procuring energy-efficient products was announced in 2004. In 2006, the government promulgated the Suggestions on the Implementation of Government Procurement of Environment-Labeled Products and published procurement checklists, requiring government departments to give priority to energy-efficient and environment-labeled products in their procurement. The State Council decided to make the procurement of energy-efficient products mandatory in a further bid to promote energy conservation and environmental protection in 2007.

### Green Procurement Scheme And Certification

On the sustainable consumption front, China launched the government green procurement scheme in 2006. The Ministry of Finance and the Ministry of Environmental Protection announced two green procurement checklists covering 14 product categories from 444 enterprises. China's environmental labeling certification provides important technical support for the government's green procurement efforts. Up to now, 65 categories of products have been certified. China has signed agreements of

Source: China Textile Network Company

cooperation and mutual assistance in environmental labeling with countries and regions like South Korea, Japan, Scandinavia, Germany, Thailand, Australia and New Zealand.

### Products

Environment-labeled products cover the automotive, building materials, textiles, electronics, daily chemicals, furniture and packaging industries. Products of more than 30,000 specifications produced by some 1,500 enterprises have now passed environmental labeling certification. Wu Xiaoqing, vice minister of Environmental Protection, said China has made enormous progress in its economic development, but its economic structure remains irrational, without any fundamental change to the haphazard mode of economic growth.

Source: *Textile World*

## **Central bank governor signals firmer policies on inflation**

DATE: 2008/06/27

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BEIJING, June 23 -- China's central bank Governor Zhou Xiaochuan said "stronger policies" may be in the pipeline to tackle inflation exacerbated by the government's latest fuel-price increases.

"Surely higher energy prices will send some pressure to the consumer price index, so we may have stronger policies against inflation," Zhou told reporters in New York last Friday before a meeting with United States business groups. But Zhou didn't elaborate.

China on Thursday raised gasoline and diesel prices by at least 17 percent to take effect from last Friday, and increased power tariffs to rein in energy consumption. Crude oil prices are 91 percent higher than a year ago. China's retail fuel prices are about half the levels of the world's benchmark, Wang Qing, chief China economist at Morgan Stanley in Hong Kong, wrote in a June 6 report.

Inflation climbed to 8.1 percent in the first five months, from 4.8 percent for all of 2007. Though inflation last month was off the 12-year high of 8.7 percent reached in February, Zhou cautioned against saying inflation will slow.

"It's hard to say whether inflation will continue to ease for the rest of the year," Zhou told reporters in Washington, after meetings last week with US Treasury Secretary Henry Paulson. "We need to closely monitor it."

Aiming to keep consumer price increases for 2008 below last year's 4.8 percent, the People's Bank of China has ordered lenders to set aside a record proportion of their deposits as reserves and increased the pace of the yuan's appreciation this year to cool price gains. Zhou has kept the nation's benchmark interest rates unchanged after six increases last year, fretting that higher rates may attract more capital inflows, Bloomberg News said.

### **Economic losses**

China's fuel-price increases may push up inflation in the second half of this year by 0.9 percentage point, Ha Jiming, chief China economist at China International Capital Corp in Hong Kong, wrote in an e-mailed note last Thursday. Inflation may rise as much as 7.5 percent in 2008, Ha wrote, adding China's fuel prices need to rise another 60 percent to reach global levels.

On top of higher prices of gasoline, diesel, electricity and jet fuel, the central bank's job to control inflation may also be complicated by rainstorms and floods caused by more than 10 days of downpours this month in south China's provinces, the most in 100 years in some areas, and spoiling 1 million hectares of farm land. The floods caused economic losses of about 20.3 billion yuan (US\$3 billion).

Source: China Textile Network Company

Zhou is among Chinese officials led by Vice Premier Wang Qishan meeting with their counterparts, including Paulson, for the semiannual China-US Strategic Economic Dialogue. The Chinese officials were in New York last Friday for a series of meetings.

Source: *Shanghai Daily*

## **Margiela exhibits in China**

DATE: 2008/06/26

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Martin Margiela unveiled a retrospective exhibition in China, featuring his signature white-wash-style on cotton-covered dummies, a car covered with a sheet, the contents of an anonymous woman's handbag on a podium and clothing. Hong Kong retailer I.T. sponsored the exhibit, which runs through July 1 at Beijing's 798 Art District, an abandoned factory district that was taken over by contemporary artists in the mid-Nineties. Eight rooms displayed archive documents, videos and samples of Margiela's designs, allowing visitors to interact with notable pieces from past collections, reported *Women's Wear Daily*.

Margiela dressed life-size photo boards of models with his creations, like a slate leather jacket overrun with blue veins and a stiff piecemeal vest. Other notable displays included a Margiela-designed car cover and a vintage wedding dress torn apart and reassembled into a sexy strapless gown. Another room featured snapshots and three-dimensional renderings of Margiela's flagships in cities such as London, Paris and New York.

"An exhibition showing the different aspects of the house is quite rare," said Maison Martin Margiela in a statement. "This is a chance for us to present ourselves, to present the house's philosophy and DNA."

Margiela executives said they "definitely" see a Beijing flagship in the company's future but they declined to elaborate on timing. The brand plans to enter four to five second-tier cities in Mainland China over the next year, they told *WWD*.

Source: [www.cnga.org.cn](http://www.cnga.org.cn)

## **PPI for clothing and commodities goes up**

DATE: 2008/06/26

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In May, Producers' Price Index (PPI) for manufactured goods up by 8.2 percent from the same month last year; purchasing prices for raw material rose by 11.9 percent.

PPI for means of production increased 9.2 percent over last May. Of the total, PPIs for raw materials industry and machining industry correspondingly up by 10.9 and 6.3 percent; that for means of consumer goods grew 5.1 percent.

Of which, price for clothing and commodities rose 2.4 and 3.9 percent, while that for durable consumer goods dropped 0.5 percent.

In terms of different categories:

PPI for crude oil increased 30.9 percent, year-on-year.

PPI for polystyrene increased 2.1 percent compared with the same month a year ago; that of latex up by 27.7 percent; and that of terylene dropped by 4.6 percent, year on year.

Source: China Textile Network Company

In addition, wherein the purchasing price for raw materials and chemical materials increased 21.0 and 6.2 percent respectively, year-on-year. From January to May, PPI grew 7.4 percent, year-on-year; the purchasing price for raw materials, fuels and power products increased 10.6 percent.

Source: National Bureau Of Statistics of China (NBS)

## Higher energy prices add to burdens of China textile makers

DATE: 2008/06/26

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Increasing domestic energy prices could deliver another blow to China's textile industry, already hurting from a strong yuan and rising labor and raw materials costs, an industry analyst has warned.

Power price rises would further squeeze profit margins of the textile industry, a big user of electricity, as it was hard to pass on the rising costs, Wednesday's China Securities Journal quoted Wang Qianjin, analyst with Webtextiles.com, as saying.

The site is run by the Shanghai Setways Information Consulting Co, which covers the textile industry.

The National Development and Reform Commission earlier this month raised the benchmark retail prices of gasoline and diesel oil by 16 percent and 18 percent to 6,980 yuan (\$997.1) and 6,520 yuan per ton, respectively.

This translates into mark-ups of 0.8 yuan and 0.92 yuan per liter for gasoline and diesel oil at filling stations.

Also, retail electricity prices will rise by 0.025 yuan per kilowatt hour from July 1, up 4.7 percent on average.

That increase, tiny as it sounds, would cost textile companies 3.75 billion yuan annually, or 3.2 percent of the sector's 2007 profit, according to Webtextiles.com.

Meanwhile, rising fuel prices will further push up raw material prices and transportation costs, said Wang.

Industry experts said every rise of 1 percent in the yuan would cause a 2 percent to 6 percent drop in textile industry profits. The yuan has risen more than 6 percent against the US dollar so far this year.

The industry's profit margins averaged 3.9 percent last year, according to a survey by the China National Textile and Apparel Council early this year. But two-thirds of the companies surveyed reported an average profit margin of only 0.62 percent.

Source: MINISTRY OF COMMERCE, PRC

## China's regulations help boost exports

DATE: 2008/06/24

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NEW DELHI: Textile export for 2007-08 have reached \$20.5 billion, up 9.4% from 2006-07. This is despite exports growing only 1.49% between April and October 2007. The situation, however, improved radically in the later half of the fiscal, owing largely to Chinese problems and hedging by local exporters.

Confederation of Indian Textile Industry secretary general D K Nair said that apart from rupees depreciation against dollar, Chinese internal regulatory pressures have also helped the country to boost its exports.

China, a major competitor of India, have implemented measures that have supported Indian textile industry to an extent, he said.

"Under international pressure, China is tightening its labour laws. It is also reducing subsidies to meet global trade norms. China's pain is proving to be India's gain," Nair said.

In fact, China has started witnessing a negative export growth to US, the same situation that India was facing last year. According to data available with the US trade associations, China's textile export to US witnessed a 4.5 percent decline in the first three months of 2008 while India's export saw a growth of 5 percent.

Vietnam is the only country that has registered an export growth to US more than that of India. The grim picture of China's textile industry is evident from the fact that over two-thirds of companies have witnessed a profitability of 1 percent or less in the recent months, according to a survey, Nair said.

According to another survey, 45% of the textile exporters in China wanted to quit their profession under the changed circumstances. Though appreciation of rupee by 15% against the dollar since October 2006 and a perceptible slowdown of the US economy were the main reasons hurting the Indian textile industry, other internal problems added to the problems.

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Source: [www.bharattextile.com](http://www.bharattextile.com)