



# Chinese fabric producers rethink offshoring strategies

By Jens Kastner 02 February 2021

**China is slowing its exodus of fabric manufacturers to south and southeast Asia due to difficulties in the region and new advantages for domestic production.**

The onset of the Covid-19 pandemic sparked predictions that the shift of textile industrial capacity from China to lower cost neighbouring countries could intensify, but analysts talking to *Twist/WTIN* say the trend may have stalled in the past year.

While production capacity of China's textile industry has indeed in recent years shifted to south and southeast Asia, some of these transfers have not run smoothly. Chinese-language media has run numerous reports of Chinese-owned spinning, weaving, knitting, finishing and garment production running into difficulties in countries including Myanmar, Cambodia, Vietnam and India.

Moreover, the Chinese government has been actively supporting the transfer of the textile and garment industry to lower cost locations within China's central and western provinces. Here, abundant supplies of labour remain, and they are serviced by new major textile industrial parks.



A Coats employee in Vietnam

The textile industry research team of Chongqing-based investment firm China Futures noted in the Chinese financial newspaper 21st Century Business Herald in September that the competitive advantage of China's textile and apparel industry is mainly reflected in the overall industrial chain being more complete than in rival countries, with China having more high-quality textile technical workers. So, the proactive efforts of the Chinese government to preserve the country's backward linkages may have a positive competitive impact.

China Futures also noted that with recent market intervention by the government to grow China's cotton reserve, the price gap between imported and domestically-produced cotton continues to narrow, increasing the cost-effectiveness of Chinese cotton, which constitutes a key input for fabric production.

These strengths laid the basis for an actual increase in China's textile and garment exports by 9.6% year-on-year in 2020, despite the pandemic and the US' trade-war tariffs on Chinese goods. This far outpaced China's overall export growth of 1% in the same period.

Not only is the total textile export volume increasing, but the export structure is also adjusting; for the first time, textile exports surpassed garments, accounting for 52.8% of the total, according to data from China's ministry of commerce.

"In the past, fabric-making migration out of China was mainly driven by the desire to escape rising labour costs in Guangdong and Shanghai, but Chinese people in the central and western regions today prefer staying in their hometowns as opposed to becoming migrant workers, while wages are increasing in south and southeast Asia also," says Renaud Anjoran, a Hong Kong and Shanghai-based quality assurance and sourcing expert for textile clients, speaking to WTIN.

"And, whereas garment makers still have reason to move out of China to escape tariffs, fabric-makers have less so, given that China-made fabric that is cut, sewn and packaged outside China is not subject to any trade war tariffs due to China not being the finished product's country of origin," he adds.

Anjoran notes that whereas China's government-promoted anti-pollution drive had accelerated the migration of fabric-makers in previous years, this trend seemed to slow in 2020, as environmental concerns were given a lower priority by Chinese authorities preoccupied with pandemic response and desperate to stimulate economic growth.

Textile industrial parks built in the central and western regions with government support, for instance one opening in south-western Sichuan Province last year and two more in the province that are now being built, seem to have helped persuade textile manufacturers to remain in China through offering cheap access to land, tax perks, infrastructure and cheap labour.

In fact, some Chinese-owned textile makers are considering reshoring back to China. Among the companies considering repatriating from southeast Asia to China's central and western regions is Lian Cheng (Myanmar) Garment.

Lei Ming, the company's general manager, has been quoted in Chinese media (also including the 21st Century Business Herald) saying that since he opened the factory in Myanmar in 2013, Chinese garment factories have been transferred to Myanmar continuously. But, Lei claimed, most of the Chinese factories in Myanmar are not profitable, as competition among companies in the ASEAN country's textile supply chain is gradually escalating.

"The wages of Myanmar workers are particularly low, at only [the equivalent of] CNY400-500 [US\$62-US\$77] per month, but the fabrics and other raw materials need to be imported from China, which adds logistics costs," Lei said.

"We are considering going back to China to set up factories in places such as Guangxi, Xinjiang, and Shandong that also have wages of less than CNY3,000," he added.

As another reflection of China's strengths, India's flawed pandemic response, which has disrupted supply chains, prompted international customers to transfer fabric orders to China, where fabrics were available and ready-made garments can be produced quickly. For example, Zara, whose tablecloths were originally produced in India, transferred orders for hundreds of thousands of tablecloths to a home textile factory in Jinhua, Zhejiang in September, according to Chinese media reports.

Among other international brands identified as moving orders from India to China for the same reasons last year, according to Chinese language business publication Sina Finance, were Levi's, Marks & Spencer and South Korea's E-Land Group.

Meanwhile, an executive of a Zhaoqing, Guangdong province underwear factory that supplies overseas brands was cited in Hong Kong's South China Morning Post as saying that the factory had laid off employees in the first half of 2020, but foreign orders began to return in August and September, as the epidemic continued to spread in other Asian countries.

In Germany, the industry association GermanFashion (Modeverband Deutschland) confirmed that China's resilience continues to deter moves by German fashion companies to move orders from China to other countries.

"Our member companies design apparel in Germany and produce in China, and I see no trend of a general rethink of this method," says Tanja Croonen, GermanFashion's press officer, speaking to WTIN. "China is a stable country, and there are many good partnerships between our members and Chinese companies."

That said, Benjamin Cavender, an industrial analyst with Shanghai-based China Market Research Group, told WTIN that he thinks in the medium-to-long-term pressures will persist, encouraging offshoring of fabric production out of China.

Cavender believes that from a China government perspective – important as the Communist Party is developing a new Five Year Plan (2021-25) – textile & clothing production is a relatively low margin industry that does not really support China's aims to leapfrog developed nations in technology or well-paying white-collar jobs.

"It's also a heavily polluting industry, which is something the government is trying to de-emphasise both in its last Five-Year Plan as well as in its most recent [upcoming] Five-Year Plan," says Cavender.

"Further, I think a lot of US companies are now facing pressure from consumers to have transparent and equitable supply chains," encouraging near and reshoring production away from China, he adds.

Have your say. Tweet and follow us [@WTINcomment](#)

## RELATED ARTICLES



Iceni Silver launches 'next-generation' period wear for sports

Fiona Haran | WTIN



Allied Feather + Down launches 'world's fastest drying down'

Jessica Owen | WTIN



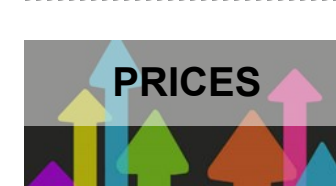
Faborg strives for 'positive impact' with vegan wool alternative fabric

Fiona Haran | WTIN



Wool Market Report - 12 February 2021

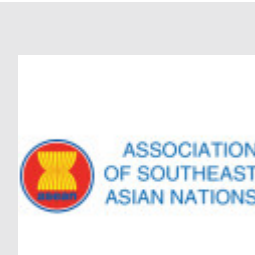
Nitin Madkaikar | WTIN



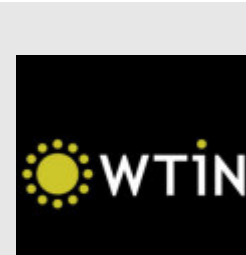
NCWSBA Australian Wool Market Report - 12 February 2021

Chris Wilcox | WTIN

in



ASEAN



World Textile Information Network



## BOOKMARKS

No articles bookmarked!