THE SOURCE

THE CLOTHESOURCE DIGEST OF SOURCING INTELLIGENCE: 2006 EDITION 4

- **Clothes prices up 4%**
- **Prices from China grow by up to 55%**
- **Chinese export volumes collapse**
- **Government attacked over quota allocation**

Chinese prices soar as export volumes fall

The price of Chinese apparel imports into Europe and the US rose sharply in early 2006, as its import volumes fell. Some Chinese suppliers criticized the country's Ministry of Commerce over its quota allocation policy, as quotas remain unused - the result, many claim, of ludicrously low quotas being allocated to too many manufacturers (*Story P 2).* Meanwhile, Chinese production continued to grow far faster than apparent domestic retail demand, as claims of illegal smuggling into other low-income countries emerged.

Most lower-income Asian countries benefited from the fall in Chinese sales

US agrees to waive Vietnam quotas

The US agreed to Vietnam's WTO membership - which will remove US apparel and textile quotas against Vietnam - without any insistence on the kind of safeguards the rest of the world have at their disposal against China.

The US agreement requires Vietnam to withdraw all export subsidies, and gives the US the right to reimpose current quotas if Vietnam fails to comply. But not if Vietnamese exports suddenly soar.

The agreement requires Congressional approval. Although it was greeted with widespread sympathy from politicians, textile manufacturers reacted with hostility. Politicians expressed their hope approval would be given by August. But the timetable is less predictable (*"Vietnam Deal" p 16)*

Ramatex signals time

After years of controversy, Malaysia's Ramatex has announced its decision eventually to withdraw from its Namibian facility. Namibia's government was reportedly given the option of buying the plant or seeing it collapse, but both sides stressed no final decision had yet been taken.

EU consults over China

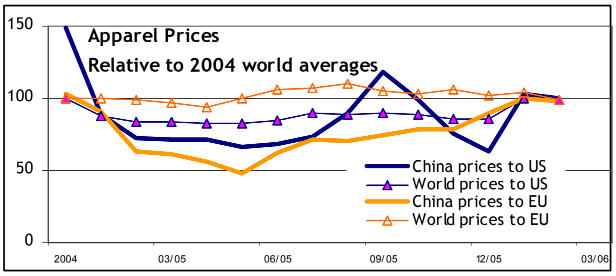
The EU has announced a public consultation exercise over its economic strategy towards China. Submissions are sought by June 16, and will be partly discussed at a Brussels conference on July 7 (*Details p 16)*

13 killed in China: another Bangladesh blast

13 workers were killed in a May 19 fire at underwear makers Chauanghui Textile in Shantou. The factory owners and the operating director have been arrested.

One man was killed and 22 injured in a textile factory boiler blast in Kaliakoir, 45 km north of Dhaka, on May 18.

China share tumbles as prices soar…



The number of garments imported from China by Japan, the US and EU (JUSEU) fell 4.2% year on year in the first two months of 2006, while US imports in March fell a further 21%. Meanwhile average prices of Chinese clothing imports grew exceptionally sharply: up 55% on 2005 in Europe during February, and 37% in the US. These year-on-year spikes may sound more extreme than they actually are: Chinese suppliers slashed prices extravagantly in early 2005 to be in the front when quotas were allocated. A less dramatic way of looking at the changes is to compare where Chinese prices now are with where they were in 2004, before quotas were abolished.

World prices are now just about back to where they were in 2004. And China is no longer a low-cost supplier. It has reverted to being an averagely expensive country - 30% to 40% dearer than low-cost countries like Bangladesh.

… as quotas go unused

On May 15, 37% of the way through the year, no US or EU clothing category had come anywhere near using up 37% of its Chinese quota.

…but government unmoved

The Chinese Ministry of Commerce (Mofcom) has confirmed it will not change the way it distributes EU and US quotas despite concerns that 20 % will be unused in 2006. Many companies have complained that their quotas are too small to meet client demand while many smaller producers are priced out of bidding. This issue was recently discussed in a forum with representatives of 20 major clothing and textile export companies. One of the problems with the current system is that it provides some companies with inadequate amounts of quota while smaller firms cannot afford to compete in the bidding process. 65 % of the 5,718 companies with successful bids received quota amounts insufficient to satisfy orders from Europe or the USA. Intense competition has been caused by the quota distribution system although only a quarter of the 34,000 export-orientated companies have participated. There has reportedly been a doubling of quota bid prices. For example socks (US categories 332/432/632) have nearly doubled from 4.95 yuan per dozen in December to 8.6 yuan in April's auction.

	US		EU	
Category	Cat No	% filled	Cat No	% filled
Socks and baby socks	332/432/632	23.6		
Shirts/T-shirts			4	24
Blouses			7	27.1
Cotton knitted shirts/ & blouses	338/339pt	9.7		
Men & boys woven shirts	340/640	14.5		
MMF knit shirts & blouses	638/639 pt	10.8		
Sweaters	345/645/646	1.9	5	13.6
Men's Trousers			6	20.3
Cotton trousers	347/348	15		
Men & boys wool trousers	447	12.4		
MMF trousers	647/648 pt	15.9		
Silk blend etc trousers	847	24.3		
Dresses			26	23.1
Brassieres	349/649	14.8	31	26.3
Underwear	352/652	9.4		
Swimwear	359S/659S	24		
Pile towels	363			
Men & boys wool suits	443	17.8		

...while production outpaces sales…

China's production of garments in March 2006 was 12.5% up on 2005. With domestic sales growing, apparently, at roughly this rate, but exports to affluent countries (which account for about half China's production) in decline, that extra volume must go somewhere

…so smuggling claims grow

India and Nigeria both reported substantial claims of illegal Chinese apparel imports.

Kozikhode, in India's Kerala state, has been a backwater in global commerce since Vasco de Gama stopped there in 1498. But its airport has become the centre of an Indian Directorate of Revenue Intelligence (DRI) investigation into an apparently large-scale major racket involving garments originally from China being imported illegally into India through its Karipur Airport. India has a per piece duty rate of Rs.1, 100 ($27) per suit and around Rs.25 ($0.50) per undergarment. But duty on babies' clothes is much lower. The DRI found that Chinese garments imported through Karipur Airport had importers declaring most of their consignments as "baby clothes", with over 1,000 such consignments through Karipur Airport in the past year alone. Following the DRI investigation, 40 consignments weighing nearly 30 tonnes were detained at Karipur for nearly three weeks. The bulk of the consignments has now been cleared: the DRI suspects businessmen based in Mumbai, Delhi and Chennai are behind the racket.

Separately, Nigerian Customs at Kaduna in the country's North West set fire to smuggled clothes and textiles worth at least $1mn in mid May

Chinese companies worry

One key lesson from the see-saw behaviour of the last fifteen months' Chinese prices and share of trade has been that Chinese traders' expectations have been just as important an influence on trade as regulations, costs or customer demand.

As more Chinese companies continue to announce overseas expansion plan, others are expressing increasing concern about the longer-term threats to Chinese exports. Cao Xiaojian, vice-president of the Jiangsu Shuntian Co, the largest Chinese textile enterprise in Jiangsu Province, was quoted as worrying about what he perceives as a stubborn protectionist mindset in the EU's recent sanctions against China-made footwear. "The bilateral trade agreements will end in 2008. After that, the EU and the U.S. will probably take anti-dumping measures against Chinese textile products," Cao said at an international trade fair.

Others agreed. "Anti-dumping and other safeguard measures will possibly be taken against Chinese textiles exports on the EU and U.S. markets after 2008,"said Xu Jiuyin, chairman of the Cotton Knitwear Import and Export division of the Jiangsu Huihong International Group. Xu based his prediction on what he sees as the escalating protectionism in the EU and the U.S., marked by the EU's recent levying of anti-dumping duties on China-made footwear and colour TV sets. "The anti-dumping verdicts were of political significance. This made us worry that Chinese textiles would face a similar situation," Xu said. Cao Xiaojian, vice-president of the China Textiles Import and Export Council, believes the first anti-dumping measures would be directed at sensitive articles such as men's overcoats, trousers and shirts. His council had established a warning system for textiles producers to collect and collate information related to trade disputes from lawyers overseas and domestic statistics organizations.

Rising cost of commerce in the south

The Financial Times interviewed Andrew Leung, CEO of Sun Hing Knit and deputy chairman of the Federation of Hong Kong Industries who moved the business to Guangdong province in the 1980s.

Leung reeled off a list of cost pressures - labour, utility, regulatory and currency - that are affecting his Huizhou factory. "Over the medium term we may have to move" But when that day comes, Leung reckons he would at most relocate a portion of his manufacturing to a cheaper locale inland and retain his most critical operations in the delta. The area's advantages, from infrastructure to the proximity of suppliers and logistics providers, continue to outweigh its disadvantages. "The Pearl River Delta is the biggest manufacturing base in the world. Everything you need for your supply chain is there," says Leung, who estimates that everything his business requires can be found within a one to one-and-a-half-hour radius of his factory. While moving inland or even overseas would reduce many of Sun Hing Knit's cost pressures, it would also increase the company's transportation expenses and reduce its flexibility. For the same reasons, Leung prefers Hong Kong's more expensive Kwai Chung port to Yantian in Shenzhen. "Obviously Yantian is cheaper but the fashion industry is time-sensitive. A one-boat delay costs me a lot of money. So I pay a little bit more for Hong Kong. "

Last month Li & Fung reported that it had seen rising costs affect consumer prices for the first time in more than six years, with US and European clients paying 2-3 % more than they had a year earlier "China is not the cheapest place anymore," says Bruce Rockowitz, president of the company's trading arm, which sourced a relatively modest 25 % of its total apparel trade in China last year.

Leung also sees some negotiating leverage swinging back to manufacturers. For years, he says, Sun Hing Knit responded to rising costs by eradicating inefficiencies from its logistics operations. That process, however, is nearing an end, forcing his company and clients to revisit pricing. After all, he argues, "You can't get blood out of a stone".

Shenzhen plans rise of up to 23 per cent in minimum wage

The Shenzhen labour bureau is to consider increasing its minimum wage by up to 23 %, with the minimum wage rising from Rmb690 ($86) a month to either Rmb800 or Rmb850 for companies operating inside a designated special economic zone bordering Hong Kong. Factories outside the zone would be required to increase their minimum salaries to Rmb700 or Rmb750, from Rmb580 at present. Yang Yiping, lawyer and government adviser, says the lower Rmb800 rate is likely to be applied in July.

The legal minimum is less important than market demand "We have to pay more - otherwise we'd be short of workers," said Hayes Lou, a factory owner and secretary general of the Taiwan Business Association in Dongguan, which borders Shenzhen to the north. Lou estimates his workers earn an average of Rmb600-Rmb650 a month, against Dongguan's statutory minimum of Rmb490. But he estimates his total cost per worker, including health insurance, meals and lodging, at more than Rmb1,200 a month.

Rising minimum wage levels are symbolic of other cost pressures - currency, raw material and utility - eroding factories' competitiveness in South China. They have also emerged as a potent political issue given Beijing's commitment to reduce the widening gap between rich and poor. "We can't rely on cheap labour alone to attract investment," Mr Yang said. "Workers won't tolerate low wages." Labour advocates note workers are not immune to rising costs. "Standards of living have increased and therefore workers need to pay more for basic living expenses," said Li Qiang, the New York-based director of China Labour Watch. Workers now must use a portion of their salary to pay for health insurance and social security. Such costs were formerly almost non-existent.

Labour shortfall: details still controversial…

"The next great story in China is how they are going to move out of the lower-end stuff: the toys, textiles and sporting goods equipment," said Jonathan Anderson, an economist at UBS in Hong Kong. "They're going to do different things."

However, analysts disagree on what China is actually short of. "We're seeing an end to the golden period of extremely low-cost labour in China," said Hong Liang, a Goldman Sachs economist. "There are plenty of workers, but the supply of uneducated workers is shrinking."

"Reports of a shortage of unskilled and semi-skilled factory workers are overblown," said Andy Rothman, an analyst at CLSA. "Companies are, however, having trouble finding experienced people to fill midlevel and senior management jobs". Other analysts, meanwhile, predict China is about to run out of young people. Because of these shortages, wage levels throughout China's manufacturing ranks are rising, threatening at some point to weaken China's competitiveness on world markets.

…but WTO thinks there's still a lot of workers

China will continue to need 100 million jobs creating over the next decade according to a WTO Secretariat report on the country's trade policies and practices. Trade and structural reforms, given added impetus by China's membership of the WTO, have reduced the proportion of China's population living in poverty from 73% in 1990 to 32% in 2003.

Nevertheless, the report notes that the Government continues to intervene to "manage" trade, partly for domestic supply considerations, and that continued structural reform will increase unemployment in certain sectors. The WTO believes China needs to accelerate its efforts to raise the quality of the labour force in order to move away from traditional low-skilled, labour-intensive industries into higher value-added production. Other challenges include bottlenecks in infrastructure as well as the continued need to restructure the financial sector and capital markets by making them more market oriented. The report was issued as other analysts began to challenge the relevance of the conventional "China needs 100 million new jobs" theory, claiming (*see THE SOURCE 2006 03*) that the country was not likely to have a significant excess of people available for industries like apparel and clothing.

Plan to unionize 60% of foreign companies

The top trade union organization in China plans to unionise 60 % of foreign companies (including those financed from Hong Kong or Macau) by the end of this year. Sun Chunlan, vice-chairwoman of the All-China Federation of Trade Unions. At a conference in Beijing, she set a target to have 80 % of foreign companies in China unionised by the end of 2007. According to official figures, only around 20% of foreign companies have union representation. She added that unions do not exist to place restrictions on companies, but are there to help them develop healthy work practices. "No other organizations, such as corporate welfare associations, could replace Chinese unions,"

Saks to open Fifth Avenue stores after sealing licensing deal

US retailer Saks will launch its Saks Fifth Avenue chain in China and Macau after signing a licensing and consulting deal with Roosevelt China Investments (RCIC). RCIC will own and operate the department stores as part of the deal, with the first opening in the Bund district of Shanghai likely for 2008. Saks CEO Stephen Sadove said the company was building on the success of its stores in Riyadh, Saudi Arabia and Dubai, opened in 2001 and 2004 respectively.

Tefron establishes underwear venture with Langsha

Israel's leading producer of seamless intimate apparel, Tefron, announced that it had signed an agreement to form a joint venture, in which it will hold 50.1% of the equity, with China's Langsha Knitting. Langsha, which owns 4,000 sets of imported sock machines, claims to be a leader in China's hosiery market. The joint venture was formed to manufacture seamless underwear for the Asian market using Santoni knitting machines contributed by Tefron USA.

Li & Fung buys men's wear retail group…

LF Asia Investments, a private investment firm controlled by Li & Fung's chairman, William Fung, has bought several privately held men's wear retailers with operations in Hong Kong, Macau, Taiwan and the mainland for an undisclosed price. The deal includes Trinity Textiles, D'Urban Distribution (HK), and Jadestar Investments, as well as several other men's wear retailers owned by CEGO Limited. The companies operate more than 340 retail outlets under the Cerruti, Gieves & Hawkes, Kent & Curwen and D'Urban brands. A new unit, Li Fung Trinity, has been set up to run the new companies and will be headed by LF Asia Investments managing director Sunny Wong.

…and buy Oxford's womenswear division.

Oxford Industries will sell its Womenswear Group to a division of Li & Fung in a deal Oxford puts at $67 million, expected to close around June. "This transaction will … enable us to continue to invest in the growth of our key consumer lifestyle brands as well as to pursue the acquisition of similar businesses," said J. Hicks Lanier, chairman and CEO of Oxford Industries.

Li and Fung claim to have paid $37 mn for the business, which sold about $260mn in 2005, mostly to Wal-Mart and Target, though the small print in the agreement seems to give Oxford a further $30mn, making the purchase price about ten times earnings.

Quota chaos hit Luen Thai FY profit

Luen Thai Holdings, whose customers include Polo Ralph Lauren, Liz Claiborne and Adidas, announced net profit fell 56.4% to $13.24m in 2005, even though sales rose 6.6% to $590m. Gross profit for 2005 fell 11.9% to $110.8m compared to $125.8m in 2004. Blaming the year's quota complications for the fall, Luen Thai said the chaos was temporary and expects business to improve again in 2006 as order flows stabilise following the EU/US trade agreements and China's quota allocation system.

Operationally, the group has taken a number of initiatives to improve its efficiency and control costs. It invested in a production facility in the Philippines through a joint venture with footwear specialist Yue Yuen, and bought its 50% stake in Hong Kong based design company On Time Group to bring in more high-end business. But it also started a venture with Guangdong Foreign Trade Group and plans to invest $24m to increase production capacity, adding 3,000 workers this year in its Dongguan and Panyu factories.

Ever-Glory chances its luck

There seems a great deal less than meets the eye in Nanjing-based manufacturer Ever-Glory International's intended acquisition of the Nanjing Catch-Luck Garment Company.

In a press release about the intended purchase for $4mn, Ever-Glory president and CEO Kang Yi Hua said: "We are excited about the opportunity to grow our business in a new direction with the acquisition of Nanjing Catch-Luck Garment Company Limited. This transaction represents another significant step toward achieving our goal of dynamic growth through new products and synergistic acquisitions."

Ever-Glory, whose shares were floated on the US OTC market during 2005, but sells over half its garments to Europe (mostly to Next, Debenhams, Etam, C&A, Matalan and Otto) went on to announce that "the addition of Ever-Glory's management team and infrastructure will greatly strengthen Nanjing Catch-Luck Garment 's already-established millions in revenue as well as strengthen worldwide expansion efforts for their and our company's products. With $10.8mn in sales reported in Ever Glory International Group's Annual Report in 2005, this acquisition will anticipate to immediately add an additional US$16.5 million to annual revenues, as well as accelerate overall international growth, expansion, and profitability".

Clearly carried away with the excitement, the company forgot to mention who it was buying this company from. The only shareholder in Catch-Luck is Ever-Glory Enterprises (HK) Ltd. Whose sole shareholder - now about to collect personally $4 million of last year's Ever-Glory floatation proceeds - is Kang Yi Hua.

Li-Ning reported consolidated operating income of RMB 2.5 billion

Li-Ning, China's most influential brand in the sport industry, recently reported consolidated operating income of over RMB 2.5 billion in the year 2005, an increase of 30.5 % versus the pervious year. Cheng Weicheng, chief financial operating officer and executive director of Li-Ning Company said the sales income approached RMB 1.365 billion in 2005, up nearly 26.1 % over the previous year's RMB 1.065 billion.

Major retailers quit Korea

The world's two largest retailer both announced plans to leave Korea. Carrefour sold its 32 outlets to local fashion retailer E-Land for $1.85bn in late April, announcing its intention to switch investment to China. Wal-Mart announced the sale of its 16 outlets for $882bn to the E-Mart division of discount leader Shinsegae on May 22, but gave no indication of any specific plans for the cash.

The sales leave Tesco's 89% owned Samsung Tesco Home Plus as the only significant foreign-owned mass merchandiser in Korea.

SOUTH ASIA

Bangladesh manufacturers hit by fuel and power crisis…

Bangladesh's garment manufacturers fear that the country's persistent fuel and electricity crisis might result in production fall by up to 50 %

Power shortages are forcing manufacturers to keep their factories idle sometimes for five hours of a ten-hour working day, said leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

BGMEA President Tipu Munshi said that, with official power supplies cut off for up to half the day, most factory owners resorted to generators, but this has now become impossible.

To prevent diesel smuggling to India (where it costs more) the government has banned the carrying of diesel in containers, which made getting fuel to generators impossible. So, in the face of diesel and power crises, garment factory owners are being forced to ship their product by air to make up for lost time in a bid to maintain deadlines.

"Airfreight charges cost me about $500,000 in just a month," Munshi revealed. Abdus Salam Murshedy, second vice-president of BGMEA, said he spent twice as much as his president.

Since many garment factory owners are being forced to ship their product by air there are long queues in the airport too and airfreight charges have also gone up two times even three time the normal rate in some cases, said Shahidul Haq Sikder, vice-president of BGMEA.

Annisul Haq, former president of BGMEA, said most of the garment factories are in Dhaka and Chittagong. "I don't think it is possible to smuggle diesel in containers out of the country from Dhaka and Chittagong. Why is then this bar on carrying diesel in containers?" Haq asked.

The BGMEA leaders said it is not possible to say yet if export earnings would drop. They said they are trying their best to maintain schedules spending extra money, but added that they cannot afford to carry on this way indefinitely.

…as pressure to relocate grows

Recent fires and factory collapses in Bangladesh have increased pressure on businesses to relocate from the residential properties where many have spring up. Chittagong Development Authority has now begun a series of measures to forces businesses into dedicated industrial premises, while other authorities are attempting to get factories out of Chittagong and Dhaka altogether.

The industry is torn between opposing the pressure to relocate (though this might ultimately be forced on them by clients) or to pitch for government subsidy, with the BGMEA now demanding a $285mn relocation fund in the government's next budget.

Infrastructure becomes an even greater problem outside the main cities. As many as 200 garment factory owners in Ashulia and its adjacent areas, who have already invested more than $300mn, now lack adequate power, gas and water supplies. The roads in the area are narrow, there is no drainage system, no fire station and no police camp.

And although the industries in the area received gas connections, workers cannot get gas for domestic use. As a result, said Siddiqur Rahman, Chairman of Sterling Apparels, the workers have live further they would like from their place of employment, and factory owners have incur a huge cost to transport the workers to the factories. "That in turn raises the cost of living in the area," said Haesong Korea Ltd Managing Director Han-Hong, who shifted his factory to Ashulia from Dhaka a few years ago. Han-Hong pointed out that the region's poultry farms were also threatening garment production. "Insects often enter our factories due to these farms. The foreign buyers might cancel a shipment if they find any insects in a packet," he said.

Taiwanese say they want in…

Taiwanese companies are ready to invest billions of dollars in Bangladesh to avoid European Union anti-dumping duties and rising wages in China and Vietnam, James Hsin-hua Wu, deputy director general of Taiwan's Bureau of Foreign Trade, told Agence France-Presse.

"Footwear, bicycle and textile entrepreneurs, in particular, are very much keen to invest in Bangladesh following the European Union's anti-dumping duties on China and Vietnam. They have billions of dollars to invest," he said. A combination of rising labour costs in China and Southeast Asia and anti-dumping duties on Chinese and Vietnamese-made footwear and bicycles had prompted many Taiwanese investors to look for an alternative destination, he said. Wu, leading a delegation of 97 companies to Bangladesh, said cheap labour in Bangladesh and its special tariff advantages make it a "most attractive" destination. "Bangladeshi labour costs $40 a month, while it is about $100 in China and around $70 in Vietnam.

Five Taiwanese companies have recently invested in textile and construction while a footwear company, Pouchen, a major supplier of sportswear to Nike and Adidas, is looking for land to set up a factory expected to employ 40,000 workers, Taiwanese officials said.

…As do Malaysians…

Bangladesh High Commissioner to Malaysia, Shafi U. Ahmad claims, "Exciting things are happening in Bangladesh where Malaysian businessmen are concerned. Bangladesh is ripe for investment and Malaysian entrepreneurs are coming back home with a clearer picture of the bountiful opportunities available to them.

"Ramatex, he added, was looking for 1,000 acres to produce, among others, cotton ready-made wear and knitwear. He was subsequently quoted as saying that "Ramatex, which has become a household name in Namibia, is seeking to replicate its success in the African nation". This may not be quite what he meant, of course.

…and Turks said to be on the way…

Turkish investors are also claimed to be considering Bangladesh as a suitable destination for relocating their textile industries and setting up joint ventures.

The Bangladesh press have spun vague interest during discussions between Bangladeshi and Turkish business leaders in Istanbul into potential investments worth about 2 billion Lira ($1.4bn). As a Bangladesh business delegation accompanied their Prime Minister on a visit to Turkey, alleged "industry representatives" signed an agreement on bilateral cooperation in trade and investment, technology transfer from Turkey to Bangladesh and training of textile workers. M.A. Awal, Chairman of Bangladesh Textile Mills Association and a member of Bangladesh business delegation, said the two sides discussed in details about textile investment opportunities in Bangladesh, preferential accesses and competitiveness. Turkish investors, he said, showed keen interest to relocate their upgraded textile industries and also to set up joint ventures in Bangladesh to make use of the opportunities offered by the country's access privileges and low labour costs offered foreign investors.

…but no-one's moved yet

There is at present a great deal of wishful thinking in these stories of imminent relocations to Bangladesh: Pakistani businesses have been threatening to move for months, and not one seems yet to have done so, and there are few recorded investments after earlier, much-trumpeted expressions of interest from Taiwan a year or so back. But Bangladesh's Awal claimed a group of Turkish finishers and dyers would visit Bangladesh during May, a Bangladesh-Turkey Investors Forum would be formed in July to take Turkish interest further and that a delegation of the Textile Employers' Association of Turkey is expected to visit Bangladesh by September.

Spectrum factory collapse: few customers contribute.

One year after the deadly collapse of the Spectrum Sweater factory in Savar, Bangladesh only three of its customers – Inditex (Spain), New Wave Group (Sweden), and Solo Invest (France) – are understood to have pledged to contribute into a fund to compensate survivors and families of those who died. The main international labour activist group, though, the International Textile, Garment and Leather Workers’ Federation, went out of its way to praise the range of treatment t and support services funded by Inditex.

Amsterdam-based activist group the Clean Clothes Campaign pointed out that here was no evidence of any contribution from other customers of the factory or its connected business Shahriyar Fabric, naming Carrefour, CMT Windfield, Cotton Group, KarstadtQuelle, New Yorker, Bluhmod and Scapino.

Reliance to tie up with Li & Fung for private label sourcing

India's Reliance Industries is reported to be in talks with Hong Kong’s Li & Fung over a sourcing agreement for its private label business, part of a planned chain of retail stores. Reliance, a oil-to-chemicals-to fabric business, claims apparel retailing could make up 20% of its revenues in four or five years and is said to be seeking a collaborator for global sourcing to meet expansion plans set to kick off in 2007-2008. A deal between the two could include products such as clothing and household goods.

India's Malwa Industries Acquires Two Global Denim Firms

Denim producer Malwa Industries announced the acquisition of a majority stake in Italy-based Emmetre Tintolavanderie Industrial for €3.7mn. Emmetre has the capacity for dyeing and finishing 2 million pairs of garments.

In July 2005, Malwa had acquired Jordan-based Third Dimension Apparels, for approximately Rs $10mn Third Dimension has a production capacity of 4 million pairs of jeans annually, and supplies to some of the leading brands in the US. Rishi Oswal, CEO of Malwa Industries said, "Our acquisition of Third Dimension has given us a strategic foothold in a garment manufacturing location with duty-free access to the US and European markets." Malwa, which has a capacity of 20 million metres of denim fabrics and 8.5 million pieces of denim garments, has also filed a draft prospectus for floatation in the near future. "The objects of the issue include part financing our expansion project which would double our denim fabric manufacturing capacity from the present 20 million metres to 40 million metres per annum," Oswal said.

Gokaldas Exports lines up $40mn expansion

Gokaldas Exports will invest $40mn over 18 months to take its garment capacity close to 40 million pieces a year from its current 24mn.

Most of the investment, the company says, will go into a unit in the 400-acre special economic zone (SEZ) near the company's Bangalore headquarters being developed by group firm, Gokaldas Exports Apparel and Textile Park. "We will also invest $17mn to set up four new manufacturing units over 12 to 18 months in Mysore, Hyderabad, Chennai and another one near Bangalore," said Rajendra Hinduja, executive director.

Indian garment companies look to Japan

Japan's clothing imports are dominated by China, which in 2005 had 91.7% of the Japanese imported clothing market. (*Source: Clothesource Tradetrak)* And although India lagged behind North Korea, Thailand and Vietnam as a secondary supplier, in 2005, its 45% increase in garments sold to Japan made it the country's fastest growing supplier and took its share to 0.6%.

While sales are still small, a number of Japanese companies are beginning to look at India, and some Indian companies are actively selling to the Japanese:

- **Orient Craft**, one of India's largest textile exporters, has entered into an outsourcing arrangement with Sumukin Bussan (SBC), the buying arm of Kashiyama, Orient Craft will be the exclusive suppliers from India to SBC, which plans to source $1-1.5m worth of textile products in the next couple of years. Yoshiaki Kamiyama, consultant, SBC, told ET, "An increasing number of Japanese buyers are looking at Indian export houses for their sourcing requirements. In the next couple of years, we ourselves are looking at buying 200,000-300,000 pieces from India". For Orient Craft, at present Japan is a relatively small market, lagging behind US and Europe. However, according to Sudhir Dhingra, the company's MD, the market will contribute a significant share of Orient Craft's overall business. "The tie up with SBC will give us a good foothold in the Japanese market. In 2-3 years, we aim at scaling our Japanese business up to $30-40m," he said. Depending on the volume of the orders, the company may go for a specific capacity expansion. Orient Craft manufactures and exports about 3 million garments a month to clients like Banana Republic, Gap, Nike, Levi's and Dockers
- **Raymond** in Bangalore has 50% of its orders booked by a Japanese company for the next three years.
- Jayesh Shah, director and CFO of **Arvind Mills** said his company was looking at Japan. "It's a growing market," he said.

Foreign retailers start to move in

After Indian rules on foreign retail investment were relaxed in January, the first arrivals have now announced themselves

- **Etam**, with 3,000 outlets across 40 countries, signed a joint venture with Pantaloon Retail in which both groups will invest $10mn for 50% of a new company called Etam Future Fashion. The team are planning 150 standalone and shop-in-shops by 2008. The deal was struck through Indus League Clothing, part of the Future Group. Etam Future Fashion will showcase the Etam Group's lingerie range in the first six months and will later look at introducing its women's wear and accessories. "We are looking at a $75mn turnover in the next three years", said Kishor Biyani, MD, Future Group. " The company is also in talks with other apparel retailers from France and Italy for similar deals. Going ahead, we are looking at manufacturing for Etam Future Fashion in the womenswear range".

- Pantaloon's Etam agreement comes closely after a 50-50 joint venture deal with **Lee Cooper**, the UK-based apparel and footwear company.
- **Mothercare** recently signed a franchise deal with Shopper's Stop, the retail arm of the K Raheja group. It will be targeted at major cities for the first few years and then will gradually go on to expand to the relatively smaller and upcoming cities. "The investments that Shopper's Stop will be making are in merchandising, importing fixtures and lease of space, explains BS Nagesh, MD Shopper's Stop. The firm will invest Rs 1,500 per square foot. Shopper's Stop is looking at opening 40 stores in the next five years in the forms of corner stores, flagship and shop-in-shops and aims to open the first flagship store in the next two to three months. In the course of time the company also plans to introduce products specific to the Indian market. The marketing promotions for the brand include mainly contact programmes by which customers would be familiarised with the products

Other apparel brands such as **Zara, Cerruti and Roche** among others are claimed to be in talks with Indian retailers to open shop in the country. "Some of the brands that cater to the mid-segment in their home countries end up being premium brands here unless there is a price repositioning" said Devangshu Dutta of Third Eyesight, a Delhi-based retail consultancy firm. "Take for instance Orchestra, the children's wear French brand which caters to the small-to-medium market in France but is an upper-middle market brand in India," he added.

Big Retailers Double Sourcing of Garments From India…

Major US retail chains Wal-Mart, JC Penney, Target and Gap have doubled their sourcing of garments from India over the last two years to around $2.5 billion

Of the $2.5 billion, Wal-Mart's share is as high as $1.2 billion, while that of JC Penney and Target put together is around $800 million and the rest is that of Gap. According to industry analysts, Wal-Mart plans to source as much as $11 billion worth of textile merchandise from India, while JC Penney plans to increase sourcing to $2 billion.

Majors seem to be increasing their sourcing from India faster than India's apparel sales are growing. In practice, this is more an indication of the majors' move to direct sourcing. Intermediaries' share seems to be falling especially fast in India.

…while Bangalore increases sourcing share…

Bangalore is increasing it share of India's sourcing offices.
Adidas-Reebok, Next and Calvin Klein are setting up their sourcing bases there, adding to a list that includes Wal-Mart, Tesco, Marks & Spencer, Tommy Hilfiger and a host of other relatively smaller European brands. While some of them chose Bangalore to source directly from the country, others like Adidas have shifted operations from Delhi. Bangalore's growth as India's largest textile/garment cluster with a robust fabric feed from nearby centres like Coimbatore, Salem and Erode make it an attractive sourcing destination.

Adidas Sourcing, for instance, is setting up a sourcing office in Bangalore to export apparel and to service the US and Europe markets. "Bangalore is ideally located with several factories capable of producing international quality apparel in the vicinity, and is well- connected to the international markets, said Andreas Gellner, MD, Adidas India. The Bangalore office will service as a sourcing hub for the global giant's operations in Bangladesh, Pakistan and Sri Lanka. Adidas has other sourcing hubs in the Asia Pacific region in China, Vietnam and Thailand. Next, which till recently sourced through the Delhi-based buying firm Impulse, is setting up a sourcing centre here. Calvin Klein is opening a direct sourcing facility in Bangalore by hiring staff who have been sourcing for Tommy Hilfiger. Smaller European brands like Mexx and Oilily have also recently moved sourcing into the city. Capital Mercury, among the largest import trading firms in the US, is another presence on the city's growing sourcing map. "There are about 1,800-2,000 textile and garmenting units in Bangalore, making it perhaps the largest cluster of its kind in the country, says an industry source, with some estimates that Bangalore now accounts for roughly 30% of India's apparel exports. Wal-Mart's sourcing facility in Bangalore manages operations worth over $1 bn, while Tesco's business here is currently nearing $100m. Marks & Spencer, according to estimates, operates a sourcing business topping $150mn

Wal-Mart is planning to add two more sourcing offices in the country by June this year. Sources said Wal-Mart will open an office in Mumbai to look after sourcing of textiles, apparel, gems and jewellery and one in Delhi to concentrate on stainless steel and home decoration products and apparel. Wal-Mart will also hire around 10 associates for its Mumbai and Delhi offices. Wal-Mart's office in Bangalore serves as the company's global procurement hub for sourcing of merchandise from India, Nepal and Sri Lanka. At present, the company has around 80 employees in its Bangalore office. In 2005, Wal-Mart purchased approximately $1.5 billion in goods from factories and third-party suppliers in India for its retail stores globally compared with $1.2 billion worth of products in 2004. About one-third of this amount was purchased directly by Wal-Mart's global procurement office in Bangalore. Major categories sourced from India include home textiles, apparel, fine jewellery and house wares. Although the company does not source food products at this point, it has carried out test shipment of black pepper from the country. Wal-Mart sourced $1.5 billion worth of goods from India in 2005, up 25% from $1.2 billion in 2004

M&S was reported as THE SOURCE went to press to be about to announce a further office in Delhi, and the opening of a new office in Shanghai

SOUTH EAST ASIA

Indonesian government surprised by demonstrations

Indonesia's footwear and apparel associations have threatened to seek compensation in the courts from the country's trade unions over damage they claim to have suffered from a wave of strikes, lock-outs and allegedly cancelled orders.

Demonstrations started over a proposed new labour law - which, ironically, the government has now withdrawn. "It was the President himself who said that the draft law was withdrawn and that the revision process would be done anew. What more can they ask for?" said Indonesia's Industry Minister Fahmi Idris.

However the May 1 demonstrations themselves were claimed to have caused $94mn in production losses in West Java alone clothing and textile plants alone, according to the Association of Indonesian Business Owners. Demonstrations surrounding them provoked at least 20 factories to close, either as a protest or in fear of violence and intimidation, after around 150 factories had closed in April over similar clashes. This in turn provoked the Indonesian Textile Association (API) to claim that European and US buyers had cancelled at least $200mn of orders for summer and autumn - a claim also made by the Indonesian Footwear Association.

Both the footwear and the textile associations subsequently announced plans to sue the relevant unions for compensation over cancelled orders and the cost of expediting. By May 15, companies and unions were sending out more conciliatory signals, agreeing to a joint meeting in June. There seems to have been no more talk of litigation. Sadly, though, the original cause of the cycle of violence and factory closures - the attempt to reform Indonesia's inflexible labour laws - remains unchanged. The proposal to change them has been dropped.

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Vietnam's quotas running out fast

The US is likely to retain quotas against Vietnam at least until opposition against the country's WTO membership dies down. So the rapid usage rate of this year's quota is likely to lead to embargoes by late summer or autumn. As of May 15, 37% of the way through the year, these categories had used up 30% of more of their quota:

US Quota usage from Vietnam: May 15	
Category	Usage (%)
359-S/659-S*	79.5
620	60.6
342/642	50.4
647/648	44.7
647/648	44.7
638/639	44.2
341/641	42.7
338/339	37.7
347/348	35.1
352/652	30.7

The situation was attributed to the open automatic quota allocation system that permits US-bound clothing exporters to base their quotas on demand for orders. Vietnam's apparel sales to the US were 27% higher in March than in 2005. In the face of the quota shortage, exporters have tried to promote to non-quota markets in the EU, Canada, Japan and South Korea. Volume sales to the EU were up 7% in February.

Vietnam garment producers move to quality

Vietnamese producers are trying to move their domestic sales upmarket. Once, only Viet Tien and An Phuoc garment companies were known for producing anything other than basics. Viet Tien, whose brands are probably the country's best known, launched a fashion brand, T-up, in March with products priced between $250 and $650. The company's sales director, Phan Van Kiet, said they had spent three years developing the brand name, inviting French Vietnamese designer. Long Gilles Le Duy, and several other international designers to work on it

In mid-April, the Garment Company No. 10 launched new lines of men's shirts of various grades, including a high-quality one for businessmen priced $25-37.50. The company previously produced shirts priced from $6.25-$13. Saigon Garment Company No. 2, owner of the Sanding brand name, has introduced products under its Sanding, Dobowr One, and Besosi brands, priced from $12.50 to $37.50.

According to Phan Van Kiet, when the living standard increases, the need for higher quality and more fashionable garments will rise. Viet Tien has opened shops exclusively for its T-up brand in Saigon and the company will open some in Hanoi and other urban centres. Bui Due Thang of Garment 10 said that after launching the quality shirts, Garment goal would be to gain deeper access to the southern market: so far, around 75-80% of its products are sold in the north.

Dung Quat short of skilled workers

Vietnam's ambitious Dung Quat Economic Zone is seriously short of workers. The $3bn project, on the coast halfway between Hanoi and Saigon, was intended to employ 10,000 workers by now. Although the first two garment factories to arrive on the site claim to have recruited the 1900 workers they needed, the third - Dung Quat Garment Enterprise - now need 600 skilled labourers but the source of supply is limited. At the beginning of the year, the company announced an expansion, but its new equipment reportedly remains unused because of the shortage of workers.

Implicit in the Vietnamese government's objectives for this and similar development zones in central Vietnam is its desire to see migrant workers in Hanoi and Saigon return to their home provinces: half the current workforce at Dung Quat have been recruited from outside the area, and live with local relatives. The area simply lacks an immediately available local workforce, and migration back home takes a long while to get going.

Ricky Putra expansion halted

Underwear manufacturer Ricky Putra Globalindo, which employs about 3.500 people near Jakarta, is struggling to exploit its recent $12 mn purchase of a yarn producer in Bandung. The acquisition, part funded by a $6mn Islamic bond issue, was intended to boost the company's volume. But it now lacks the capital to develop the appropriate garment manufacturing and marketing capacity. Its Company Secretary, Tijong Tek Siong, said the company is searching for a bank loan, but will also consider other financing options. "The additional capital will support us to meet $44mn sales this year," he added.

Singapore suppliers worry about buyer consolidation

Singapore's remaining manufacturers are concerned about the possibility the country might lose its role as sourcing hub to growing competition from Hong Kong and Bangalore - fears made worse by the current rash of US mergers. During a 2005 apparel exhibition there, one supplier grumbled that he found only12 major buyers attending, compared to around125 in a similar event in Hong Kong.

Of those mergers, K-Mart/Sears decided to concentrate its Asian buying services in Hong Kong - a move which caused some nervousness in the Singapore trading community. Macy's Singapore is expanding to include May's office. Singapore now has the added business of OshKosh since it was merged with Carter's. The Li & Fung office, which has about 120 people, is expanding with business this year up about 20% per cent at $300 million

But buyers and suppliers in Singapore say that it has always been difficult to attract international buying houses and major suppliers to base their activities in Singapore. 'Singapore needs to make itself more attractive to buyers,' said Sabyasachi Mishra, regional director of Royal Mars, which supplies to brands such as Marks & Spencer and Topshop.

Royal Mars set up in Singapore last year after closing its office in London. Other buying offices that also source from Southeast Asia and South Asia countries such as Sri Lanka and India, find it makes logistical sense to be in Singapore.

"Hong Kong can't manage Indonesia and Sri Lanka," said Elaine Pang, Macy's Singapore general manager, who also chairs the Buying House Council in Singapore. Sears may have closed its office here but others, notably Levi Strauss, have moved in or expanded their operations. Levi Strauss Asia Pacific Division's head office in Singapore houses about 140 people, about 30 from its Global Sourcing Organisation (GSO). Levi's has about 80 GSO employees in Hong Kong, but the team in Singapore includes the president and senior vice-president for GSO and the vice-president of finance for GSO. "These are the key decision makers for GSO and the key support functions that drive the sourcing business globally for Levi Strauss" said John Anderson, president of Levi Strauss Asia Pacific Division. 'We have always maintained a diversified sourcing base to ensure that we're not highly dependent on any one sourcing country especially post-quota elimination,' said Mr Anderson. Levi's sources from about 50 countries, 15 of which are in Asia including Vietnam, Cambodia, Bangladesh and Indonesia.

EUROMED

Jordan accepts abuse claims

After the New York-based National Labor Committee (NLC) made a series of serious allegations about human trafficking and gross abuse of migrant workers at 25 of the hundred or so QIZ-registered factories in Jordan, the Jordanian government has released a partial acceptance of the claims and an action plan to prevent their recurring.

"The NLC report actually gives us the added information to follow up on violators of workers' rights in Jordan," the country's labour minister Bassem Salem said in a statement, describing the report as "disturbing but not surprising".

US politicians in the US had urged the government to investigate breaches, uncovered by the National Labour Committee, of the labour rights clauses in the US-Jordan free trade agreements. Wal-Mart, a customer of a number of the accused factories, confirmed that it had discovered serious problems with working conditions in some major Jordanian factories.

The report was concerned mostly with the 20,000 or so Asians (mostly Bangladeshis or Sri Lankans) who, employed under contract, make up about half of Jordan's apparel labour force. It indicts:

Al Shahaed Apparel & Textile; Western Factory:Al Safa Garments; Star Garments; Maintrend International: Hi Tech Textiles; United Garments Manufacturing: Pacific Garments: Honorway Apparel Ltd: Needle Craft: Dragon Factory: Ivory Garment: Al Nahat Apparels; Topaz Garments: Paramount Garment Factory: Al Aham Garments: Mina Garments: Aseel Universal Garment: Centear Clothing: Caliber Garments: Sari Factory: Prestige Apparel: M.K. Garments: Petra Apparel: Fresh Taste Factory: Atlanta Textiles: I-Texfil: Al Cap Factory:

The US government announced that "We are encouraged by Jordan's frank acknowledgment ... and the many steps that it is taking in direct response to the NLC report"

Romania hires Chinese workers

Italy's Sonoma Sportswear is reported to have applied to import 1,000 Chinese workers for its Bacau, Romania, factory.

Cristina Teana, an official of the company, said the story was partially true, as the company had asked for the work permits in a third party's name. She did not elaborate. The news was published by a daily newspaper, and then taken up by a TV station.

According to a Romanian newspaper, the president of the Bacau Workforce Migration Agency, Octavian Ticau, said the possible use of lower paid Chinese labour was due to the lack of skilled workforce in the textile industry in that area. He added that salaries in the textile industry were low and people were not interested in the industry. The story claimed that the Chinese women said to be coming to Romania would receive the minimum salary, ($119) - allegedly eight times their salary in China (though in fact about the minimum wage in Shenzhen!) . Average apparel factory wages in Romania are about $253. According to the media reports, the textiles company was already arranging a warehouse for the workers to live in.

Following the reports, the National Trade Union Federation, Cartel Alfa, sent an open letter to the Minister of Labour, expressing concern over the lack of legal framework in Romania to regulate and manage these situations. "We are fighting for decent working conditions for both Romanians and foreigners working in Romania; we are against ghettos for other states' citizens," the open letter says.

The story has attracted in Romania a great deal of attitudinising and occasional downright nonsense, with one paper claiming that average Chinese garment wages are $15 a month. What it actually reveals is a more important business problem for Romania's garment industry: that imminent EU membership, and the relaxed attitude to Romanian migrants by some EU members (especially Britain) is creating a serious labour shortage

QIZ companies to get more help

About 470 companies are registered under Egypt's QIZ procedure for duty-free access to the US .

But practically all sales under the deal are from the hundred or so factories that dominated Egypt's sales to the US before QIZ - and half from the top ten.. Hoping to widen the scope, the Ministry of Trade & Industry (MTI) is launching the QIZ Leveraging Programme to boost the export capabilities of the remaining 350 companies registered under the QIZ agreement. "These companies are basically unutilized capacity with the potential for exports. We wanted to identify why these companies were not exporting under the agreement," explained Mohamed Kassem, head of the QIZ board and chairman of World Trading Company, a major exporter to the US.

A ministry survey revealed that the majority of the 350 companies (most in 10th Ramadan or Alexandria) were medium-sized, and had no prior export experience. "Because exporting requires companies to have a strong understanding of the international market," Kassem says, "it's very hard for companies that have no experience in export to utilize the agreement. This program was designed to address the obstacles to full utilization" The Programme includes several components that the MTI hopes will help upgrade the export capabilities of smaller companies, including employee training, increased access to financing for infrastructure and technology upgrades, consultancy and design courses.

MTI subsidies will make them more affordable to smaller factories. A core component is its training module, which focuses on developing the skills that factory owners want their workers to acquire. Once factory owners identify the number of workers and the courses they need to take, the MTI foots the bill for 85 % of their training. The Programme will also bring in consultants, paid for by the government, to identify the upgrades that the factories need in order to improve management and streamline production. Another programme component addresses product design, delivered in cooperation with the Fashion Design Centre in Cairo, which is affiliated with Milan's Institute di Moda Burgo.

"The majority of the factories agreed that what they needed most was to train people in pattern making," said a ministry official. "Since this course is usually part of a degree that could take up to two years, the centre agreed to provide an intensive 13-week training course subsidized by the MTI".

Additionally, Commercial International Bank (CIB), which has worked with the MTI on previous export initiatives, has agreed to provide financing support to small and medium-sized businesses

Turkish points

• Fabrics manufacturer Altinyildiz said on March 22 that it plans to invest $5.7 million in 2006 for ready-wear and for opening of two stores in Skopje, the capital of Macedonia, two stores in Riyadh and two factories in Dubai.
• Ready-wear producer Arat Tekstil announced on March 10 that it sold some of its machinery to Ak Finansal Kiralama, a leasing company, for $1.4 million, following its decision to shift some of its production lines to provinces in central and eastern Turkey, where the government is offering tax incentives.
• The Turkish unemployment reached 11.2 % at the end of February, up from 10.3 % at the end of December 2005,

because of continued closures in the textile industry, despite robust economic growth last year, the Turkish Statistics Organization reported.
• Computer importer and distributor Indeks Bilgisayar started talks regarding acquisition of a 99.9 % stake in Karadeniz Orme, a knit wear company that is in the process of liquidation, the company said on March 14. It said it would use the facilities for carrying out the logistics operations of Index Bilgisayar and associate companies.
• Knitwear producer Oreneller Tekstil has reduced its capacity 50 % and dismissed 130 of its 250 factory workers because it has lost its export markets to the Chinese, the newspaper Hurriyet reported on March 26. The company turning out knitwear for Marks & Spencer, Next, George, Topshop, Dorothy Perkins, More &More, H&M and Guess.
• The Taha Group, producer of LC Waikiki ready-wear, is planning to invest in a clothing factory in Alexandria, Egypt, because of low production costs and labour costs, the newspaper Hurriyet reported on March 3.
• Prime Minister Recep Tayyip Erdogan criticised clothing manufacturers that were closing their factories in western Turkey and relocating to other countries and urged them to invest in 49 provinces of central and eastern Turkey where juicy tax and investment incentives are being offered. The Prime Minister lashed out at clothing manufacturers who criticized his government's decision to lower value added tax on textiles as being "ungrateful" and "incompetent."

Spinning mill sold to India

Orhan Abalyoglu, who started his Abalyoglu cotton and textile business in Denizli in the 1940s has sold it to India's Super Spinning Mills for $7mn. He is now concentrating on his group's other businesses - animal feed and poultry. Both parties to the deal have discussed their objectives.

For Abalyoglu, the sale came from a visit to India and China where he decided there was no future for Turkish textile industry. "I agree with the government's economic policies, but the textile sector has undergone an extreme change," he said. "I think it will get worse. I observed the working conditions in China and India. For example, an Indian worker's annual pay is around $700-800. Electricity and other inputs are also far cheaper than our average. In Turkey, employment and other inputs are very expensive. Who can cope with this cost? How can you compete like this? We are producing a mid-market product anyway. If the price is $1, we might improve production and sell it for $1.50. I mean, you cannot add too much value to it. That's why I saw no future in textiles."

For Super Spinning, the deal means getting more spinning capacity for $300 a spindle, compared to the $360 a spindle buying new equipment would cost.. They are deconstructing the plant and shipping it to India - a process intended for completion by the end of August, resulting in a 12% increase in their spinning capacity. According to the Turkish press, Super Spinning is in contact with four other Turkish textile firms to strike deals, again to buy and transport equipment to India.

Turkish firms to invest $2bin in Egyptian industrial zones

Turkish companies will set up industrial zones worth $2 bn in Egypt, Egyptian Trade and Industry Minister Rachid Mohamed Rachid was quoted as saying. Egypt will allocate 1.5 million sq m of land in Burg al Arab city near Alexandria to a large unnamed Turkish company to set up a $1.9 industrial zone, and another 614,000 sq m will be allocated to ten companies from Turkey to establish export-oriented textile factories in Tenth of Ramadan City, Burg al Arab and Sadat City.

But Goreseven expands

Meanwhile Goreseven Textile Company stated trial hosiery production in a new factory at Diyabarkir . It will produce 4 million pairs a year. Said owner Ferhat Karaboga, "We established a factory in a 30,000 sq metres Organized Industrial Zone with the cooperation of Turkish businessmen in Europe." Karaboga added that 60 employees work for the company now, later increasing to 250. "Production will be mainly export oriented. The 65 % of the production will be exported to European countries. The remaining 35 % will be marketed to the Middle East, Turkic Republics and domestic markets. We spent €3.5mn on the factory."

Pasmatex expands

Haberdashery-to-lingerie maker Pasmatex intends to invest €4mn in relocating to the edge of Timisoara in western Romania. The new factory will be commissioned in end 2007 and will have two halls, one for ready-mades and the other one for knitwear, said Pasmatex General Manager Marina Grapini. Although expanding, the company (which includes Triumph among its clients) achieved 2005 turnover 25% below budget at €4.4mn. "We did not dare conclude export contracts, fearing the fluctuations in the euro exchange rate," said Grapini. Some other causes were the rise in the costs of utilities and the increase in the imports of textiles from Asia, Grapini believes.

Miroglio to add more Bulgarian facilities

Miroglio's Bulgarian unit will spend $48mn on a new factory. It will set up a spinning and dyeing base with a purifying unit in Yambol, southeastern Bulgaria, opening up 529 jobs. "The new factory will be at a high technological level, and the production process will be highly computerised", said the country's development agency, Miroglio already carries out spinning, weaving, knitting and dyeing at five factories in Bulgaria, where it has invested $117mn since 1999.

Miroglio Group, which with a turnover of €950 mn is one of the top 10 Italian textile companies, has also revealed it is looking into launching its apparel brands in India in the next two years. Giuseppe Miroglio, group president, said the group's China business is worth $20 million.

Drop in Tunisian textile exports affects domestic apparel sector

The cash value of Tunisia's textile and apparel exports fell 5.7% in the first quarter of 2006, though Clothesource TradeTrak shows its apparel exports actually grew 17% in volume, while its average prices fell 13%. Bizarrely, the local trade association has blamed this increase in exports for the declining output of its domestic textile industry.

EU launches public consultation on EU-China trade relations

The EU launched a public consultation on May 6 designed to form part of its intended China trade and economic relations review of trade and economic relations with China.

For most of the past decade, public debate about this has started from the economically preposterous view that exports from China to the EU are bad for Europe's citizens. While there is no guarantee that the views of people who wear or sell clothes (as oppose to the handful who claim to make them) will ever be listened to, this is an opportunity to put the case for listening to Europeans, rather than pressure groups, more strongly.

Submissions (to Trade-Consultation-EU-China@cec.eu.int) are required by Friday June 16. A conference to discuss the submissions is planned for July 7. Full information about the exercise is at http://tinyurl.com/eekyl

Gap seals deal to launch brands in key markets

Gap has signed a franchise deal with Al Tayer Group to launch the Gap and Banana Republic brands in United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman. Al Tayer plans to open about 25 Gap and about ten Banana Republic stores by 2010, with Gap openings scheduled for later on this year and Banana Republic stores planned for 2007.

Gap announced a similar deal earlier this year with FJ Benjamin for Malaysia and Singapore. But unlike that deal (with a partner operating reasonably mass-market outlets such as La Senza and Guess), this is with a partner experienced mainly in a limited number of concessions for brands like Armani and Gucci.

AMERICAS

Will Vietnam deal get through Congress?

The U.S. and Vietnam announced they expect to sign a deal in the near future, possibly as early as June, allowing Vietnam to join the WTO - and therefore have quotas removed. In practice, though, the deal requires Congressional approval, and is already attracting considerable industry criticism.

Under the deal, Vietnam will abolish subsidies to its textile and apparel industry, and lower imports duties. The US will drop quotas - and will not press for Safeguard clauses such as those applied to China. However, the US will retain the unprecedented right to reimpose quotas at the current level for a year if Vietnam does continue complying with its obligations during the first 12 months of accession - or if the US believes Vietnam has not eliminated all prohibited apparel and textile subsidies by the date it joins the WTO.

In spite of the tough safeguard, U.S. textile executives and representatives blasted the deal, maintaining it does not contain an effective enforcement mechanism to force the Vietnamese to comply while unrestrained imports will flood the market. The National Council of Textile Organisations called it "a victory for Vietnam at the expense of U.S. textile worker"

Vietnam is one of a handful of countries with which the US does not have Normal Trading Relations (NTR), so the deal requires Congressional approval. Initial prospects for this looked good: House of Representatives Speaker, Republican Dennis Hastert urged Congress to pass it after meeting Vietnamese government officials. Added Senator. Max Baucus, the ranking Democrat on the Senate Finance Committee: "I intend to push this issue in the Senate and hope we can complete this process before the August recession"

Nonetheless, with Administration popularity low, and the anti-agreement campaign not yet launched, the deal's acceptance is far from certain.

US: Jones bids due soon

As THE SOURCE went to press, reports were appearing that the bidding for Jones Apparel Group is drawing to a close with Bain Capital, Texas Pacific Group and The Blackstone Group leading the race to acquire the $5 billion apparel firm. Acquisition prices up to $4.3bn were being quoted.

The stories emerged after the company reported it had revamped its senior management structure. Rhonda Brown, former CEO of the footwear, apparel and retail group, has left the company, with Andrew Cohen promoted to CEO, wholesale footwear and accessories, and Heather Pech taking over as CEO, company-owned retail footwear and apparel.

Bain Capital completes Burlington acquisition

Bain Capital Partners has completed the purchase of cut-price retailer Burlington Coat Factory Warehouse in a take-private transaction worth US$2.1m. Burlington's stockholders voted to adopt the merger agreement, first announced in January, at a meeting on 10 April. Burlington sells branded apparel at low prices across product divisions including coats, ladies' sportswear, men's wear, family footwear, baby furniture and accessories, and home decor and gifts

ITG to build denim plant in Nicaragua: Nien Hsing sets date

International Textile Group, the fabric company controlled by U.S. billionaire Wilbur Ross, announced it would build a $100 million denim plant in Nicaragua. The investment - equal to about 2 % of the country's gross domestic product - will employ 750 people at the Abaunza Textile Park in Managua, produce 28 million yards of denim a year, and is scheduled to open in late 2007. Ross said the Nicaraguan plant would not displace production at Cone Denim's only remaining U.S. mill, the century-old White Oak plant in North Carolina that specializes in high-end denim. ITG and Nicaraguan government officials said the anticipated expansion in apparel assembly, as well as increased cotton farming to support the plant, would add more than 8,000 jobs in Nicaragua. ITG is already one of the largest denim manufacturers in Mexico and has plants or joint ventures in India, Turkey and Vietnam. It is also building a Cone Denim plant and a Burlington home furnishing plant in China. Separately, Nien Hsing announced a timetable for its plans to add more, Taiwan government-funded, plants to the dyeing and garment making plants it already operates in Nicaragua. The first-stage of construction of a new denim plant will begin in July. Annual capacity will start at 10 million yards, increasing to 22 million when the factory is completed at the end of 2008. Work on a second plant to make fabrics for casual garments is due to begin in January 2007, with an annual capacity output of 17 mn yards.

US: Labor Department renews Korean monitoring programme

The US Department of Labor will continue to help Korean apparel makers monitor contractors for another two years. The scheme, run in conjunction with the Korean Manufacturers' Association Californian members, trains managers in Korean so that clothing companies can oversee contractors' compliance with labour legislation. Trained workers review contractors' pay practices every 90 days and send back their findings to labour officials, though companies are not stopped from trading if small-scale infringements occur. 13 garment companies are so far monitoring their contractors as part of the programme.

TRADE AGREEMENTS

Venezuela to withdraw from Andean Community

Venezuelan President Hugo Chavez told a summit in Paraguay that he plans to withdraw Venezuela from the Community of Andean Nations (CAN) because trade deals between Colombia's and Peru's free trade deals with the U.S. have "fatally wounded" the group. . Chavez has repeatedly said that he believes any FTAs with the U.S. benefit multinational companies to the detriment of poor citizens, and has announced his intention to set up a separate trading zone with Cuba and Bolivia. No actual progress on either leaving the Andean group or doing any trade with Cuba has been noted.

Chad gets AGOA textile/apparel benefits

The Office of the U.S. Trade Representative (USTR) has determined that imports of eligible products from Chad qualify for the textile and apparel benefits provided under the African Growth and Opportunity Act (AGOA).

US duty-free access gets less likely for Asian countries

With the so-called "TRADE Act of 2005" (intended to offer AGOA-style privileges to Bangladesh, Sri Lanka, Cambodia and Yemen) making no progress in Congress, funding for its lobbyists is now being cut off. The main Bangladesh trade association reportedly decided to terminate contracts of $12,000 a month to lobbyist firm Pattern Box and $3,000 to lawyer Sabbir Ahmed, and to renegotiate its $25,000 a month with lobbyists Sandler, Travis and Rosenberg. Meanwhile, although President Bush recently proposed the idea of setting up so-called Reconstruction Opportunity Zones (ROZ), offering QIZ-style benefits to earthquake-hit areas of Pakistan, there seemed little likelihood textile or apparel plants would be included in any such concession - or even that it would ever get off the ground.

US and southern Africa say FTA now for longer term

Deputy U.S. Trade Representative Karan Bhatia, after meeting senior officials from the Southern African countries in mid-April, that while the U.S. remains committed to concluding a comprehensive FTA with SACU at some future time, the two sides will now focus on developing a framework to establish a basis and building blocks for pursuing the FTA. This is diplomat-speak for there being not the remotest chance of an FTA this decade. "To that end, the United States and SACU have agreed – subject to approval by Ministers – to establish a framework through which the Parties will remain vigorously engaged in growing and deepening our bilateral relationship". This is diplomat-speak for there being little chance in the next few decades either. The U.S. and the southern African countries launched FTA negotiations in 2003. However, the talks have been stalled for over a year due to significant differences on how ambitious the agreement should be.

WTO Report Shows Decline in Use of AD Investigations

The WTO Secretariat reports that from July 1 to December 31, 2005, new antidumping (AD) investigations initiated and new AD measures applied by WTO members continued to the decline. During these six months, 16 members reported initiating a total of 82 new investigations, compared with 106 in the corresponding period in 2004. A total of 15 members applied 76 new final AD measures, compared with 93 during the last six months of 2004. Among members reporting imposing new restrictions during the July-December 2005 period, China imposed the most with 13. The second-highest number was reported by Argentina and India (11 each), followed by the European Union (nine), the U.S. (eight) and Australia and South Africa (five each). China remains the most frequent recipient new AD investigations, with 33 initiations directed at its exports during the last six months of 2005, up from 24 a year earlier. Malaysia was the second most frequent subject (seven), followed by Indonesia and Korea (five each) and Taiwan, Thailand and the U.S. (four each). The products that were the most frequent subjects of new investigations during this period were in the chemicals sector (17), followed by base metals (15) and plastics (12