The Evolution of Textile and Apparel Industry in Asia

Dr. Gordon YEN
Executive Director & Chief Financial Officer
Global Supply Chain

Major cotton suppliers

Major yarn spinners & fabric mills

Major garment manufacturers

Major retailers
Global Supply Chain

Major cotton suppliers
Major yarn spinners & fabric mills
Major garment manufacturers
Major retailers
Global Supply Chain

Major cotton suppliers

Major yarn spinners & fabric mills

Major garment manufacturers

Major retailers
Global Supply Chain

- Major cotton suppliers
- Major yarn spinners & fabric mills
- Major garment manufacturers
- Major retailers
Global Supply Chain

Major cotton suppliers

Major yarn spinners & fabric mills

Major garment manufacturers

Major retailers
2000-2011: Domination of China

The World’s Largest Exporter of Textiles and Apparels

- 2001: Officially Joins WTO
- 2005: Abolition of Textiles Quotas
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>T &amp; A Exports</td>
<td>53.0</td>
<td>115.0</td>
<td>144.0</td>
<td>171.2</td>
<td>185.2</td>
<td>167.0</td>
<td>206.5</td>
<td>248.0</td>
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<tr>
<td></td>
<td>Changes</td>
<td>N/A</td>
<td>117.0%</td>
<td>25.2%</td>
<td>18.9%</td>
<td>8.2%</td>
<td>-9.8%</td>
<td>23.7%</td>
<td>20.1%</td>
</tr>
<tr>
<td>India</td>
<td>T &amp; A Exports</td>
<td>11.9</td>
<td>17.1</td>
<td>18.4</td>
<td>19.5</td>
<td>21.3</td>
<td>21.1</td>
<td>24.1</td>
<td>29.4</td>
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<tr>
<td></td>
<td>Changes</td>
<td>N/A</td>
<td>43.7%</td>
<td>8.0%</td>
<td>6.0%</td>
<td>9.2%</td>
<td>-1.0%</td>
<td>14.0%</td>
<td>22.1%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>T &amp; A Exports</td>
<td>4.3</td>
<td>7.6</td>
<td>9.8</td>
<td>9.7</td>
<td>12.0</td>
<td>13.4</td>
<td>16.9</td>
<td>21.5</td>
</tr>
<tr>
<td></td>
<td>Changes</td>
<td>N/A</td>
<td>76.7%</td>
<td>29.2%</td>
<td>-0.7%</td>
<td>23.3%</td>
<td>11.7%</td>
<td>26.2%</td>
<td>27.2%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>T &amp; A Exports</td>
<td>1.9</td>
<td>5.4</td>
<td>6.6</td>
<td>8.7</td>
<td>10.3</td>
<td>10.5</td>
<td>13.5</td>
<td>16.9</td>
</tr>
<tr>
<td></td>
<td>Changes</td>
<td>N/A</td>
<td>184.2%</td>
<td>22.8%</td>
<td>31.4%</td>
<td>18.0%</td>
<td>2.5%</td>
<td>27.5%</td>
<td>25.8%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>T &amp; A Exports</td>
<td>0.6</td>
<td>2.2</td>
<td>2.7</td>
<td>2.7</td>
<td>3.0</td>
<td>2.5</td>
<td>3.1</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>Changes</td>
<td>N/A</td>
<td>266.7%</td>
<td>19.0%</td>
<td>0.6%</td>
<td>12.9%</td>
<td>-19.0%</td>
<td>24.7%</td>
<td>33.3%</td>
</tr>
</tbody>
</table>

Notes: T&A refers to Textile & Apparel
(Source: World Trade Organization)
2012 & After: Rebalancing in Asia

Cost of labor

Inflation

Currency against USD / EUR

Trade policies; Duty policies

Improvement in skills and quality

Industrial development
  • Improvement in infrastructure
  • Industrial zone
### Exports of Textiles and Apparels in 2012

<table>
<thead>
<tr>
<th>Region/Country</th>
<th>Jan - Aug</th>
<th>Changes</th>
<th>Region/Country</th>
<th>Jan - Aug</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>162,186</td>
<td>-0.8%</td>
<td>Indonesia</td>
<td>8,461</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>15,296</td>
<td>0.70%</td>
<td>Pakistan</td>
<td>8,151</td>
<td>-10.4%</td>
</tr>
<tr>
<td>India</td>
<td>14,207*</td>
<td>0.50%</td>
<td>Thailand</td>
<td>5,250</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>11,524</td>
<td>7.80%</td>
<td>Cambodia</td>
<td>2,362*</td>
<td>9.20%</td>
</tr>
</tbody>
</table>

All changes are based on comparison over the same period in 2011
* Data of India is up to Jun 2012; Data of Cambodia is up to Jul 2012
(Source: Official statistics from different regions)
2012 & After: Rebalancing in Asia
2012 & After: Rebalancing in Asia

Specialization in Asian countries (based on US Imports)

- India
  - Cat 341 W/G COT. SHIRTS/BLOUSES, N-KNIT

Textile & Apparel Industry in Asia
– Cat 341 W/G COT. SHIRTS/BLOUSES, N-KNIT (Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,548</td>
<td>5,594</td>
<td>2,595</td>
<td>1,446</td>
<td>316</td>
<td>77</td>
</tr>
<tr>
<td>2011</td>
<td>4,069</td>
<td>2,368</td>
<td>1,075</td>
<td>81</td>
<td>349</td>
<td>92</td>
</tr>
<tr>
<td>2012</td>
<td>4,210</td>
<td>2,515</td>
<td>1,217</td>
<td>72</td>
<td>1,154</td>
<td>716</td>
</tr>
</tbody>
</table>

Unit Price in US$/Doz
- China: 59, 72, 72
- Bangladesh: 42, 66, 78
- India: 49, 72, 58
- Indonesia: 77, 53, 92
- Vietnam: 72, 55, 77
- Sri Lanka: 79, 79, 56

Notes: Data is up to Aug 2012
(Source: Office of Textiles and Apparel, US Department of Commerce)
2012 & After: Rebalancing in Asia

Specialization in Asian countries (based on US Imports)

India
Cat 341
W/G COT. SHIRTS/BLOUSES, N-KNIT

Indonesia
- Cat 342
COTTON SKIRTS
– Cat 342 COTTON SKIRTS
(Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3,744</td>
<td>1,244</td>
<td>971</td>
<td>1,015</td>
<td>56</td>
<td>62</td>
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<tr>
<td></td>
<td>56</td>
<td>62</td>
<td>45</td>
<td>52</td>
<td>44</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>62</td>
<td>45</td>
<td>52</td>
<td>44</td>
<td>48</td>
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<td>692</td>
<td>45</td>
<td>52</td>
<td>44</td>
<td>44</td>
<td>48</td>
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<td>192</td>
<td>45</td>
<td>52</td>
<td>44</td>
<td>44</td>
<td>48</td>
</tr>
<tr>
<td>2011</td>
<td>3,192</td>
<td>713</td>
<td>1,036</td>
<td>1,015</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>713</td>
<td>1,036</td>
<td>1,015</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>713</td>
<td>1,036</td>
<td>1,015</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>92</td>
<td>713</td>
<td>1,036</td>
<td>1,015</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td>2012</td>
<td>2,684</td>
<td>695</td>
<td>962</td>
<td>1,013</td>
<td>945</td>
<td>86</td>
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<td>56</td>
<td>695</td>
<td>962</td>
<td>1,013</td>
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<td>86</td>
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<td>41</td>
<td>695</td>
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<td>1,013</td>
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<td>86</td>
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<td>136</td>
<td>41</td>
<td>695</td>
<td>962</td>
<td>1,013</td>
<td>945</td>
</tr>
</tbody>
</table>

Notes: Data is up to Aug 2012
(Source: Office of Textiles and Apparel, US Department of Commerce)
Specialization in Asian countries (based on US Imports)

- **India**
  - Cat 341 W/G COT. SHIRTS/BLOUSES, N-KNIT

- **Indonesia**
  - Cat 342 COTTON SKIRTS

- **Bangladesh**
  - Cat 340 M/B COTTON SHIRTS, NOT KNIT
  - Cat 347 M/B COT. TROUSERS/BREECHES/SHORTS
– Cat 340 M/B COTTON SHIRTS, NOT KNIT
(Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,902</td>
<td>8,627</td>
<td>77</td>
<td>50</td>
<td>88</td>
<td>908</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,443</td>
<td>66</td>
<td>63</td>
<td>98</td>
<td>88</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>9,023</td>
<td>63</td>
<td>94</td>
<td>76</td>
<td>836</td>
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<tr>
<td></td>
<td></td>
<td>3,332</td>
<td>98</td>
<td>81</td>
<td>110</td>
<td>118</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>5,485</td>
<td>95</td>
<td>62</td>
<td>92</td>
<td>87</td>
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<td></td>
<td></td>
<td>8,375</td>
<td>62</td>
<td>87</td>
<td>77</td>
<td>118</td>
</tr>
</tbody>
</table>

Notes: Data of 2012 is for the previous 8 months
(Source: Office of Textiles and Apparel, US Department of Commerce)
US Imports of 2010 / 2011 / 2012 – Cat 347 M/B COT. TROUSERS/BREECHES/SHORTS (Quantity)

Notes: Data is up to Aug 2012
(Source: Office of Textiles and Apparel, US Department of Commerce)
Specialization in Asian countries (based on US Imports)

**India**
- Cat 341 W/G COT. SHIRTS/BLOUSES, N-KNIT

**Indonesia**
- Cat 342 COTTON SKIRTS

**Bangladesh**
- Cat 340 M/B COTTON SHIRTS, NOT KNIT
- Cat 347 M/B COT. TROUSERS/ BREECHES/ SHORTS

**Vietnam**
- Cat 338/339 COTTON KNIT SHIRTS
- Cat 638/639 MMF KNIT SHIRTS
- Cat 647/648 MMF TROUSERS
**US Imports of 2010 / 2011 / 2012**

– Cat 338/339 COTTON KNIT SHIRTS (Quantity)

**Notes:** Data is up to Aug 2012

(Source: Office of Textiles and Apparel, US Department of Commerce)
– Cat 638/639 MMF KNIT SHIRTS (Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>28,774</td>
<td>6,036</td>
<td>9,812</td>
<td>1,496</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>2011</td>
<td>30,479</td>
<td>7,989</td>
<td>13,049</td>
<td>1,097</td>
<td>67</td>
<td>51</td>
</tr>
<tr>
<td>2012</td>
<td>24,520</td>
<td>5,909</td>
<td>11,504</td>
<td>1,001</td>
<td>58</td>
<td>51</td>
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</tbody>
</table>

Unit Price in US$/Doz

Notes: Data is up to Aug 2012
(Source: Office of Textiles and Apparel, US Department of Commerce)
**US Imports of 2010 / 2011 / 2012**

– Cat 647/648 MMF TROUSERS

(Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
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<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>15,758</td>
<td>4,582</td>
<td>521</td>
<td>409</td>
<td>406</td>
<td>39</td>
</tr>
<tr>
<td>2011</td>
<td>15,417</td>
<td>5,958</td>
<td>61</td>
<td>525</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>2012</td>
<td>9,816</td>
<td>2,911</td>
<td>85</td>
<td>95</td>
<td>51</td>
<td>60</td>
</tr>
</tbody>
</table>

*Unit Price in US$/Doz*

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>India</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>51</td>
<td>39</td>
<td>49</td>
<td>61</td>
<td>42</td>
<td>51</td>
</tr>
<tr>
<td>2011</td>
<td>59</td>
<td>406</td>
<td>95</td>
<td>50</td>
<td>63</td>
<td>85</td>
</tr>
<tr>
<td>2012</td>
<td>94</td>
<td>95</td>
<td>85</td>
<td>65</td>
<td>332</td>
<td>87</td>
</tr>
</tbody>
</table>

*Notes: Data is up to Aug 2012*

(Source: Office of Textiles and Apparel, US Department of Commerce)
Specialization in Asian countries (based on US Imports)

**India**
- Cat 341 W/G COT. SHIRTS/BLOUSES, N-KNIT

**Indonesia**
- Cat 342 COTTON SKIRTS

**Bangladesh**
- Cat 340 M/B COTTON SHIRTS, NOT KNIT
- Cat 347 M/B COT. TROUSERS/BREECHES/SHORTS

**Sri Lanka**
- Cat 652 MMF UNDERWEAR

**Vietnam**
- Cat 338/339 COTTON KNIT SHIRTS
- Cat 638/639 MMF KNIT SHIRTS
- Cat 647/648 MMF TROUSERS

2012 & After: Rebalancing in Asia

Textile & Apparel Industry in Asia
### US Imports of 2010 / 2011 / 2012

- **Cat 652 MMF UNDERWEAR**

#### (Quantity)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Bangladesh</th>
<th>Indonesia</th>
<th>Vietnam</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>23,266</td>
<td>1,917</td>
<td>842</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>2011</td>
<td>24,593</td>
<td>1,684</td>
<td>1,222</td>
<td>16</td>
<td>22</td>
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<tr>
<td>2012</td>
<td>18,666</td>
<td>1,521</td>
<td>955</td>
<td>13</td>
<td>22</td>
</tr>
</tbody>
</table>

#### Unit Price in US$/Doz

- **Highest in Value and Quantity Except China**

#### Notes: Data is up to Aug 2012

(Source: Office of Textiles and Apparel, US Department of Commerce)
Textile & Apparel Industry in Sri Lanka

- accounts for around 40% of total export earnings in 2011

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic location</td>
<td>• Weak raw material base</td>
</tr>
<tr>
<td>• Good infrastructure conditions</td>
<td>• High cost of energy source</td>
</tr>
<tr>
<td></td>
<td>(electricity, water, etc.)</td>
</tr>
<tr>
<td></td>
<td>• Higher labor cost</td>
</tr>
</tbody>
</table>
Case Study: Ocean Lanka in Sri Lanka

Introduction of **OCEAN LANKA**

- Established in 1994
- The largest manufacturer of Weft Knitted Fabrics in the island
- Staff no: around 1,600
- JV subsidiary of **Fountain Set (Holdings) Limited**
- Prestigious customer base comprising Victoria’s Secret, Tommy Hilfiger, Marks & Spencer, Nike, Next, Gap & more…
Case Study: Ocean Lanka in Sri Lanka

Challenge
Duty reduction benefits from GSP+ in 2005 after hit by Tsunami

GSP+ (Generalized Scheme of Preferences Plus)
- EU's special incentive arrangement for sustainable development and good governance
- Grants tariff concession (around 6-7%) for apparel exports to the EU
Case Study: Ocean Lanka in Sri Lanka

**Challenge**

After removal of GSP+ in 2010

factories forced to add value to supply chain by building design centers for customers

- Taking cost out of UK
- Improving flexibility and speed

**OPP** (Opening Price Point)

**Intimates Market**
Case Study: Ocean Lanka in Sri Lanka

Strategy of Ocean Lanka & sewing factory partners
Being part of development of speed solutions
Case Study: Ocean Lanka in Sri Lanka

Strategy of Ocean Lanka & sewing factory partners

Industry lead time
21 – 28 days

Flash Programs
Less than 1 week for dyed prints garments
Benefits for retailers

- “Read and React”
- Allow partial buy
- Avoid buying based on gut instinct

Reduction in mark downs at store level
Increased business
Beyond Price Competition

Some countries are improving their value proposition beyond price

- Speed
- Innovation
- CSR
Environmental Protection

**Ha Noi to curb industrial pollution**

HA NOI — Ha Noi’s People Committee has set a target to reduce pollution by key industries by 2015. Its pollution management plan focuses on controlling chemical, textile, colourant, paper, food processing and natural resources exploiting industries.

The plan stipulates all industrial and export processing zones and high-tech parks must have waste water treatment systems which meet environment protection standards. Eighty per cent of dangerous industrial wastes would be collected, stored and treated properly.

Industrial manufacturing firms which caused serious environmental pollution would be closed down or moved out of residential areas. The city would support them with site clearance and infrastructure construction to maintain production. Polluting plants would get priority for land in industrial zones and intensive production zones.

The city would publish lists of polluting factories each year and oversee the construction of automated waste observation systems and data management in some industrial parks by 2013.

Meanwhile, the city is speeding up construction of waste water treatment plants in concentrated industrial areas, including a plant inaugurated in Quang Minh 1 industrial park.

Industrial waste water treatment plants in Tu Liem, Thach That-Quoc Oai and Phu Ngia industrial parks have already been completed and were being tested. — VNS

(Source: Vietnam News)
Six polluting textile units demolished

TNN   Feb 21, 2012, 03.25AM IST

Tags: TNEB | Polluting textile units

ERODE: As many as six polluting textile dyeing units which were found to be unauthorised were demolished on Monday. Officials said 21 dyeing units had been listed for demolition and the stringent action against unauthorised units will continue.

The action was taken by the pollution control board along with the TNEB. The polluting units were near the Erode railway station, Kollampalayam, Karungalpalayam and Rasampalayam and were identified for destruction as they were operating without proper consent from the government. They were also found to be polluting the Noyyal river basin. The orders to demolition came on the recommendation of the district coordination committee.

(Source: The Times of India)
Green Factories
20 Jun, 2012 07:16:23

Sri Lanka to build 'green' apparel plants in former war-zone

June 20, 2012 (LBO) - Sri Lanka's Timex and Fergasam group, will begin construction of two energy efficient 'green' apparel factories in the northeastern Mannar region this month, the state investment promotion agency said.

The five million US dollar factory is expected to be in production by January 2013 creating 1,200 jobs in an area where a 30-year war ended in 2009.

Sri Lanka's Board of Investment quoting unidentified company officials said the factory will have energy efficient air conditioners which will cut power use by a quarter, fuel efficient boilers and compressors.

The plants will also use solar cells and have net metering to sell excess power to the national grid.

The factory will use water efficient fixtures and will have storm water management system to get water.

"Environmental factors are an important variable which international investors take into consideration when making their choices," BOI chairman M M C Ferdinando said.

"Sri Lanka has the advantage of having high environmental standards. Already a number of companies that operate under the BOI regime have taken the lead by setting up green Factories."

Timex and Fergusam already have 17 plants in Sri Lanka employing 10,000 people exporting apparel to the European Union and the USA.

(Source: Lanka Business Online)
Thank you!