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Tax rebate on textiles rises to 13%

DATE: 2008/08/01

BEIJING, Aug. 1 -- China will raise the tax rebate on a range of textiles and garments to 13 percent from 11 percent, a shot in the arm for exporters that are struggling with a stronger yuan, weakening demand and rising costs.

The move will take effect from today, the Ministry of Finance said on its website yesterday. The government also decided to scrap the tax rebate on a slew of energy-intensive, highly polluting products or resource products such as pesticides, zinc and silver.

"The tax rebate hike will give a break to the ailing clothing exporters and help ease the concern over an unemployment spurt," said Mei Xinyu, a researcher at the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce. "But it could be a temporary measure, as the government will continue to push forward the upgrade of its industries." The government reduced the rebate rates of the value-added tax for more than 2,800 items of products last year, including hundreds of textiles and garments. The move then helped to slow the nation's ballooning export growth.

But industry insiders have been asking for a rebate hike over recent months, as shrinking profit margins and weakening overseas demand are pushing some exporters to the verge of bankruptcy. Exports in the textile and garment sectors in June declined by 4.2 percent year-on-year to \$15.5 billion, representing the slowest increase in five years. Meanwhile, it is reported that the average profit margin of textile and garment industries have fallen to 3 percent, after the yuan gained more than 6 percent compared with the US dollar in the first half of the year.

"The range of the products benefited from the rebate increase is much smaller than those suffered from the rebate cuts a year ago," said Mei. "It's a clear signal that the government has no intention of encouraging an industry that keeps causing trade tensions in the long run."

The government has voiced its intention to push forward industry upgrades and curb the development of energy-intensive sectors. The latest development came yesterday as the government decided to remove a 5 percent tax rebate on zinc as experts said the world's largest producer of the metal could suffer as a result of the sector's overcapacity.

Meanwhile, the tax rebates on several types of silver have also been reduced

Source: China Daily

Interview With Mr. Du Yuzhou

DATE: 2008/08/01

Here is a transcript of the interview with Mr. Du Yuzhou at ITMA Asia and CITME?

1. What is the significance for China's textile industry that the two major shows, ITMA Asia and CITME, have come together in Shanghai?

The show will have up to 1,284 exhibitors from 30 countries and regions, occupying an exhibition space of 126,500 sq.m. The event will be the largest and the highest level trade fair of textile machineries in China, and the largest and most specialized event of its kind featured by the high technologies in Asia. China has the largest and most integrated textile industrial chain, thus has a huge demand for textile machineries. Complementarily, European textile machinery manufacturers possess the state of the art textile machineries and technologies. The collaboration in the show will be conducive to accelerate the industrial upgrade and structure optimization of Chinese textile industry, and meanwhile help the European textile machinery suppliers to explore the market.

Firstly, the event is the first joint action in deed in world textile machinery industry, which will have a positive push to the integration of Asian textile machinery market. The show has obtained the strong supports given by the textile machinery associations in over 20 countries and regions including China, Japan, Germany, Italy, Switzerland, UK and India etc.

Secondly, the exhibitors from all corners of the world will showcase the most advanced technologies and the most competitive products, which will benefit the industrial upgrade of the textile and clothing industries in China and Asia.

Thirdly, the vast Chinese textile producers were the strongest purchasing power at the previous events of ITMA or ITMA Asia. It is with no doubt that this year's event will be a good opportunity for either Chinese textile suppliers or users to show their best abilities and exchange the views with the international peers for the future development. The event will help as well in reducing the gap with the world advanced class in terms of technologies, equipments, know-how, management and products development and innovation.

2. Despite the impressive growth of recent years, we have read reports of depressed margins in China's textile sector, and event that many companies wish to exit the industry. How do you see the immediate future?

It is true that Chinese textile industry is being challenged by difficulties like the depressed international market, the hiking oil price and the increasing costs of the labor force and raw materials etc. However, in virtue of the reforms carried out in a large scale in Chinese textile sector, the companies have improved greatly the innovation, management and the ability to cope with the globalization, thus becoming stronger in adapting to the changing environment and confronting the risks. Despite of the unfavorable situation caused by the going strong external pressure, a batch of the leading Chinese textile producers have maintained a quite rapid growth since the late half of last year. In the first 5 months of year 2008, these leading companies which were 1/3 of the national total in number had a growing gross profit that was 38.44% up than the same period of the previous year. Under the current situation, the external pressure will be further strengthened which will speed up the industrial restructuring of Chinese textile industry. Consequently some companies will quit this sector, but more competitive ones will join. It is the trend of necessity based on the Chinese market economy and the market-based distribution of the resources.

When talking of the future development of the textile sector, I believe that Chinese textile industry will get into a new stage in which the industrial upgrade will be sped up thanks to the currently undertaking restructuring. The industry endeavors to implement the scientific development concept into the development and enhance the contribution rate of technology and brand to the industry growth. By integrating the industrial chain among the various inland areas domestically and with all countries or regions in the world internationally, it is expected that the industry will improve the management on the supplying chain, transform the extensive growth mode and shape a new model of being quality and profit oriented.

3. What progress is being made in China's plan to upgrade its textile industry into areas of higher added value, and what incentives are in place to encourage the necessary investment?

Since the new century, Chinese textile industry has taken the tasks of developing the advanced productivity and improving the innovation as the key to sharpen the international competitiveness and build a strong instead of giant textile producer. Chinese textile industry has two focuses in the efforts to improve the innovation, namely hardware strength and software strength.

The hardware strength points to the modernization of the equipment and technologies used in the production. To achieve this, China encourages the import of the advanced machineries and technologies on one hand and strengthens the R&D and industrialization of the domestic machineries and technologies on the other hand. The actual quantity of the imported equipments by Chinese textile industry is being increased year on year. Meanwhile the industry has defined 10 projects of developing whole set equipments and technologies as the priority in the industrial developing outline, among which the big progresses have been made. The software strength is to enhance the independent R&D ability and improve the industrial differential margin. It has become the common knowledge of the whole industry to improve the R&D ability. Apart from the 10 projects of whole set equipments and technologies which have been defined in the industrial developing outline, the additional 28 key tasks have been included as well, covering fiber, production know-how, energy saving and waste reduction, clean production, environment protection and information, particularly the applied basic researches which have been listed as the one of the key tasks of improving the innovation of Chinese textile industry.

The national macro policies put the emphasis on managing the inflation and curbing the over-heated economy. The currency appreciation and the increasing costs of the labor force and the raw materials have the impacts on Chinese textile industry inevitably. But the government has removed the duties on imported advanced machineries and accessories, implements the market operation of the investment based on the competition in the textile industry and gives no subsidy or imposes no restriction to the development of the industry.

4. In view of the well-publicized problem of the rising value of renminbi against the dollar, as well as the West's current economic difficulties, can we expect to see more Chinese textile exporters turn towards the opportunities in their own domestic market?

The constantly expanding domestic demand and the optimized consumption structure has become the first driving force to the development of Chinese textile industry as well as the important condition to absorb the foreign investment, localize the international brands and enhance the international cooperation. Before China's entry into WTO, over 69.4% of the sales value among the SSEs (scale sizable enterprises with annual turnover exceeding 5 million RMB) was created in the domestic market. Since 2008, this figure has been increased to 77.5%. Thanks to the national economic development, the clothing consumption was being increased rapidly. The growing domestic demand is the main driving force to the sustainable development and the upgrade of Chinese textile industry.

Due to the difficulties in export business and the going well domestic market, a good many exporters have shifted more business to the domestic market. The increasing numbers of the foreign reputed

brands are establishing their workshops in China to accelerate their brand localization, and consequently improve the international competitive edge of the brands and gain the profits from the huge Chinese market. In a word, the reason for Chinese textile exporters turning towards the domestic market is not the difficult export situation, but the confidence on the domestic market. In other words, given the currency rate of renminbi being stabilized and the world economy being recovered in future, Chinese textile and clothing producers will not quit the domestic market and flood into the developed market massively.

5. In future, how do you see the relative importance of imported — as opposed to domestically manufactured — textile machinery in China?

Chinese textile machinery industry developed very fast in the recent year, particularly in the fields of the cotton and synthetic filament equipments. The technical capability of Chinese textile machinery manufacturing has been competitive against the international advanced ones. Nevertheless, for a fairly long stretch into the future, the imported textile machineries will maintain a very important position in Chinese textile machinery market.

Currently the core technologies of the textile machinery manufacturing are in control of the manufacturers in the developed countries, in comparison to that Chinese manufacturers master the less high technologies. The advanced equipments which have been installed in Chinese textile workshops are mostly imported and this trend will continue in the coming years. The statistics show that China imported 873 million dollars' shuttle-less looms, 392 million dollars' auto winders and 747 million dollars' dyeing and finishing facilities in 2007. Chinese textile machinery manufacturers have a quite big gap behind their counterparts in the developed countries in terms of the independent innovation and they need a step by step developing course.

Chinese textile industry is given the historical obligation to promote the industrial upgrade of the world textile industry and is eager to keep the close cooperation with the world advanced machinery suppliers. It is essential for Chinese textile manufacturing industry to develop the further exchanges and cooperation with their counterparts in purpose of achieving the common development. Chinese textile industry and textile manufacturing industries are extensively open to all the manufacturers in the world for their advanced equipments and technologies entering Chinese market. It is believed that the common win situation could be realized through exchanges and cooperation.

6. How can you reassure exporters of machinery to China that their patents and other intellectual property will be respected, and not undermined by copying?

First of all I'd like to stress that IPR protection is not the issue simply occurred in China, instead it is the common challenge and task for all manufacturing industries in all countries and regions. As compared to the developed countries, the IPR legislation started late in China. However, the accelerated legislation building has improved the IPR legal system rapidly and better measures have been carried out to protect IPR in recent years. Beside the above mentioned, Chinese governmental organs and the industrial organizations are putting a lot of manpower and material resources in training the domestic producers on IPR, to improve their awareness of IPR protection and reduce the IPR infringement cases. Now all the well reputed textile machinery suppliers have established their workshops in China, which indicates that China has made the great progress in IPR protection and the European textile machinery manufacturers have acknowledged this progress.

In the specific case of this show, all the exhibitors have signed the IPR agreements with the fair organizers and are required to ensure that all the exhibits are free of IPR infringement. Any exhibitors who fail to sign the agreement will be refused to enter the exhibition center. Moreover, the organizers will open the legal service office at the fair ground and invite the local IPR authority, namely Shanghai Intellectual Property Administration to manage the IPR appeals at scene. I am confident that either at this show or in future, the IPR disputes in which Chinese textile manufacturing industry

and Chinese textile and clothing industry are involved will be less and less, and consequently the rest of the world and China will benefit more from the IPR cooperation.

Source: ITMA Asia and CITME

China aids textile exporters by boosting tax rebates

DATE: 2008/08/01

BEIJING: China on Thursday announced tax relief for exporters of a range of textiles and garments that have been hard hit by slowing demand and the steady rise of the yuan's exchange rate.

From Friday exporters will receive a value-added tax rebate of 13 percent, up from 11 percent now, the State Administration of Taxation said on its website.

Zhou Dewen, head of a business association in Wenzhou, a big textile manufacturing centre in eastern China, called the announcement good news but said many companies had expected an increase in rebates to 15 percent.

"Anyway, it's better than nothing. Of course, by itself it's far from enough to fundamentally solve the current difficulties that manufacturers face," Zhou told Reuters.

China's exports of garments and accessories grew just 3.4 percent in the first six months from a year earlier, compared with a 20.9 percent increase in all of 2007.

For textile yarn and fabrics, annual growth picked up to 26.8 percent in the first half from 15.0 percent in 2007. Zhou said he expected the government to introduce more favourable policies, including a cut in corporate taxes and a loosening of lending curbs.

reuters

GDP remains firm in 2008

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In the first half of 2008, the regions and departments at all levels carefully implemented various policies and measures set by the central government on economic work, overcame the difficulties brought about by grief natural disasters one after another and actively responded to the complex and changing international economic situation. All those efforts lead the national economy to move toward the expected direction set out by the macro-control policies, and the national economy maintained the momentum of steady and fast growth.

According to preliminary estimation, in the first half of this year, the gross domestic product (GDP) of China was 13,061.9 billion yuan, a year-on-year growth of 10.4 percent after deducting price factors, or 1.8 percentage points lower over that a year earlier. Of this total, the value added of the primary industry was 1,180.0 billion yuan, up 3.5 percent or 0.5 percentage point lower; that of the secondary industry was 6,741.9 billion yuan, up 11.3 percent, or down by 2.4 percentage points; that of the tertiary industry was 5,140.0 billion yuan, up 10.5 percent, or 1.6 percentage points lower.

National Bureau of Statistics of China

Source: China Textile Network Company

China to enhance foreign investments management, regulate forex inflow

DATE: 2008/07/24

BEIJING, July 19 (Xinhua) -- China will further strengthen management of foreign investment projects and check foreign exchange inflow in a bid to better control it, according to the country's top economic regulator.

The move will also safeguard the country's economic safety, protect ecological environment, optimize develop and reform mechanism, and prevent industrial monopolization, said the National Development and Reform Commission (NDRC) in a circular on Friday.

Projects that are not approved by the government, provide fake application materials, or use foreign exchanges improperly, will be punished.

Local governments will also investigate and supervise foreign enterprise-involved programs, including joint ventures, exclusively foreign-owned firms, bilateral cooperation projects, mergers and acquisition programs.

Meanwhile, regional economic regulators should look at the projects, monitor foreign exchange inflow channels, and enhance finance management of foreign enterprises.

Projects with severe environment contamination, high energy consuming, high resources consuming need stricter inspection and supervision.

China's cumulative foreign exchange reserve stood at 1.809 trillion U.S. dollars by the end of June, up 35.73 percent year on year, while foreign direct investment (FDI) rose 45.6 percent to 52.4 billion U.S. dollars in the first half from a year earlier.

Source:Xinhua