

China's textile industry needs Midas touch

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China's textiles and garment export declined by 14.7 per cent to \$ 21.677 billion, in the first two months of 2023. The Chinese textile industry is struggling with the challenges such as lack of raw materials, design and development and brand. To mitigate these issues the Chinese government should encourage firms to integrate raw materials, brands, research and development and brands with the global fashion industry for equity mergers and asset acquisitions.

China's textile industry is facing serious challenges due to a crackdown from the US government and other countries. At the same time, there is growing market competition in China from Southeast Asian countries. China's textiles and garment export declined by 14.7 per cent to \$ 21.677 billion, in the first two months of 2023 from a year ago according to the latest data from the General Administration of Customs of China. Textile exports including yarn, fabrics and other things also declined by 22.4 per cent to \$19.164 billion during January and February from the same period last year.

China's import of textiles, yarn and fabric also fell by 33.2 per cent to \$1.395 billion in the first two months from the corresponding period of last year.

China's textile export and import data shows, US's Uyghur Forced Labour Prevention Act has seriously affected China's cotton from entering the international market.

China's textile and garment production reached \$300 billion with a trade surplus in 2022. According to the General Administration of Customs, China's textile and garment export hit \$340.95 billion in 2022, which increased by 2.5 per cent from a year ago. Export remained above \$300 billion for a third consecutive year and China was the world's largest textile and apparel exporting country.

But China's textile and garment export to the US fell by 5.4 per cent, to the EU by 1.1 per cent and to Japan by 0.2 per cent. On the other hand, exports to the Belt and Road (BRI) and Regional Comprehensive Economic Partnership (RCEP) partners hit 11.3 per cent and 9.7 per cent respectively.

The US imposed a ban in June 2022 on cotton and cotton products from China's Xinjiang region. The US said Chinese companies have to prove imports from China's Xinjiang region are not produced using forced labour. Since 2017 China has detained millions of Uyghurs and Muslim minorities in Xinjiang. China has made it necessary to detain minorities to work. The US put restrictions under the Uyghur Forced Labour Prevention Act (UFLPA).

China's 90 per cent of cotton grows in Xinjiang or Uighur Autonomous Region. In 1950 China set up the first military-run cotton farm in Xinjiang. In 1990 cotton farms expanded because the region was pests free. In 2000 China introduced pest-resistant varieties which boomed cotton production in China. In eastern and central China, which are traditional cotton-growing regions, cotton production reached five million metric tons in 2006. In Xinjiang, cotton production reached 3 million metric tons. In 2021, cotton production in traditional cotton regions fell to 602,000 metric tons and Xinjiang cotton output hit five million metric tons.

China's textile export to the USA and western countries has dropped. It means that China's textile and garment industry will face headwinds in the time to come. As these countries are the primary market for Chinese textiles and garments, China may now have to shift its focus on BRI and RCEP countries to keep its inflow of foreign currency unhampered. As countries in BRI and RCEP are developing, there are high chances they may not be able to afford Chinese textile and garments, said Gautam Bumbawale, India's former ambassador to Beijing.

The Chinese textile industry is struggling with the challenges such as lack of raw materials, design and development and brands. It seems there is a threat to the Chinese textile industry. To overcome the threat China needs to promote the industry. The Chinese government should encourage firms to integrate raw materials, brands, research and development and brands with the global fashion industry for equity mergers and asset acquisitions.

Shi Weidong, a member of the 14th National Committee of the Chinese People's Political Consultative Conference and president of Nantong University proposed measures to enhance China's textile and garment industry. He suggested the government needs to encourage Chinese enterprises to carry out win-win cooperation via joint ventures and provide financial support for key investment projects of textile and garment enterprises. China's textile industry is facing serious challenges due to a crackdown from the US government and other countries. At the same time, there is growing market competition in China from Southeast Asian countries.

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