

Textile Industry – Strategic Pillar Industry in Building a Moderately Prosperous Society in All Respects

During the ITMF2011 World Textile Summit, which was held on Sep. 21, 2011, Mr. Du Yuzhou, Presiden of China National Textile & Apparel Council, as the keynote speaker, presented a speech on Chinese textile industry.

“ In the first 20 years of the new century, China will focus on building a higher-level moderately prosperous society to make sure that Chinese people benefit more from the country’s development. In the process, textile industry, important for Chinese people’s well-being, will continue to be a strategic pillar industry. ”



Driving Forces for a Sustainable and Rapid Development of the Industry

Growing domestic demand as a major driving force

In the past decade, above-designated sized enterprises (with annual revenue \geq 5 million RMB) achieved a 4.2 times increase in the gross output value of industry. Of the increase, domestic sales climbed from 66.73% in 2000 to 81.54% in 2010.

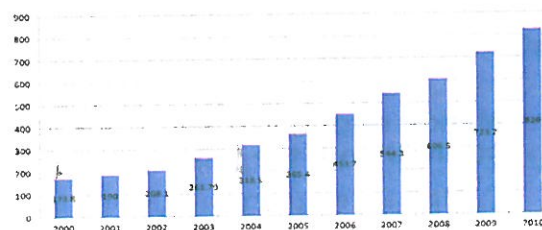
Expanding domestic demand is a long-term strategic principle and basic standpoint of China's economic development.

China's consumption was 50.7% of its GDP in 2006; 47.4% in 2010, and is expected to reach 55% in 2015.

Annual growth of urban & rural residents per capita clothing expenditure (%)

Year	Growth Rate (%)
2001-2010	14.64
2006-2010	15.22
2011-2020 (Estimated)	15%

Fiber Consumption of Technical Textiles (unit 10000 tons)



Fiber consumption of technical textiles in 2010 reached 8.26 million tons, 4.7 times of that in 2000. In year 2000-2005, average annual growth was 14.61%, and 18.7% in year 2005-2010. It is expected that annual growth will be around 20% in the next ten years.

Moreover, fast urbanization request development of labor-intensive industries to create more jobs.

According to statistics, the population of China was 1.34 billion in 2010, an increase of 74 million compared to year 2000. Urban population increased 207 million while rural population reduced 133 million. From 2000 to 2010, urbanization extended from 36.22% to 49.68%. Another 10 percentage points in urbanization in the next decade will mean 170 million increase in urban population and 114 million reduction in rural population. Employment of the country will face great pressure.

Employment in textile industry was 13 million in 2000, and reached 22 million in 2010. Workers of above-designated sized enterprises (annual revenue \geq 5 million RMB) increased 56.54% over the past 10 years. Now there are 230 million migrant workers in China, and 17 million are textile workers. Each 1% increase in China's GDP will create jobs for 1-1.2 million people.

Year	Population (100 million)	Urban (100 million)	Rural (100 million)	Urbanization
2000	12.65	4.58	8.07	36.22%
2010	13.40	6.66	6.74	49.68%
2020 (Estimated)	14.0	8.4	5.6	60%

Furthermore, the gradually narrowing the urban-rural gap requests restructuring of the industry.

Rural per-capita income was 50% of urban per-capita income in 2000 and 38% in 2009. In the next 5-10 years, work needs to be strengthened to gradually narrow the gap.

At present, rural per-capita clothing expenditure is only 1/5 of urban per-capita clothing expenditure. With fast urbanization and gradually narrowed rural-urban gap, textile industry in China will see great potential space for its development.

	China		East		Middle		West		North-east	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
Rural per-capita income urban per-capita income (%)	50	38	39	40	39	41	30	36	43	59

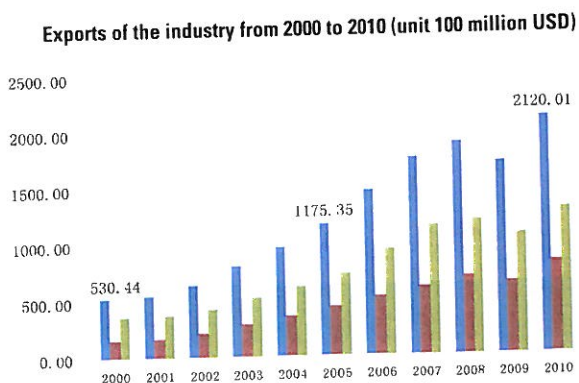
China had 800 million farmers in 2000, with per-capita arable land of 0.19 hectare. In 2009, there were 700 million farmers, with per-capita arable land of 0.22 hectare, the lowest level in the world. Given Chinese government's policy of industry repaying agriculture, textile industry is shouldering a heavy social responsibility. There is no cotton subsidy in China. To protect the interest of Chinese farmers, domestic cotton price is much higher than the price of international market. There is also the sliding duty on cotton import. In July this year, price of imported 20-count cotton yarn was 7.52% lower than domestic cotton price.

Over the past decade, annual per-capita income of textile workers in east costal area of China increased 3.2 times, 5 times annual per-capita income of farmers in the middle region of China, 3 times annual per-capita income of textile workers in Bangladesh, but only 5% of USA and 10% of Korea.

Upgrading of the industry in developed regions accelerates with higher productivity; Labor-intensive industries still important in emerging regions to eliminate poverty. Restructuring of textile industry in China is on its way.

Responding to globalization and facilitating the integration of the industry into world economy

Compared to exports in 2000, exports in



2005 increased 121.5% with 87.5% increase in quantity - absolute advantage was obvious.

From 2006 to 2010, comparative advantage started to play the major role. Affected by the world financial crisis, exports increased 80.4% with 44.5% increase in quantity.

Exports in general trade rose from 54.55% of the total exports in 2000 to 74.44% in 2010.

Imports of textile industry in 2010 was 1.52 times of that in 2000.

After entering WTO, utilization ratio of foreign capital and capital from HK, Macao, Taiwan increased a lot. Foreign capital and capital from Hong Kong, Macao, Taiwan in 2000 was 75.728 billion RMB. In 2009, it was 237.567 billion RMB, an increase of 2.14 times, accounting for 36.85% of the total paid-in capital (29.45% in 2000).

Imports of the industry from 2000 to 2010 (unit 100 million USD)

	2000	2005	2010
Textiles & Clothing	138.87	170.99	203.20
Dyes & Chemicals Auxiliaries	7.52	16.32	28.63
Textile Machinery	19.13	35.56	43.17
Textile Fiber	34.56	78.72	111.30
Industrial Chemicals	26.35	118.55	184.46
In total	226.43	420.14	570.16

Market reform to inject vigor and strength into the industry

Market reform mobilizes more social resources into textile-related fields, injecting vigor and strength into the industry. The country, while unswervingly reinforcing and developing the public sector of the economy, will also unswervingly encourage, support and guide development of the non-public sector, creating a favorable environment for equal fair competition and joint development of diversified forms of ownership.

From 1998 to 2000, state-owned textile enterprises phased out 10 million obsolete spindles, cut employment by 1.2 million, reduced from 4758 enterprises in 1997 to

3676 in 2000. National capital in the industry contracted from 31.96% in 1997 to 24.67%. Spindles nationwide dropped from 42.46 million in 1997 to 34.43 million in 2000. Since the beginning of the new century, paid-in capital of above-designated sized enterprises reached 644.644 billion yuan by 2009, 1.5 times of that in 2000. Cotton spindles grew from 34.43 million in 2000 to 120 million in 2010.

2000-2009 Structure of Paid-in Capital of Different Economic Sectors (Above-designated sized enterprises)

	Paid-in Capital of the industry	Structure of paid-in capital of different economic sectors (100 million yuan)				
		state	collective	private	juristic person	Foreign capital and capital from HK, Macao, Taiwan
2000	100	24.67	14.81	18.91	12.15	29.45
2009	100	3.58	1.57	31.14	26.86	36.85

Different economic sectors are an energetic industry eco-system with equal fair competition and joint development of diversified forms of ownership.

In 2010, of the 55391 above-designated sized enterprises, large enterprises (sales revenue ≥ 300 million RMB) accounted for only 0.46% while medium sized enterprises (sales revenue 30-300 million RMB) and small sized enterprises (sales revenue <30 million RMB) accounted for 99.54%.

Thriving and interactive SMEs, industry clusters and specialized markets play a major part in job creation and socialized production.

Production & sales of industry clusters in the east coastal area of China takes up 80% of the national total. A survey conducted by CNTAC

shows that 859 markets in 2010 covered the business area of 91.73 million m², with about 94 thousand businessmen and a total turnover of 1.56 trillion RMB.

New S&T revolution as impetus for upgrading of the industry

The era of S&T starting from 1950s introduced a new round of industrial revolution followed by change of consumption pattern that presents strategic opportunities to textile industry. In the past 10 years Total Factor Productivity of textile industry in China increased 25 percentage points.

The above-designated sized enterprises in the past decade saw great achievements in such aspects as follows:

- 56.54% increase in employment
- 1.6 times increase in total assets
- 4.2 times increase in gross output value of industry
- 4.3 times increase in value-added
- 1.2 times increase in contribution of the total assets from 5.97% to 13.20%
- 2 times increase in fiber processing
- 3 times increase in exports (1.78 times at comparable price).
- 71.57% increase in per capita total assets
- 2.42 times increase in gross per capita output value
- 1.56 times increase in per capita export value (77.59% increase at comparable price)
- 4.18 times increase in per capita profit

In addition, the S&T revolution was also witnessed in the following four aspects: R&D of new fibers, nation-wide application of new technologies, innovation system of the industry (basic R&D, industry-academy-research, industrialization of scientific research achievements, industry ally, technology contribution and brand value), and release of the 12th FYP for R&D of the industry (50 new goals and application of 110 scientific research achievements).

Structure of Above-Designated Sized Enterprises in 2010 (%)

	Large	Medium	Small
Number	0.46%	8.25%	91.29%
Sales Revenue	16.08%	29.20%	54.72%
Employment	11.72%	31.07%	57.21%

Exports of Below-Designated Sized Enterprises in the Industry Aggregate (%)

	T & C	Textiles	Clothing
2000	34.66%	0.00%	56.60%
2010	40.53%	13.42%	57.81%

Specifically, the R&D of new fibers also enjoyed such breakthroughs as the following:

- *Man-made fibers had a 3.45 times increase in output and reached 30.90 million tons.*
- *It is expected that output of man-made fiber will reach 43 million tons by the 12th Five Year Plan (FYP) period.*
- *Carbon Fiber, aramid fiber, PPS, PLA, bamboo fiber, hemp fiber, jute fiber, etc.*
- *Super imitation fiber (8 million tons of super imitation cotton fiber by the 12th FYP period)*
- *Man-made fiber: net import of 1.55 million tons in 2000 and net export of 986.9 thousand tons in 2010.*

New technologies were applied nationwide, including new spinning (compact, open-end, vortex, insert, etc.), new weaving, printing & dyeing, energy/water saving and recycling, information (such as ERP, RFID, etc.), technical textiles (3.73 times increase in output over the past decade), and textile machinery manufacturing industry (10 completely new set of equipment were already used in production, and in 2010, home-made textile machines took up 70% domestic market share; 1.76 billion USD in exports; annual growth of 14.76% in the past five years).

New weaving, printing & dyeing technology

- *95% fabrics self-produced*
- *Fabrics: net import of 340 million meters in 2000 and net export of 18.14 billion meters in 2010*

Energy/water saving and recycling technology (in recent 5 years)

- *Energy consumption of value-added per unit down 40%*
- *Fresh water consumption down 37.5%*
- *Recycled bottles to produce 4 million tons of polyester and 8 million will be achieved during the 12th FYP period*
- *Recycling of cotton and polyester*

Focus on Building a Modernized Textile Industry System (MTIS) in the Next Decade

MTIS is to be constituted of five important features, namely, advanced Science and

technology, optimized structure, clean & safe process, higher added value and more jobs so as to meet the expectation of people for better life, promote upgrading of the industry in the post-crisis era and adapt to the new role in the international division of labor. In process of building MTIS, there come a lot of opportunities that must be seized.

Opportunities and Challenges in the Upgrading of the Industry

Opportunities from extending domestic demand.

Extending domestic demand plays a key part in national economic growth. Opportunities come around when we increase contribution of resident consumption to GDP growth, improve consumption system and environment; protect right & interest of consumers; rationalize consumption structure, extend urbanization and reduced urban-rural gap demand both capacity and creativity of the industry. We believe there shall be around 15% growth in urban-rural residents expenditure on clothing in the next 10 years.

Opportunities from deepening S&T revolution.

Opportunities also come along when we further make efforts to deepen S & T revolution. The major achievements of science and technology are applied to traditional industries, which is the foundation for the upgrading of traditional industries. To deepen this revolution, creativity must be enhanced.

Challenges in post-crisis era.

As opportunity and challenge are commensals, challenges are always there while we see the other side of opportunities, contraction of the international market demand, appreciation of RMB, rising labor cost, shortage of resources, environmental problem, trade protectionism, just name a few.

Four Strategic Tasks

China's 12th FYP requests the transformation

and upgrading of consumer goods industries. Textile industry needs to adapt to the changing market, follow the latest development of S&T, make better use of comparative advantage, to build a modernized industry system featuring rationalized structure, cutting-edge technology, clean & safe production, high value-added and employment.

As referring to the four main strategic tasks, the textile and apparel industry in China should emphasize the science and technology, the branding, sustainability, and human resources.

Textile Science & Technology

The whole industry should increase the S&T contribution to the growth of the industry, enhance industrial creativity and innovation, including 50 goals of 126 sub-projects and 110 R&D projects and application of research achievements, strengthen the introducing & absorbing of science and technology, as well as international cooperation, and eliminate the obsolete and keep pace with the time.

Branding

The textile and apparel industry in China should increase the brand contribution to growth of the industry.

We should make great effort to construct the value system, featuring "quality, creativity, responding to market and social responsibility": making quality as life, creativity as soul, responding to market as strength, and social responsibility as the morality.

Moreover, we should establish a sound brand eco-system with up-stream and down-stream enterprises, large and small enterprises of the industrial chain, interdependent and interactive with each other

Sustainability

The textile and apparel industrial development should transfer their development mode, focusing more on low-carbon, green and recycling economy, and making sustainability as a historical responsibility of the industry.

During the 12th FYP period, the energy consumption for output per unit would be cut by 18%, emission of carbon dioxide cut by 18%, and water consumption down 30% and COD down 10%; while, the recycling rate would reach eight million tons in the next five year.

Human resources

It is a strategy of invigorating the country through science, technology, and education as well as developing human resources, including leadership personnel in S & T and operating & managing (entrepreneurs, professional manager), creative personnel (such as engineers, training program for designers, and talent tank), professional skilled workers, service platform, and international cooperation.

Closing Words

Textile industry in China will continue to make contribution to the country's building a moderately prosperous society in all respects.

We shall never lose the confidence in world textile industry. 100 years ago, the world population was 1.65 billion, producing 3.91 million tons of fibers (of which 3.16 million tons is cotton). 100 years after, the world population reaches 6.9 billion, producing 80.8 million tons of fibers (of which 25 million tons is cotton). Going backward further, we human beings had two world wars and experienced three industry revolutions. However, textile industry did not disappear. Instead, it comes out stronger and better. We have every reason to believe that the world textile industry will weather the current difficulties to embrace a new glory chapter.

Textile industry is indispensable in progress of human civilization. China would like to work closely with other countries to achieve win-win development and create a better future for people of the world. ■

(Translated by Ms. Gao Mingmu, Foreign Affairs Office of CNTAC)