

EXTRACT

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Manufacturers scramble with wages of the mainland rising

DATE: 2010-05-17

As costs climbed in Taiwan two decades ago, Ben Fan moved his lighting factory to take advantage of Mainland's cheap labor. Now, with Chinese wages on the rise, he's moving again. "It's just like what happened in Taiwan," says Fan, chairman of Neo-Neon Holdings, which sells lamps and lighting fixtures to big retailers including Home Depot, Target, and Wal-Mart. "Chinese don't want to work in factories anymore." So Fan is expanding his factory in Vietnam, where wages are \$100 a month, one-third what he pays in China. He plans to shift 85 percent of his production across the border, and by December he'll have 8,000 workers in Vietnam - up from 300 a year ago - and just 5,000 in China, down from 25,000 in 2008. Over the past two years, millions of jobs have moved to China's interior or elsewhere in Asia as factory owners try to cut costs. In Guangdong, the mainland's top exporting province, wages have almost doubled in the past three years, and more than half the factories can't find enough workers. The number of migrants who traveled to coastal provinces for work fell by 9 percent last year, to 91 million.

"This lack of labor will only get worse," says Willy Lin, chairman of the Textile Council of Hong Kong, a trade association. Factory owners complain that the higher wages are devastating profits, especially as their customers continue to squeeze them for lower prices. "Wal-Mart won't raise what they pay us," says Poh-Heng Toh, general manager of teddy bear producer Lovely Creations. Another Wal-Mart supplier, jewelry maker Profit Grand, has cut its staff to 450 from 600 largely because it can't find workers at the rates it's willing to pay, says Chairman Hsu Chi Lin. Wages, Hsu says, have risen from 2 percent of total costs a decade ago to 12 percent today, while net margins have fallen from 15 percent to about 8 percent. While China's growth - 11.9 percent in the first quarter - is a factor in the labor shortages, they likely won't disappear once the economy cools. The country's one-child policy means fewer people are joining the workforce.

Tax breaks for farmers and subsidies for companies setting up in the interior have allowed more people to find work near home. And a growing service sector means greater opportunities lie beyond the factory gate. Many companies are finding ways to pare costs. Electronics giant Foxconn Technology, which makes Apple's iPhone and handsets for Motorola, has opened new plants in China's north and west, far from its home base near Hong Kong. Shoemaker Apache has moved simpler work, such as stitching the upper portions of sneakers, from Guangdong to lower-wage factories in the interior. Apache is also expanding a plant in Chennai, India, that will produce at least half its shoes within five years. "We've been squeezing like hell to get more out of the system," Charles Yang, general manager of Apache Footwear, which makes shoes for Adidas.

Source: Bloomberg Businessweek via CNTEX

Source: China Textile Network Company

Trade Spat on Technology Standards Heating up

DATE: 2010-05-17

In the past few months technical barriers, often called non-tariff or hidden barriers, have increased sharply, even more than traditional instruments of protectionism such as anti-dumping investigations and border tariffs.

Market surveillance authorities increasingly attentive

The number of dangerous consumer products notified through the EU's rapid alert system for non-food dangerous products (RAPEX) rose by 28.88 percent to 589 in the first quarter of 2010 compared to a year ago following more effective market surveillance by Member States, the Commission's annual RAPEX report shows. 380 dangerous products notified through RAPEX come from China mainland, up 42.32%. Of which, textile and clothing were the most frequently notified products, with 103 notifications in the first quarter of 2010, up 110.20%. RAPEX is a Community rapid alert system for dangerous products. It ensures that information about dangerous products withdrawn from the EU market and/or recalled from consumers is quickly circulated between Member States and the European Commission, with the aim of preventing or restricting the selling of these products on the market. 30 countries currently participate in the system.

The number of dangerous consumer products notified through the United States's Consumer Product Safety Commission (CPSC) rose by 3.06 percent to 101 in the first quarter of 2010 compared to a year ago. 55 dangerous products notified through CPSC come from China mainland, down 12.07%. Of which, textile and clothing were the most frequently notified products, with 14 notifications in the first quarter of 2010, up 16.67%. The most often notified risks categories by EU and the United States were: Chemical: for example, a product containing dimethylfumarate (DMF), a mould-proof agent used in consumer products made from leather (mainly shoes, textiles and furniture) which is strongly sensitising on contact with the skin. Injuries: for example toys and childcare articles, such as toy guns with darts, cots, high chairs, swings and children's playpens.

The most common problems were sharp edges, insufficient stability or presence of openings where children could trap their legs, hands or head. Choking: the overwhelming majority of the notified cases with a choking risk concerned toys for small children (below 36 months) which contained small elements which children could put into their mouth, swallow and choke. Electric shock: for example, technical defects in electrical appliances which lead to a risk of electric shock were: accessible live parts, insufficient insulation of wires, improper attachment of wires, or inappropriate size of a plug.

Technology standards new technical barriers to trade

While trade barriers of the past - high tariffs and quotas imposed on imports - have been greatly reduced, less obvious impediments normally referred to as non-tariff barriers (NTBs) have in many cases replaced them. California is on its way to becoming the sixth US state with a fur labeling law after adopting legislation in early April that requires garments made of animal fur to say so on the label; Changes affecting the testing for harmful substances as per the Oeko-Tex Standard 100, which were approved by the Oeko-Tex Association, went into effect on 1 April; and the Ministry of Science and Technology of Vietnam has promulgated the National Technical Regulation on Safety of Toys to specify the requirements, corresponding testing methods and basic requirements of quality management for domestic production, imported and delivery toys.

Technical regulations and standards are important, but they vary from country to country. Having too many different standards makes life difficult for producers and exporters. If the standards are set arbitrarily, they could be used as an excuse for protectionism. Standards can become obstacles to trade. But they are also necessary for a range of reasons, from environmental protection, safety, national security to consumer information. And they can help trade. WTO Technical Barriers to Trade Agreement (TBT) tries to ensure that regulations, standards, testing and certification

procedures do not create unnecessary obstacles. To help ensure that this information is made available conveniently, all WTO member governments are required to establish national enquiry points and to keep each other informed through the WTO around 900 new or changed regulations are notified each year. The number of TBT notification announced through WTO was 545 in the first quarter of 2010. Of which, the number of textile and clothing TBT notification was 3.

TBT NUMBER	COUNTRY	TITLE	DATE
G/TBT/N/CHN/20/Rev.1	People's Republic of China	National general safety technical code for textile products	2010-02-10
G/TBT/N/COL/127/Add. 1	Colombia	Supplement	2010-01-29
G/TBT/N/THA/333	Thailand	Notification of the Committee on Labels (No. 27) 2009 dated 29 September 2009 Re: Products containing asbestos to be labelling controlled (3 pages in Thai and 3 pages in English (unofficial translation)).	2010-02-24
G/TBT/N/IDN/20/Add. 1	Indonesia	Mandatory Implementation of Indonesia National Standard for Safety Shoes	2010-01-29

Measures in the wake of the financial crisis to protect domestic producers by restricting imports or subsidizing local industries have had a negligible impact on world trade. The IMF study says that protectionist pressures could still build up this year as unemployment lags behind the overall recovery and governments start to unwind stimulus measures. It called on the WTO and other bodies to continue monitoring protectionist measures to ensure that policy-makers are aware of the risks. Here we highlight the necessity for Chinese textile enterprises to keep a watchful eye on technical barriers. Manufacturers and exporters need to know what the latest standards are in their prospective markets.

Source: CTEI Exclusive

Cotton May Be New Dispute for India, Pakistan

DATE: 2010-05-13



Pakistan is fighting back after India banned raw cotton exports last month, creating a new bone of contention in an already frosty relationship. New Delhi says it imposed the ban to ensure its own garment and textile industry has adequate supplies after a poor global harvest of raw cotton, especially in China and the U.S. It's a slap on the face of free trade in the global economy, said Mohsin Ayub Mirza, a textile manufacturer in Karachi and chairman of the Pakistan Readymade Garments Manufacturers & Exporters Association. Pakistan argues that India should honor

contracts for 200,000 cotton bales for which letters of credit have already been issued, says Ikhtiar Baig, a Karachi-based garment producer and federal adviser to the government on the textile industry. Pakistan is against India's ban on cotton exports, Mr. Baig added.

India, like the U.S., is an important exporter of raw cotton. Pakistan and China, despite producing large amounts of cotton, are among the biggest importers because of their large yarn spinning and garment industries. The two governments are discussing the issue. Separately, in a step forward on Tuesday, both countries said that their foreign ministers will meet in Islamabad in July. Pakistani garment and textile producers admit they are facing much bigger problems than India's ban alone. The U.S. Department of Agriculture expects cotton mills to consume 115.9 million cotton bales this year while production will only be 102.9 million bales. Local yarn producers have taken advantage of

Source: China Textile Network Company

global cotton shortages to sell their products at high prices in China. That has exacerbated shortages of yarn in the local market, forcing some textile and garment businesses to shut down and putting people out of work. Yarn prices are up almost 100%.

Tens of thousands of people took to the streets in Karachi and Faisalabad on Tuesday to call for an immediate ban on yarn exports. While peaceful for now, the protests risk further destabilizing India's neighbor. But political and business tensions between India and Pakistan don't appear to be affecting cultural relations. Pakistanis love Bollywood and an Indian film star was chosen as the face of this year's summer collection of one of Pakistan's leading cloth producers Faisalabad-based Firdous Textile although some wonder whether marketing in Pakistan should be using home-grown talent.

Source: WSJ via CNTEX

Jiueshuai: 500 Sets of Clothes Sponsor China Pavilion

DATE: 2010-05-12

After a successful exposure in Beijing Olympics Game in 2008, Zhejiang Jiueshuai Garment Co., Ltd. won the sponsorship of World Expo China Pavilion. Jiueshuai designed four different ceremonial dresses for China Pavilion this time, 500 sets of clothes in total. Ye Chaoying, the Chairwoman of this company said since 1997, Jiueshuai had began to supply ceremonial dresses for important event in home and abroad. Jiueshuai designed a Chinese traditional style for World Expo this time, with Chinese characters in the front and back.

Source: CTEI News

World Expo: Gaiqi Highlights T-shirt

DATE: 2010-05-11



As the only exhibitor in Fujian textile & garment industry, Gaiqi highlights its Double mercerized cotton T-shirt and shirt. Thanks to the hot weather in Shanghai, the retail booth of Gaiqi served many visitors since the opening of Expo Park, and even some potential partner who seeking for long-term cooperation. As one the special supplier of World Expo, Gaiqi provided the volunteer's uniform and security's uniform, and used this opportunity to display its latest technology on fabric development. Its R&D team came from

Taiwan, and worked with Dupont to apply "cool fiber" and "corn fiber" into those uniform.

Source: CTEI News

Yuan exchange rate Chinese internal matter: ADB head

DATE: 2010-05-05

When and how the exchange rate of Chinese Yuan should be adjusted must be decided by the Chinese government, the president of the Asian Development Bank (ADB) said Saturday. Addressing the opening press conference of the 43rd annual meeting of the ADB's Board of Governors, Haruhiko Kuroda said the yuan issue was "up to the Chinese authorities to decide." Meanwhile, Kuroda also said it was up to Chinese authorities to decide how and when to implement

Source: China Textile Network Company

exit strategies. Kuroda acknowledged China played a leading role in the recovery of the Asia-Pacific region from the global financial crisis thanks to the 8.7-percent growth of its gross domestic product (GDP) last year. Kuroda said the Chinese economy would maintain a high growth rate, with a forecast of 9.6 percent of GDP growth this year and 9.1 percent next year.



Despite the fact that China's substantial fiscal measures were not the same as those implemented during the crisis, Kuroda believed that sooner or later the government would mull over an exit from these measures given the strong economic growth. Besides China, all Asian countries should carefully time their exit strategies to unwind their anti-crisis fiscal and monetary policy measures, he said. The ADB began its 43rd annual meeting on Saturday with a pivotal focus on poverty, climate change and regional integration. It is the first time the ADB held its annual meeting in a Central Asian state.

Source: Xinhua via CNTEX