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**Chemical safety in textile and apparel markets of emerging countries**

DATE: 2012-06-08

***Chemical regulations throughout Asia***

Apart from Japanese Law 112 that has long since limited the formaldehyde contained in apparel, the earliest Asian regulation of chemicals in textiles was in 1997 by India. This banned specific Azo dyes from being used in apparel products and textiles. The next was Chinese regulation GB 18401-2003 that became effective in 2005 and also restricts azo dyes and formaldehyde as well as defining the pH value and certain color-fastness tests, to address safety concerns for chemicals, dyestuffs and wet processing.

Arising from the necessity for the compliance of their exports with EU and US safety regulations and their corresponding restrictions on substances, not only have emerging countries adapted, but also developed their own textiles and clothing consumer safety regulations. Recent regulations now require imported brands and distributors take pains to test and comply with stringent regulations when expanding into emerging markets. Examples of such legislation include: South Korea 2010, Taiwan 2011 and Egypt 2012, where sophisticated official control systems are now in place that affect homegrown and imported apparel and are mandatory for all retailers and brands that wish to sell their products in these markets.

***Banned Azo Dyes***

Defined as containing within the molecule at least one azo bond (-N=N-), azo dyes have typically found use as colorants in textiles and apparel. Certain azo dyes can release harmful aromatic amines when exposed to specific chemicals or enzyme conditions. Some aromatic amines are carcinogenic and so are banned. Azo dyes are banned by Egypt, India, China, South Korea, Taiwan and Vietnam. While Japanese government agencies are currently considering similar legislation, voluntary restrictions were announced on March 29, 2012 by Japanese textiles and leather industry associations

***Cadmium Compounds***

It is a naturally occurring and abundant metal and cadmium is frequently used in dyes (typically green, yellow, orange, red), plastics and in metal accessories for textiles and apparel. Used in the

manufacturing of polymers like PVC, cadmium is also a well-known stabilizer. It is often used as a coating agent, since cadmium is relatively hard to oxidize. However, there is commonly held suspicion that cadmium and its derivatives are carcinogenic. Cadmium is restricted by Egypt and Taiwan.

### ***Flame Retardants***

It is common for regulations to restrict two classes of flame retardants that involve halocarbons. The first class is brominated flame retardants and these include polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE). These compounds can deteriorate into pentabromodiphenyl ether (pentaBDE), octabromodiphenyl ether (octaBDE), or decabromodiphenyl ether (decaBDE). The second class are organophosphate flame retardants and these include tris(2,3-dibromopropyl) phosphate (TRIS), bis(2,3-dibromopropyl) phosphate and tris(1-aziridinyl)-phosphine oxide (TEPA).

Brominated flame retardants are stable and heat resistant, and for this reason have a wide range of application, such as in textiles, electronics and automobiles. With an equivalent toxicity to PCBs and DDT, PBBs and PBBEs/PBDEs are compounds also suspected as being carcinogenic. Their persistence in the environment also makes them a threat to wildlife. Once entered into the environment and a part of the food chain, they can pass up chain to humans. Organophosphate-based flame retardants TRIS and TEPA are suspected carcinogens as well. Restrictions on flame retardants are enforced in Egypt, Japan and South Korea.

### ***Formaldehyde***

Despite being a volatile organic compound, the chemical properties of formaldehyde make it suitable as an agent for anti-creasing and anti-shrinking. It can also form polymeric resins when blended with phenol and urea. Formaldehyde may be found in textiles and apparel for stiffening and permanent pressing of fabrics. Recently it has been identified as a high risk for formaldehyde failures with pigment prints. Formaldehyde is a highly toxic chemical that can cause cancer or induce irritation to mucous membranes, despite being widely useful. Egypt, China, South Korea, Taiwan, Japan and Vietnam restrict the use of formaldehyde, but it is not yet restricted by India.

### ***Lead Compounds***

Lead is a heavy metal that naturally occurs in several ores. The uses for lead in textiles and apparel are associated with plastics, metal accessories paints and dyes. Also suspected as carcinogens, lead and its derivatives can seriously impact the human kidneys, immune system and central nervous system. Restrictions on the use of lead are in force in Egypt, South Korea and Taiwan.

### ***Organotin Compounds***

Compounds that contain at least one tin-carbon bond are referred to as organotins. Organotin compounds find use as catalytic agents, industrial biocides, plastic stabilizers, glass coatings, antifouling paints and pesticides among its major commercial applications.

These compounds pollute the environment and are harmful to aquatic life. Even at very low concentrations, organotins are extremely toxic to marine and freshwater organisms. The primary source of exposure to humans of organotin compounds is from seafood and the most common harm is damage to the immune system. Tributyltin (TBT) and triphenyltin (TPhT) are the most common organotins used in the textile and apparel industries, because DBT is mainly used as a stabilizer in PVC applications and for plastisol prints instead. Organotins are restricted by Japan, South Korea and Taiwan.

### ***Phthalates***

Most commonly used as a softener for products made from polyvinyl chloride (PVC) these are a ubiquitous class of compounds. Phthalate is a term referring to the di-ester derivatives of phthalic acid and so is a group of different compounds, although they are structurally related.

Modern commerce makes diverse use of phthalates. One common use is to soften PVC products that require flexibility, for example blood bags and children's toys. Phthalates are also found in many consumer products, such as textiles, footwear and cosmetics because they are used as lubricating oils, solvents, fixatives and detergents. Its very diversity inevitably creates human exposure opportunities. Plastisol prints on garments often contain phthalates and they are also present in PVC-based materials that are used for coating, shoe soles and in many accessories produced by the garment and footwear industries. Recent studies have shown that phthalate exposure can amend estrogen levels in the hormone systems of humans and animals, giving rise to serious health problems like cancers and impairments to the reproduction and development. Phthalates are restricted by Egypt and South Korea.

Chemical hazards like those described above are regularly communicated and the public is becoming more and more aware of the dangers they pose. When it comes to compliance with chemical restrictions it is not enough to simply get your merchandise into the market. Enforcing prudent chemical safety measures in your supply chain also demonstrates your social responsibility to the public and positively reflects on your brand image.

Source: CNTEX

### **Chinese fashion group has global designs**

DATE: 2012-06-07

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When research agency Millward Brown Optimor released rankings of the fastest growing global brands this week, at number 10 was a company that most Financial Times readers have probably never heard of: Chinese youth fashion brand Metersbonwe.

Some mainland brands are becoming household names in the west – such as Lenovo, Haier or Huawei – but they were not on the list. Instead, unknown Metersbonwe appeared, just a few slots below Apple.

Present in even the smallest Chinese cities, Metersbonwe will soon be coming to a high street near you if Zhou Chengjian, founder and chairman of the board, has his way. Within three to five years, he plans to push into the fashion markets of London, Paris, New York and Milan with his youthful and inexpensive designs.

With revenue last year of Rmb10bn (\$1.6bn) and net profit of Rmb1.2bn – up 32 and 59 per cent respectively year on year – Metersbonwe has done what so few other Chinese brands have been able to: outpace foreign rivals in the hyper-competitive mainland fashion market. Millward Brown Optimor ranked Metersbonwe tenth in the world for “brand momentum” – advertising-speak for growth potential and consumer popularity.

The result was based entirely on the company's performance in China, where Euromonitor says Shenzhen-listed Metersbonwe is the third-largest apparel brand by sales behind Nike and Anta, a local sportswear brand. Even China's economic slowdown seems not to be dimming the company's lustre: Metersbonwe is predicting a 20 per cent rise in revenues and net profit this year, with sales so far appearing recession-proof.

The Metersbonwe story embodies the phrase “rags to riches”. Mr Chengjian, 46, who created the company 17 years ago, started out as a penniless tailor. Now he is the second richest person in Shanghai – a city of the stunningly wealthy – with a fortune of nearly \$5bn, according to the latest Hurun rich list.

A peasant from a tiny village in coastal Zhejiang province, he says he was no good at school, did not enjoy working in the sun and rain on construction sites, but did like the soft feel of fabric under his fingers so became a tailor. "My dream is to be the world's tailor," he told the FT in an interview this week, in an office decorated with posters of Chinese leaders Mao Zedong and Deng Xiaoping. His staff say he reveres Mao because he "made China free" and Deng because he "made China open".

Mr Zhou says there is no particular secret to his success, apart from keeping his head amid all the fabulous opportunities for making money. "I work very hard and China is developing very fast," he said. "Other Chinese companies dabble in too many things. But we set out 10 years ago to focus only on fashion."

He created a downmarket version of H&M and Zara, targeting college students and recent graduates, with a brand that many think is European. Although Mr Zhou claims Metersbonwe was first a Mandarin name, many of its shops carry most prominently only the English transliteration, an obvious attempt to appeal to Chinese consumers who equate foreign brands with better style and quality.

"They did the right thing at the right time," says Wu Xiaobo, dean of the school of management of Zhejiang University, who points out that Metersbonwe was the first garment company in China to adopt the international practice of outsourcing all manufacturing.

However, as European and US retailers pour into China seeking growth to compensate for stagnant markets at home, the Chinese market is becoming more competitive and Metersbonwe has sought to meet the competition head-on by moving upmarket with the 2008 launch of Me & City, a sub-brand targeting urban middle-class consumers with European styling and European models in advertising. But Mr Zhou told the FT that Me & City, whose flagship Shanghai store closed recently, needs to be repositioned to differentiate it from the main Metersbonwe brand.

With international retailers beating a path to China to make money, why is Mr Zhou so intent on launching overseas? In his typically earthy way, Mr Zhou says he is like a frog in boiling water, where the water is the increasingly competitive Chinese fashion scene. If he hangs around too long, he will die; there is no alternative but to jump out while there is still time – to become a household name around the world.

*Source: Financial Times via CNTEX*

## **H&M seeks to source more clothes from Bangladesh**

DATE: 2012-06-07

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Swedish fashion retailer Hennes & Mauritz AB (HM-B.SK), the world's second-largest clothing retailer, wants to source more products from Bangladesh to take advantage of cheap labor, but unrest and violent strikes present a big hurdle to expansion in the troubled country.

"The often-recurring strikes and demonstrations disrupt production and cause delays. We want to grow in Bangladesh [...] a stable market will benefit us buyers, the suppliers and the workers," H&M's head of sustainability, Helena Helmersson, told Dow Jones Newswires.

About 25% of H&M's products are made in Bangladesh and the company aims to increase this figure, but it isn't the only big retailer looking to expand there. The industry already accounts for about 80% of Bangladesh's exports and employs about 3 million people, and research company McKinsey expects apparel exports to double by 2015 and triple in 10 years, as big buyers move from China as capacity constraints and wage inflation erode profit margins.

Source: China Textile Network Company

But Bangladesh has been plagued by political turmoil, with violent street protests erupting last month following the disappearance of a leading opposition figure. In addition, working conditions remain poor, with substandard lighting, overcrowding and long working hours common.

In 2010, 21 workers were killed by a fire at a factory in Bangladesh making products for H&M and other retailers.

Furthermore, apparel workers have no real collective force in Bangladesh.

"The situation is highly fragmented," Helmersson said. "There are about 56 garment and textile workers' unions."

H&M said it aims to use its influence to apply pressure on its suppliers in Bangladesh to improve working conditions. In 2011, it held talks with government representatives, unions, and the biggest suppliers about its expansion plans and the surrounding issues.

"We told them how we would like to grow in Bangladesh, but that the ongoing instability in the country makes it difficult for us to plan production and makes us wonder if we dare grow there," Helmersson said. She added that H&M wants suppliers to set up democratic labor committees that can negotiate wages and working conditions with factory owners, and a program will be rolled out and tested this year and next.

"We are big buyers in Bangladesh and we want to take greater responsibility for working conditions there," Chief Executive Karl-Johan Persson said. "And we reward the suppliers who take the greater social responsibility with more business, larger orders and longer contracts," Persson said.

In 2011, H&M was a major buyer of ready-made garments in Bangladesh.

Source: CNTEX

## **China a bright spot on wool's gloomy radar**

DATE: 2012-06-07

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Rising domestic demand for wool in China and other emerging countries means all is not doom and gloom for the Australian industry, according to AWI.

Clothing spending by Chinese urban consumers is expected to grow 12.5 per cent year-on-year by 2020.

AWI's latest subscriber e-newsletter says the China National Textile and Apparel Council recently approved a 10-year plan to increase textile and clothing exports by 7pc annually. This would raise the export value of its fibre products to \$U400 billion by 2020.

The report, compiled by AWI's Paul Swan and Allan Wang, shows the value of garment and textiles rose to \$US29.5b – up 3.9pc - and \$US20.4b - up 1.4pc – on the previous year.

Data from China's National Bureau of Statistics shows spending on garments jumped 19.5pc in April compared with the same time last year, and have grown at an average monthly rate of 21.6pc over the past 10 months.

Meanwhile, AWI says the European and North American apparel market has matured and is unlikely to see any significant volume growth.

Growth from 2000-2010 was attributed to production moving to Asia, which lowered garment prices and sparked growth.

“There are now no major western apparel productions to move to Asia, and little likelihood in the next few decades of any more demand stimulation from falling prices,” the report said.

“Subsequently, western markets will simply grow and fall in line with the economic cycle – which usually means up a bit one year and down a bit the next.

“However many horror stories there might be about retail sales in Greece right now, clothing sales in Germany, France, the UK and northern Europe are likely to carry on just being flat, at least for the foreseeable future, therefore more or less ensuring a constant volume of orders.”

The report said since 2011, substantial changes to the clothing market in Western Europe and North America had been expected and nearly all garment manufacturers were experiencing order shortages.

But this was not solely because of falling consumer demand but rather that Asian garment producers raised their prices too fast, charging about 16pc more than the previous year while western consumers were prepared to pay only a 2-3pc increase.

“The increased costs were primarily driven by increased raw material prices, wages rates, interest rates and energy costs,” the report said.

“On top of all this, the Chinese and Indian domestic markets have slowed and most of the other emerging economies such as Brazil and Turkey have increased their protectionist barriers against imported clothing.

AWI said US and western Europe’s clothing import values increased by 15pc and 17pc from 2010 to 2011 but retail value only increased between 3-6pc.

The average price of apparel imported into western Europe was higher. From China, it was up 23.5pc, India 32pc, Bangladesh 27pc and Cambodia 24pc. In the US market, the average price of apparel imported was higher from China 8.2pc, India 16.3pc and Bangladesh 23.6pc.

“With wool and cotton prices falling in late 2011, most sensible buyers anticipated that Asian suppliers would be cutting their prices to match in 2012. Naturally, buyers decided to wait and see what would happen,” the report said.

*Source: CNTEX*

## Sharply-slowing Chinese textile exports worry industry

DATE: 2012-06-06

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New figures have showed that China's textile and garment exports slowed drastically in the first fourth months of this year as domestic companies worry about decreases in their market share overseas and inadequate support from consumption at home.

The export value of textile and garments in the Jan.-April period stood at 71 billion U.S. dollars, just 1.07 percent higher than a year ago, according to data released on Thursday by the China National Textile and Apparel Council (CNTAC).

The growth rate witnessed a sharp decline from the 27.05-percent rise registered in the first fourth months in 2011, judging by customs data.

Breaking the market down, exports of textile products grew only 0.15 percent to 30.73 billion U.S. dollars, while garment exports increased 1.77 percent to 40.27 billion U.S. dollars, the CNTAC data showed.

"The slowing exports were directly caused by higher domestic cotton prices," said CNTAC spokesman Sun Huaibin. The domestic price of 328-type cotton stood at 18,853 yuan (about 2,974 U.S. dollars) per tonne as of May 25, 5,460 yuan higher than its price in international markets.

The continuing price gap has weakened the competence of the domestic textile industry, Sun said, adding the nation's textile exports will face an even worse situation if the gap fails to narrow in future.

The spokesman said the disparity has also led to reduced market shares of Chinese textile and garment exports.

Along with rising labor costs at home in recent years, Chinese textile and garment products in major markets such as the United States and Japan fell to 35.58 percent and 72.03 percent, respectively, in the first quarter of 2012, down 4.55 and 2.92 percentage points year on year, Sun noted.

Meanwhile, according to the CNTAC data, China's textile exports to its third-largest trading partner, the Association of Southeast Asian Nations, grew only 2.69 percent in the Jan.-April period, representing a drastic fall of 59.66 percentage points year on year.

The data also showed textile and garment imports by the United States, the EU and Japan dropped 6.55 percent in the first quarter, which added to the worries of Zhong Daguang, general manager of a garment company based in southern China's Guangdong province, who said his company has been getting fewer orders since the start of the year.

Li Jincal, president of the China Textile Construction and Planning Institute, said obstacles in foreign trade and lackluster domestic consumption are both having an impact on the status of the country's textile and garment industry, which supplied 32.71 percent of total exports worldwide in 2010.

At home, the situation is no less worrying. The CNTAC data showed the sales revenues of 36,700 surveyed textile companies hit 1,677 billion yuan in the first four months, up 13.11 percent; however, the growth rate plunged 17.43 percentage points year on year.

Slowing growth in both exports and domestic sales revenues slashed the first-quarter profits of the surveyed companies to 53.7 billion yuan, down 1.77 percent year on year, the data suggested.

Source: CNTEX

## Ralph Lauren plans expansion in China

DATE: 2012-06-06

American fashion brand Ralph Lauren Group is reportedly planning its expansion in China, and it expects to open 60 stores in the country over the next three years.

According to its plan, the company will launch 15 stores in cities like Beijing, Shanghai, and Hong Kong before 2013.

Ralph Lauren, American fashion designer and business executive best known for his Polo Ralph Lauren clothing brand, told local media the company believes China is a focus for their long-term development. Over the next few years, they will fully enter the Chinese market, open more stores, and improve their market share and brand awareness in this marketplace.

Due to the economic effect in Europe, Ralph Lauren Group currently holds a conservative attitude towards their sales in the European market; however, they hope the Chinese market can make up their sales reduction in Europe. The group's financial statistics showed that during its fourth fiscal quarter ended March 31, 2012, the brand's net profit was USD94.4 million, and its net gain increased by 13.7% to USD1.43 billion.

Source: CNTEX

## Continued fall in New York cotton futures, China market drag down spot rate

DATE: 2012-06-06

Persisting decline in NY and China cotton futures pushed the spot rate lower by Rs 100 on the local cotton market on Monday, dealers said. Official spot rate drifted lower by Rs 100 to Rs 5,500, they added. In ready business, only one deal reported as 899 bales of cotton changed hands from Ali Pur at Rs 5700, they said.

First session after the budget announcement was nearly listless as only one deals reported because of lack of buying interest, analysts said. They said that trading activity slowed down followed by reports of decline in the NY and Chinese cotton market.

China, who is third in production as good consumer, facing a heap of unsold cotton stock, resulting prices dropped more by four percent on broad-based selling, they said. Not only local market, China, India and Bangladesh all have unsold stock, causing huge losses due to moribund economy of Spain, Greek and Turkey, unemployment and rising debt issues are increasing most parts of the world, they said.

The other major reason is higher crop projection and lack of buying interest among leading importers of lint, notably China and some other countries. Locally, we can expect that prices may halt new erosion after decline and in the NY market, as well, the NY cotton has hit low at 68cents per lb from 2.27 dollars per lb some times ago, they said.

According to a report, China's cotton futures slid nearly 4 percent to over two-year lows on Monday amid a broad-based sell-off in commodities as investors slashed positions in risky assets after weak US jobs data underscored concerns about the struggling global economy. The most-active January Zhengzhou cotton contract fell as low as 18,670 yuan a tonne, its lowest since September 2010. By 0223 GMT, it was down 3.5 percent at 18,740 yuan.

Source: CNTEX

## China to amend law on work safety

DATE: 2012-06-05

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China on Monday issued a draft proposal on the amendment to the work safety law in order to solicit public opinion.

The draft, drawn up by China's State Administration of Work Safety and other related departments, has made further improvements on regulations, including strengthening supervision and carrying out work safety training activities.

The draft also specifies the system for checking and accepting work safety conditions in dangerous industries such as mining exploitation and the storage of dangerous goods.

An official with the Legislative Affairs Office of the State Council (LAOSC) said the law on work safety, formulated in 2002, should be amended and improved in the face of safety problems arising from changed situation.

The law has played an important part in reinforcing work safety management, preventing and reducing accidents, and protecting people's lives and property, he said.

The amendment to the law on work safety will provide further, more effective legal protection in accordance with China's present status, he added.

The draft was published on the website of the LAOSC, [chinalaw.gov.cn](http://chinalaw.gov.cn), and public opinion can be submitted via through letter or email before July 5.

Source: Xinhua News Agency via CNTEX

## Armani to target China's middle class shoppers

DATE: 2012-06-05

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After long catering to China's richest shoppers, Giorgio Armani SpA is looking to the country's middle class to help carry the fashion house through potentially slowing growth in the luxury sector, reported The Wall Street Journal.

Armani plans in the next three years to open 80 to 100 stores in China's mainland, adding to the Italian company's current 289 and pushing further into China's smaller cities, said Fabio Mancone, director of licensing and communications.

New stores will include the company's namesake Giorgio Armani and outlets such as Armani Collezioni and Armani Jeans, which sell women's denims for 1,500 yuan, or \$236, that are meant to be more accessible to China's ballooning middle class than the company's evening gowns, priced at 25,000 yuan.

"This is a company that is very accessible to a large number of Chinese people," Mr. Mancone said. "We have a wide offering that will continue to grow and protect us in case of a slowdown in China."

Armani has been introducing more stores such as Armani Collezioni in China in recent years to appeal to the middle class. The company's sales rose 45% in 2011 from a year earlier, Mr. Mancone said, declining to offer further financial details. "It will be hard to beat that, but we can hope to match it," he said.

Armani says it is also increasing its spending on marketing, boosting its ad campaigns and online efforts to play up the company's history, as many Chinese consumers are drawn to Italian brands. It splurged on a fashion event in Beijing on Thursday, bringing in international stars such as singers Tina Turner and Mary J. Blige and Chinese actor Fan Bingbing to draw attention to its fall and winter lines.

*Source: Style Sight via CNTEX*

## **China's cotton demand expected to rebound**

DATE: 2012-06-01

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China's domestic cotton consumption is positive this year despite its economic slowdown, the Cotton Council International, the export promotion arm of the US National Cotton Council, has said.

"We are very optimistic about China's retail market," said Karin Malmstrom, China director of CCI. "According to our surveys, we are seeing a growing middle class in China that is willing to pay more money for natural fibers, such as cotton."

Cotton demand in China, the world largest user, may rebound this year. Consumption may rise to 9.58 million metric tons this year from an estimated 9 million tons in 2011 amid a recovery in the textile industry, said the Hong Kong-listed Weiqiao Textile Co, China's biggest cotton textile manufacturer, on its website.

Although cotton demand is rising, output of the fiber is not increasing. "In 2012, domestic cotton production is not optimistic as decreasing planting areas as well as increasing labor costs, low level of mechanization and narrowed production," said Zhou Shengtao, director of China Cotton Association.

A recent cotton association survey concluded farmers are likely to reduce their planting area by almost 17 percent this year because of the rising costs of labor, fertilizer and seed.

According to the International Cotton Advisory Committee, the area of cotton fields worldwide is expected to decrease by 7 percent to 33.6 million hectares in response to lower prices. The decline in the supply of raw cotton will be driven by China, which is expected to produce a 6.4 million ton cotton crop, 13 percent less than last year.

But China still needs millions of tons of cotton to feed its mills, which produce 40 percent of the world's cotton goods. And with global prices cheaper than domestic and the domestic textile industry recovering, Chinese mills will be looking for more imports, industry analysts said.

China's cotton imports may jump by 54 percent to 18.5 million 480-pound bales (4 million tons) this year, the most in the six years, according to a March estimate by the US Department of Agriculture.

"China has huge domestic market demand. ... So its cotton industry should be based mainly on the domestic market and improvement of international competitiveness," said Zhou with CCA.

"The appreciation of the yuan and rising labor and transportation costs have affected China's competitiveness in the global low-end textile market compared with India and Bangladesh," said Weiqiao Textile said on its website. "We are trying to boost sales in the domestic market and also upgrade our goods to better compete in the high-end market."

*Source: China Daily via CNTEX*