CLOTHING DEMAND FROM EMERGING MARKETS

AN OPPORTUNITY FOR LDC SUPPLIERS

International Trade Centre

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Study dealing with emerging fashion retail markets in 'advanced' developing countries – focuses on Brazil, China, India, Malaysia, Singapore and South Africa; for each market provides overall dynamics and economic growth potential, including expected market developments in specific product sectors; discusses tariff structures and non-tariff requirements in detail; illustrates different sourcing patterns and supplier requirements through case studies; looks at existing national support schemes provided by governments (technical cooperation among developing countries) that could be utilized by the LDC suppliers; explores possibilities for the integration of LDC textile and clothing exporters into the overall value chain from 'cotton to clothing' for cooperation along the value chain; provides a detailed list of useful contacts and addresses in the countries under review.

Descriptors: **Clothing, Textiles, Market Access, Non-Tariff Barriers, Brazil, China, India, Malaysia, Singapore, South Africa, Market Surveys, Case Studies.**

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Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons. The word 'billion' is used to mean a thousand million.

The following abbreviations are used:

ASEAN	Association of Southeast Asian Nations
BCD	Basic customs duty
CIF	Cost, insurance, freight
CMT	Cut, make and trim
CVC	Chief value cotton
CVD	Countervailing duty
FDI	Foreign direct investment
FOB	Free on board
FTA	Free trade agreement
FTZ	Free trade zone
FCL	Full container load
GDP	Gross domestic product
GST	Goods and Services Tax
LCL	Less than full container load
LDC	Least developed country
MFN	Most favoured nation
R&D	Research and development
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAR	Special Administrative Region of China
T&C	Textile and clothing
TC	Terylene cotton
WTO	World Trade Organization

kg	kilogram
m	metre
mm	millimetre
sq ft	square feet

Introduction

Tapping into emerging markets: providing LDC[1] clothing exporters with information and access to retailers and buyers with high growth potential.

Traditional Quad markets (United States, Europe, Japan and Canada), which still account for almost 80% of world imports, are expected to grow at a lower rate in the future. With the economic downturn in the major Western markets seen in 2007 and early 2008, clothing sales of these imports are expected to fall further. But the markets of larger developing countries are growing very fast. Brazil, China, India, Malaysia, Singapore and South Africa are large markets with great potential for growth – and thus have enormous potential as markets for exports. Developing countries' imports of clothing have grown faster (at 6.5% per year) over the last decade than those of developed countries (4.7%). However, in order for an LDC to substantially increase its exports to other developing countries, at least two key aspects need to be addressed:

- **Knowledge.** LDC clothing manufacturers have insufficient knowledge of market opportunities in other developing countries and lack the capacity to develop market strategies to enter these emerging markets. This guide specifically addresses this constraint and thus complements the WTO negotiations on market access to provide LDCs with the tools to expand clothing exports.
- **Market access.** Average tariffs are higher in developing countries than in developed countries. Approximately thirty developing countries have an average import duty on clothing that exceeds 20%. This is a market access constraint for LDCs. However, trade liberalization negotiations are underway to give LDCs preferential market access to more advanced developing countries. Market access alone, through lower tariffs, will not help LDCs to start exporting if they face supply-side constraints and lack knowledge about how to penetrate other developing country markets.

This study on emerging fashion retail markets in 'advanced' developing countries is a comprehensive guide, written from a market perspective. It aims to assist LDC clothing exporters to start penetrating emerging markets which have a growing consumer demand and growth potential. The selected markets for this guide are Brazil, China, India, Malaysia, Singapore and South Africa. Each chapter focuses on one country and is structured to provide a small LDC exporter with clear but in-depth information, enabling him or her to make informed decisions to access these markets.

The chapters are designed to provide a macro and a micro market perspective and contain specific recommendations for LDC suppliers on possible niche product groups that they could target in each market. The macro perspective includes the overall dynamics and economic growth potential of each market, including expected market developments in specific product sectors. Prevailing tariff structures and non-tariff requirements in each market are discussed in

1 LDC: There are presently 50 least developed countries (LDCs) according to United Nations classification. For more information, see*: www.un.org/special-rep/ohrlls/ldc/list.htm*.

detail. At the micro level, specific cases (from important national retailers and clothing importers) are provided to illustrate different sourcing patterns and supplier requirements. Existing national support schemes provided by governments (technical cooperation among developing countries) that could be utilized by the LDC suppliers are also discussed.

Finally, possibilities for the integration of LDC textiles and clothing exporters into the overall value chain from 'cotton to clothing' for cooperation along the value chain are discussed. A detailed list of important and useful contacts and addresses in each country is provided at the end of each chapter.

Chapter 1 provides an insight into Brazil’s textile and clothing market. The domestic market for finished clothing articles in Brazil, estimated at about 5.6 billion pieces a year, has remained relatively constant over the past 5–7 years. By contrast, imports, while remaining at a low level (3% of internal consumption), rose by 12% annually from $140.8 million in 2000 to $227.2 million in 2005. Competition from domestic producers remains considerably high. However, imports provide an opportunity to increase sales margins and to widen the choice available to include internationally renowned brands. Clothing is imported mainly from China/Hong Kong SAR (59.5%), India (6.3%) and Italy (5.0%). But some LDCs are already exporting to Brazil by focusing on the specific requirements of Brazilian consumers. Recommendations provided in this chapter explain the key requirements and processes, including clothing categories that could be targeted for market entry.

Chapter 2 provides a detailed analysis of China’s textiles and clothing industry structure and consumer demand. China is not only the world's biggest producer and exporter but, because of its large and fast-growing consumer market, also an important importer. China is involved in almost all activities in the textile and clothing industry value chain. It provides textile products ranging from raw materials to fibres, fabrics and ready-made clothing to the world. It also purchases cotton, wool, yarn, fabrics and textile machinery from the world. With a population of 1.3 billion and rapid economic growth, China has the potential to become the world's largest consumer market for clothing. Per capita fibre consumption increased from 4.1 kg in 2000 to 14 kg in 2005, and is predicted to reach 20 kg in 2010. The consumer clothing industry has grown at an annual rate of 8% in recent years. China provides a promising market with unprecedented potential to many exporters. When China became a full Member of the World Trade Organization (WTO) in 2001, it committed itself to lowering its bound tariff rates, opening its domestic retail and distribution market, granting trading rights to qualified enterprises and individuals, and providing access to foreign-funded retailers interested in doing business in its second-tier cities.

Chapter 3 focuses on India's growing apparel retail and consumer demand. The Indian economy has been growing at an average of 8% for the past three years, making it the second-fastest growing economy in the world. The total market size of the retail industry, estimated at around $300 billion in 2005-06, is expected to increase to $637 billion by 2015. The organized retail industry, estimated at $7.5 billion, currently accounts for a mere 2%-3% of the $300 billion market, but is growing at 30% per year. Indian retail is dominated by small, independently owned stores and is characterized by the highest density of outlets (15 million) of any country in the world. Organized retailing, accompanied by the chain store phenomenon, is fairly nascent in India. The sector is growing rapidly because of the emergence of large retail spaces created by the construction of over 200 new shopping malls. Foreign direct investment (FDI) in retail was disallowed until 2006, when an exception was made for single-brand retail. The size of the market for apparel is estimated at $20 billion. As a member of WTO, India is also committed to bringing import tariffs to levels that comply with WTO guidelines. To penetrate the Indian market, LDC factories must visit and understand the Indian offer in terms of styling, fabrics, colours and prices prior to meeting with retailers, wholesalers or brands.

Chapter 4 discusses Malaysia's consumer demand. This is greatly affected by its growing tourism industry. Cosmopolitan Malaysia, with its unique multicultural heritage, is a fusion of tradition and modernity. Its political history is intertwined with that of Singapore. It has a multi-religious, multicultural population of ethnic Malays, ethnic Chinese and ethnic Indians. Estimated at 27 million, Malaysia's population grew at an average rate of 2.1% between 2001 and 2005. Mean monthly gross household income swung up from $650 in 1999 to $792 in 2002, an average growth of 6.8% a year, according to official data. Malaysia is a premium shopping destination in Southeast Asia. Shops, bazaars and huge shopping malls offer a variety of branded clothing, footwear, accessories, home appliances and furnishings. The exemption from duty of a range of items has resulted in more competitive pricing and makes shopping in Malaysia attractive. Shopping has become a national pastime in Malaysia, as in Singapore, and this has been a regular draw for tourists. Annual private consumption per head increased by an estimated 30% between 2000 and 2005. Retail sales of clothing are expected to reach RM 4.5 billion in 2009, up from RM 3 billion in 2004. Overall sales of clothing and footwear are expected to grow by 57.8% between 2004 and 2009.

Chapter 5 provides a study of Singapore's market demand and structure. Singapore is a cosmopolitan city, known popularly as the 'shopping paradise of the East'. It has a great variety of internationally recognized designer labels, speciality shops and boutiques, theme malls, food courts, and home-grown and international department stores. With an estimated population of 4.3 million, local residents treat shopping as a leisure activity and shop frequently. Shopping is a key component of Singapore's tourism industry and is one of the main reasons why visitors from around the world travel there. Although retail sales by volume fell again in 2005, sales by value rose as the economy grew by 6.4%, which boosted consumer spending. The record 9 million visitors in that year also helped sales. The City State is one of the most affluent nations in Asia, with income per person amounting to $16,648 in 2005. Approximately 90% of all households earn more than $15,000 a year. Singaporeans are well educated and tend to be trendy. Singaporeans are attracted to imported merchandise and stores that operate abroad. They desire quality, value-for-money merchandise, and are comparatively not price-conscious. Most products imported into Singapore are duty free with only a few exceptions. Singapore aims to double its visitor arrivals to 17 million by 2015. Plans have been brewing for a bullet train that will connect Singapore to Kuala Lumpur in about 45 minutes. This will increase consumer traffic on both sides of the causeway.

Chapter 6 discuses South Africa's consumer demand and retail growth. The South African market offers good opportunities for clothing exporters in LDC countries. In 2005, South Africa's imports of clothing totalled $752 million. During the five-year period to the end of that year, the import market had shown strong growth, with imports rising by 289% over the period. Although this does to some degree reflect a larger market overall for clothing as the middle class with greater spending power continues to grow, the more pressing reason for the expansion in imports is the decline in local manufacturing capacity in the face of less expensive imports, primarily from China. In September 2006, South Africa was sourcing 73% of its clothing imports from China, and the imposition of quotas was expected to leave a gap in the market as the local industry was, in many instances, simply incapable of generating the required supplies. Many retailers suggested that they were likely to shift supply bases to other lower-priced locations. Although this goes against the very reason for the imposition of quotas, it creates a clear opportunity for clothing exporters in LDCs. The window of opportunity is finite, however, and LDC exporters are advised to move quickly in their approach to the South African market.

This book forms an integral part of ITC's overall 'cotton to clothing' approach.

The ITC 'cotton to clothing' approach: your partner through the value chain

ITC approaches sector competitiveness in cotton to clothing from a holistic value chain perspective. As international buyers and retailers expect their suppliers to take on more responsibilities and provide more services beyond simple manufacturing, ITC assists enterprises in developing the skills that will equip them to succeed in a constantly changing environment. Training modules addressing different parts of the value chain are adaptable to meet country requirements. With an aim of building capacity of cotton, textile and clothing sector associations, and to assist SMEs to increase their competitiveness from a market perspective, ITC's response focuses on the following key areas:

- *Cotton for export.* 'Cotton exporter's guide' – a handbook for all cotton exporters. This reference book contains pragmatic and operational information on the international cotton market and its requirements.
- *Increasing African cotton exports.* A two-week inclusive training for cotton producers and exporters from developing countries. The training is jointly organized with the cotton importing textiles industry in Asia.
- *Sector strategy development.* A 10-step structured thinking process to develop a clothing strategy.
- *Product design and development.* Training and skills development. The course is designed for designers, product developers, sample developers, pattern developers and other apparel, retail and industry executives interested in developing skills in product design and development.
- *Material sourcing*: 'Source-it', an approach towards competitive sourcing. This ITC course helps enterprises to develop the skills needed to start material sourcing.
- *E-applications.* 'Get connected' training and advice on e-solutions in the textile and clothing industry. The objective of this course is to evaluate and understand the needs of the industry in various functional areas
- *Export marketing*. Training and on-the-job guidance to retain existing markets and enter new markets. This course features a structured approach to make the transition from a traditional outsourced workshop to a modern supplier with product portfolios.
- *Emerging markets' demand for clothing*. The LDC clothing exporters guidebook explains opportunities and tailor-made marketing approaches to penetrate new markets. Using this book as the base, ITC helps to guide companies to find clients in newly emerging markets (for example in China and India).
- *Multilateral business system*. Cotton, textile and clothing-specific implications, analysis of WTO negotiations, and impact of other trade negotiations with impact on cotton, textiles and clothing trade.

For more information, please visit the website: *www.intracen.org/textilesandclothing*.

Chapter 1

Brazil

A brief overview of the Brazilian market for apparel

During the 1970s and 1980s, clothing production in Brazil went through a phase of great development. This can be attributed primarily to the accelerated economic growth that marked the period.

Some factors contributed significantly to this process, such as the movement of the rural population to major cities, the entry of women into the labour market, the emergence of a mass consumer market in the major urban centres, and a domestic market that was strongly protected from foreign competition.

In the 1990s, with the opening of the market to imports, the clothing industry continued to expand because of its productivity and the quality of its output. This led to a fall in overall prices, an increase in labour efficiency, the upgrading of machinery and other equipment, the outsourcing of some production processes, and a greater presence of manufacturers in distribution channels. These included factory stores as well as retail stores which were either manufacturer-owned or operated under franchise.

Current efforts concentrate on increasing exports of finished products. This task seems almost impossible for most companies owing to their small size, lack of resources (both commercial and financial), and problems of logistics, quality control and overall management. Only a small group of medium-sized and large manufacturers have been able to address this challenge.

The fragmented structure of clothing manufacturing, the low concentration of the retail industry, the informal nature of the economy and the chaotic behaviour of exchange rates throughout the 1990s and early 2000s are some of the key factors that have restricted imports. In 2005, 15 years after the opening of the economy, imports did not exceed 3% by volume of internal domestic consumption. Despite that low figure, however, imports did show sound growth in the two years to 2005.

Executive summary

Brazil's domestic market for finished clothing articles, estimated at about 5.6 billion pieces a year, was stable in the five years to 2005. By contrast, imports, while remaining at a low level (3% of internal consumption), rose by 12% annually from U$ 140.8 million in 2000 to U$ 227.2 million in 2005. Import performance in the preceding two years was particularly good, driven primarily by the strength of the local currency against the United States dollar.

Domestic producers offer the complete range of products at all price levels, fully meeting consumer needs. Imports provide an opportunity for increasing sales margins as well as for widening the choice available to include internationally renowned brands.

Clothing consumption consists mainly of cotton knits and non-knits (53%). Items made of man-made fibres have a share of 31%, while goods of natural fibres have 16% of the market.

Clothing is imported mainly from three sources: China/Hong Kong SAR (59.5%), India (6.3%) and Italy (5.0%). An extension of the analysis to a more complete list of exporters (see table 1.16) reveals that some least developed countries (LDC) are already exporting to Brazil.

Among imports, those that stand out in the made-up lines of fabrics include pants, bermudas and shorts (HS[2] 6203 with 22%), coats, blazers and suit coats (HS 6201, 6202, 6203, 6204 with 17%) and shirts and blouses (HS 6205, 6206 with 12%). Among knitted products, the most prominent are sweaters and pullovers (HS 6110 with 10%) and shirts, blouses and T-shirts (HS 6105, 6106, 6109 with 8%). Clothes made of flat fabrics amount to 68% of imports at FOB[3] values.

Recently, with the strong appreciation of the local currency over the dollar, clothing imports have been growing, offering foreign exporters a new level of participation in the local market. The level of imports as a percentage of domestic consumption is expected to increase and go above the market penetration level of 3% in 2005.

There are several barriers to the development of imports into Brazil. The high entry cost, estimated at about 40% of the FOB price of the product, is one. Another is the problem of logistics arising from the country's great territorial expanse, which in turn generates the huge fragmentation of the distribution network. A third barrier is the competitive aggressiveness of local manufacturers. Finally, there is a lack of an importing culture, caused by the Government's maintenance of a closed market over a long period of around 50 years which, as mentioned earlier, ended in 1990.

Such difficulties, however, can be overcome, if exporters offer competitive products and use efficient schemes of assistance and partnerships. That is what China has been doing. In a few years, Chinese exporters have been able to throw off their very negative image to become absolute leaders in exporting clothing to Brazil (China has a share of 49% of the import market, and Hong Kong SAR another 10%). India is following the same path.

Thus, before anything else, it is fundamental for the export potential to be promoted, for product quality to be demonstrated (quality of both raw materials and finished product), for price attractiveness to be made known, and for a full and satisfactory customer service capacity to be shown (delivery speed, adaptation to fashion trends, adhesion to the terms of agreements). If the importer is not convinced these preconditions will be satisfied, it will be difficult for business to thrive.

To supply a fragmented market like that of Brazil, exporters from the LDC group of countries should have a local structure to handle product distribution. They should take care not to allow this to compromise sales prices, which could eliminate part of the competitiveness obtained from lower production costs. Another possibility would be to export direct to Brazilian companies, preferably wholesalers and large retailers who can absorb import, distribution, tax, customer credit and other costs. There is no doubt that these are the main entry

2 Harmonized Commodity Description and Coding System.
3 Free on board.

channels for LDC exporters. The inconveniences are that wholesalers entail significant redistribution costs, and large retail chains generally do not promote imported products, which will make it difficult for these products to get themselves established in the market.

Brazilian producers have low export rates – the sector's average exports do not even reach 2% of the manufacturers' gross revenues and, even so, exporting is restricted to the medium-sized and large producers. In addition, there is a lack of agreements on privileged access for Brazilian products into major world markets (such as the United States and the European Union). These two situations considerably restrict the possibilities for partnerships between LDC exporters and Brazilian manufacturers aiming at joint sales of clothing articles to the major consumer markets in the northern hemisphere.

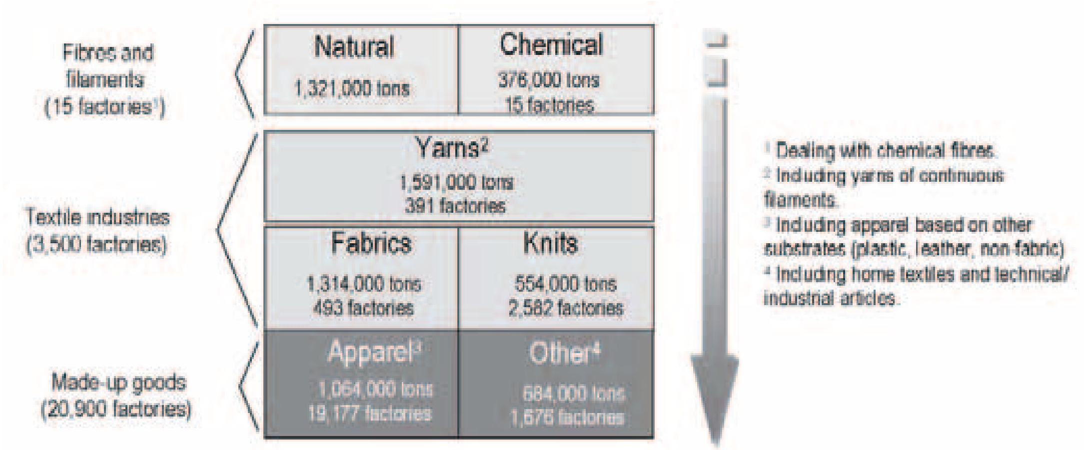
The structure and characteristics of the domestic market

Market size and prices

Although the main purpose of this study is to consider alternative sources for the supply of clothing articles to Brazil, a general analysis of the main links making up the country's textile production chain would be useful here.

Figure 1.1 shows the various links in the chain, and size of supply and number of production units in each link, where it is possible to identify the different segments and their respective dimensions.

Figure 1.1: Brazil: the textile production chain



The domestic clothing industry

There are over 19,000 clothing producers in Brazil. Of these, 70.6% are small (with up to 19 employees), 26.4% are medium-sized (20 to 99 employees) and only 3% are large (over 99 employees). These companies produce around 5.6 billion pieces of clothing a year, priced at an average of US$ 3.67 a piece. Of the total produced, 43% (2.4 billion pieces) consists of casual wear, 10% of sportswear and 8% of underwear; the remaining 27% is split among other types of clothing. It is important to note that over the 2000 to 2005 period, domestic production stagnated in terms of volume but varied considerably in terms of the United States dollar owing to exchange rate volatility.

Table 1.1 Brazil: domestic clothing industry, number of companies per segment, 2000–2005 (number of companies)

Segments	2000	2001	2002	2003	2004	2005
Clothing	15 634	15 367	14 767	15 156	16 531	18 096
Hosiery and accessories [a/]	1 235	1 290	1 256	1 189	995	1 081
TOTAL	**16 869**	**16 657**	**16 023**	**16 345**	**17 526**	**19 177**

Source: Instituto de Estudos e Marketing Industrial (IEMI), Brazil.

a/ Socks, handkerchiefs, ties, gloves, shawls, écharpes, scarves, mufflers and other items.

The consumer market for clothing

Brazil is a populous country. Its 184 million inhabitants are split fairly equally between men (49.2%) and women (50.8%) and have an average age of around 28. Much of this population (82.2%) migrated from the rural areas to the cities in the 1960s, 1970s and 1980s, leading to the creation of a strong consumer market in the main urban centres. The population shift has been fundamental in developing the Brazilian consumer market and fashion industry. Women in urban areas, free of the farming responsibilities, were able to enter the labour force in greater numbers. There was also a drop in domestic tailoring at the family level.

A relevant feature of the urban market is the high concentration of income in the wealthiest classes of the population. Thus, the market profile shows a great mass of population with low purchasing power who buy popular articles at low cost, as opposed to a smaller number of consumers who can acquire articles with higher value added. Nevertheless, it can be said that the Brazilian clothing market is made up of a diverse group of consumers, with enough potential to ensure the commercial success of brands and products at varying levels of quality and price. This market has great growth potential; it only needs a better distribution of the national income to be unleashed.

Table 1.2 shows the distribution by location and by gender of the Brazilian consumer market. Table 1.3 indicates that almost 40% of the population is under 20 years of age. The average age of the Brazilian, however, is increasing and it is estimated to be around 28 years at present.

Table 1.2 Brazil: consumer market, distribution by location and by gender, 2005

Location	Number of residents ('000)	Percentage share by location
Urban	151 431	82.2
Rural	32 753	17.8
TOTAL	**184 184**	**100.0**
Gender	**Number of residents ('000)**	**Percentage share by gender**
Male	90 543	49.2
Female	93 641	50.8
TOTAL	**184 184**	**100.0**

Source: Instituto Brasileiro de Geografia e Estatística (IBGE).

Table 1.3 Brazil: consumer market, distribution by age group, 2005

Age range	Residents ('000)	Percentage share by age group
0 to 4 years old	17 971	9.8
5 to 9 years old	16 992	9.2
10 to 14 years old	16 463	8.9
15 to 19 years old	17 357	9.4
20 to 29 years old	33 518	18.2
30 to 49 years old	50 736	27.6
50 and over	31 147	16.9
TOTAL	**184 184**	**100.0**

Source: Instituto Brasileiro de Geografia e Estatística (IBGE).

Per capita income

Brazil's per capita income, especially after 1994, rose significantly despite the many domestic and foreign economic crises that occurred throughout the period and despite the equally significant growth in population, which expanded at 1.5% per year. Between 1994 and 2005, real income increased by 8.6%.

Nevertheless, the market did not see a compatible growth evolution because of the excessive income concentration in a small portion of the population.

Table 1.4 Brazil: per capita incomes, 2000–2005

Year	Number of residents	Income per resident	
	In thousands	In R$/year [a/]	In US$/year
2000	171 280	6 430	3 515
2001	173 822	6 896	2 932
2002	176 391	7 631	2 604
2003	178 985	8 694	2 831
2004	181 586	9 729	3 325
2005	184 184	10 520	4 325
Variation (%)	*7.5*	*63.6*	*23.0*

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Figures do not account for inflation, which accumulated by 50.6% over the period reviewed.

Socio-economic profile

As mentioned earlier, the high concentration of income in the wealthiest classes of the Brazilian population has direct effects on the consumption profile for clothing and textile household goods. When the market is segmented according to purchasing power (economic classes), it can be seen that Class A (A1 + A2) makes up just 5% of the population but is responsible for 18% of clothing consumption and 18.7% of consumption of textile household goods. Class B, accounting for 22.9% of the population, contributes 37.7% to consumption of clothes and 35.5% to consumption of textile household goods (table 1.5).

It can be concluded that, while the Brazilian population has a socio-economic profile centered around C and D classes (together they make 69% of all inhabitants), the main slice of the consumer market for clothing and textile household goods lies in the B and C classes.

Table 1.5 Brazil: consumption of clothing and textile household goods, by economic class, 2005

Class/Family income	Inhabitants (% of total population)	Consumption by volume (%)	
		Clothing	Household goods [a]
A1 (over 45 minimum salaries [b])	0.7	3.0	3.3
A2 (26 to 45 minimum salaries)	4.3	15.0	15.4
B1 (16 to 25 minimum salaries)	7.6	16.9	15.1
B2 (11 to 15 minimum salaries)	15.3	20.8	20.4
C (5 to 10 minimum salaries)	37.8	31.1	30.2
D (3 to 4 minimum salaries)	31.1	12.5	14.7
Up to 2 minimum salaries	3.2	0.7	0.9
TOTAL	**100.0**	**100.0**	**100.0**

Sources: Instituto Brasileiro de Geografia e Estatística (IBGE) and Instituto de Estudos e Marketing Industrial (IEMI).

a/ Although not the focus of this study, consumption data on bedding, table linen and bathroom are given here for comparative purposes.

b/ A 'minimum salary' is the lowest salary paid a worker for a month of work. Its current value is R$ 350, equivalent to US$ 144. It is subject to annual correction.

Average factory prices of clothing produced in Brazil

Tables 1.6 and 1.7 show the average factory prices of clothing produced in Brazil. The data are given in United States dollars per piece, at factory cost, exclusive of taxes and for payment in cash.

Table 1.6 Brazil: average factory prices of garments and accessories produced domestically, knits,[a] 2000–2005 (in United States dollars per piece [b])

NCM/HS [a]	Description	2000	2001	2002	2003	2004	2005
6101	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.03	5.78	4.19	3.40	3.57	4.07	6.00
6102	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.04	5.12	3.60	2.93	3.06	3.54	4.65
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc. (other than swimwear), knitted or crocheted	0.00	0.00	0.00	0.00	0.00	0.00
6103.1	Suits						
6103.2	Ensembles	4.24	3.54	2.97	3.19	3.69	4.61
6103.3	Jackets and blazers	13.81	10.22	7.69	8.12	9.13	11.67
6103.4	Trousers, bib and brace overalls, breeches, shorts	2.49	1.92	2.17	2.27	2.18	3.18

Table 1.6 (cont'd)

NCM/HS a/	Description	2000	2001	2002	2003	2004	2005
6104	Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, etc., knitted or crocheted						
6104.1	Suits	27.44	22.23	19.10	19.18	21.86	27.24
6104.2	Ensembles	6.84	5.78	4.52	4.75	5.52	7.00
6104.3	Jackets and blazers	12.94	9.30	7.30	7.67	8.77	11.39
6104.4	Dresses	11.14	8.49	5.91	6.24	7.18	9.75
6104.5	Skirts and divided skirt	6.62	4.89	3.72	3.91	4.45	5.70
6104.6	Trousers, bib and brace overalls, breeches, shorts	1.87	1.42	1.57	1.65	1.62	2.28
6105	Men's or boys' shirts, knitted or crocheted	3.11	2.34	1.91	2.00	2.19	2.90
6106	Women's or girls' blouses, shirts and shirts-blouses, knitted or crocheted	2.82	2.05	1.58	1.59	1.72	2.40
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, etc., knitted or crocheted						
6107.1	Underpants and briefs	0.67	0.57	0.46	0.46	0.55	0.73
6107.2	Nightshirts and pyjamas	2.53	2.15	1.82	1.90	2.23	3.06
6107.9	Others	6.01	4.89	4.31	4.32	4.99	5.31
6108	Women's or girls' slips, petticoats, briefs, panties, nightdress, pyjamas, negligees, bathrobes, dressing gowns, etc., knitted or crocheted						
6108.1	Slips and petticoats	2.72	2.32	1.85	1.87	2.21	2.88
6108.2	Briefs and panties	0.52	0.45	0.36	0.36	0.43	0.57
6108.3	Nightdresses and pyjamas	2.43	2.07	1.74	1.81	2.14	2.86
6108.9	Others	3.83	2.87	2.29	2.30	2.65	3.56
6109	T-shirts, singlets and other vests, knitted or crocheted	1.07	0.77	0.63	0.66	0.75	0.98
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	4.90	3.92	3.16	3.60	4.20	5.07
6111	Babies' garments and clothing accessories, knitted or crocheted	2.59	2.00	1.45	1.61	1.85	2.35
6112	Track suits, ski suits and swimwear, knitted and crocheted						
6112.1	Track suits	16.19	13.45	11.35	12.16	14.12	18.35
6112.2	Ski suits	5.48	4.71	4.11	4.22	4.89	6.81
6112.3	Men's or boys' swimwear	6.30	4.75	4.06	4.01	4.64	5.59
6112.4	Women's or girls' swimwear	3.50	2.67	2.31	2.28	2.69	3.43
6113	Garments, made up of knitted or crocheted fabrics of heading nos. 5903, 5906 or 5907	2.65	2.01	1.62	1.72	1.97	2.56
6114	Other garments, knitted or crocheted	3.25	2.44	2.04	2.09	2.40	2.24
6115	Pantyhose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	0.67	0.54	0.48	0.57	0.66	0.84
6116	Gloves, mittens and mitts, knitted or crocheted	1.10	0.91	0.88	0.94	1.07	1.23
6117	Other made-up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	0.72	0.87	1.44	1.63	1.88	2.48
	Total garments and their accessories: knitwear (average price)	**2.65**	**2.01**	**1.62**	**1.72**	**1.97**	**2.56**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 61 – Articles of apparel and clothing accessories, knitted or crocheted.
b/ Cost price, at factory, excluding taxes.

Table 1.7 Brazil: average factory prices of garments and accessories produced domestically, except knit wear,[a] 2000–2005 (in United States dollars per piece [b])

NCM/HS [a]	Description	2000	2001	2002	2003	2004	2005
6201	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, and similar articles, other than those of heading no. 6203	7.66	6.06	5.24	5.55	6.46	8.36
6202	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204	9.19	10.70	9.21	7.76	10.61	10.58
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)						
6203.1	Suits	33.54	27.16	23.35	23.44	26.66	30.55
6203.2	Ensembles	10.27	9.65	7.78	8.09	9.32	13.11
6203.3	Jackets and blazers	16.10	11.99	10.18	10.57	12.18	15.22
6203.4	Trousers, bib and brace overalls, breeches, shorts	6.50	4.62	3.66	3.69	4.20	5.29
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts, etc. (except swimwear)						
6204.1	Suits	27.44	22.23	19.10	19.18	21.86	27.24
6204.2	Ensembles	9.81	8.10	6.48	6.75	7.66	10.19
6204.3	Jackets	14.37	10.53	8.51	8.81	9.65	11.80
6204.4	Dresses	17.77	13.23	11.45	12.50	14.24	19.78
6204.5	Skirts and divided skirts	11.06	8.43	7.57	7.92	8.73	10.49
6204.6	Trousers, bib and brace overalls, breeches, shorts	5.69	3.96	3.19	3.18	3.62	4.39
6205	Men's or boy's shirts	5.72	4.29	3.76	3.83	4.20	5.45
6206	Women's or girls' blouses, shirts and shirt-blouses	6.45	4.91	4.17	4.18	4.71	6.23
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles						
6207.1	Underpants and briefs	0.67	0.57	0.46	0.46	0.55	0.73
6207.2	Nightshirts and pyjamas	2.53	2.15	1.82	1.90	2.23	3.06
6207.9	Others	9.99	8.42	6.18	6.44	7.32	4.18
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, etc. and similar articles						
6208.1	Slips and petticoats	2.58	2.20	1.74	1.77	2.09	2.66
6208.2	Nightdresses and pyjamas	2.42	2.06	1.73	1.81	2.13	2.88
6208.9	Others	1.36	1.10	0.68	0.69	0.81	1.13
6209	Babies' garments and clothing accessories	1.44	1.06	0.98	1.09	1.27	1.62
6210	Garments made up of fabrics of heading nos. 5602, 5603, 5903, 5906 or 5907	2.65	2.01	1.62	1.72	1.97	2.56
6211	Track suits, ski suits and swimwear, other garments						
6211.1	Swimwear	3.78	2.87	2.49	2.45	2.81	3.41
6211.2	Ski suits	5.48	4.71	4.11	4.22	4.89	6.81
6211.3	Other garments, men's or boys'	11.72	9.12	9.18	9.55	10.74	13.41
6211.4	Other garments, women's or girls'	12.04	9.86	8.84	8.67	9.97	13.66
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	6.03	5.28	4.19	4.42	5.07	5.81
6213	Handkerchiefs	0.21	0.17	0.27	0.28	0.33	0.44
6214	Shawls, scarves, mufflers, mantillas, veils and the like	1.05	0.84	1.33	1.41	1.61	1.75
6215	Ties, bow ties and cravats	2.69	2.17	3.50	3.67	4.23	6.48

Table 1.7 (cont'd)

NCM/HS [a]	Description	2000	2001	2002	2003	2004	2005
6216	Gloves, mittens and mitts	1.10	0.92	0.77	0.82	0.93	1.16
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212	0.47	0.34	0.49	0.56	0.63	0.91
	Total garments and their accessories, except knitwear (average price)	**5.85**	**4.38**	**3.70**	**3.85**	**4.36**	**5.58**
	Overall total (chapters 61 + 62, average price)	**3.69**	**2.96**	**2.39**	**2.50**	**2.86**	**3.67**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 62 – Articles of apparel and clothing accessories, not knitted or crocheted.
b/ Cost price, at factory, without taxes.

Type of products supplied by the domestic industry and from abroad

The domestic industry supplies the Brazilian consumer with the full range of clothing products, and meets 97% of domestic needs. Imports account for only 3% of national consumption in terms of volume. The import trade owes its impetus to better prices and demand for high fashion items and international brands. The strong Real, Brazilian currency, has helped the growth of imports since 2003.

About 61% of the textiles consumed nationally is made of natural fibres, particularly cotton which by itself accounts for 53% of total consumption. Other fibres, including synthetic or artificial fibres, have a market share of 39%; on their own, synthetic/artificial fibres have a share of 31% of the overall total.

Offer and demand in the national market

In value terms, consumption of garments, socks and accessories amounted to US$ 20.8 billion in 2005 at wholesale prices. The amount covers both the domestic supply (excluding exports) and imports.

Between 2000 and 2005, the value of domestic consumption recovered strongly, particularly in terms of the United States dollar. The recovery was due to the large shifts in exchange rates. In volume terms, however, consumption remained more or less the same over the period.

Tables 1.8 and 1.9 show the participation of imports in the value and volume of domestic consumption.

Table 1.8 Brazil: supply of, and demand for, clothing, hosiery and accessories, by value, 2000–2005 (in thousands of United States dollars)

Description	2000	2001	2002	2003	2004	2005
Production	21 971 420	16 559 255	13 258 120	13 581 491	15 908 070	20 720 030
Imports	140 801	153 933	109 686	100 123	148 232	227 168
Exports	273 928	273 521	214 751	289 172	340 387	336 758
Apparent consumption [a]	21 838 293	16 439 667	13 153 055	13 392 442	15 715 915	20 610 440
Import penetration [b]	0.6%	0.9%	0.8%	0.7%	0.9%	1.1%

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Apparent consumption = production + imports – exports.
b/ Import penetration = imports/consumption.

Table 1.9 Brazil: apparent consumption of clothing, by volume, 2000–2005 (in tons)

Description	2000	2001	2002	2003	2004	2005
Production	1 073 744	1 062 036	1 040 254	1 016 770	1 044 551	1 063 874
Imports	15 851	17 506	13 171	13 531	27 936	32 179
Exports	20 593	22 876	18 898	22 107	20 523	17 711
Apparent consumption [a/]	1 069 002	1 056 666	1 034 527	1 008 194	1 051 964	1 078 342
Import penetration [b/]	1.5%	1.7%	1.3%	1.3%	2.7%	3.0%

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Apparent consumption = production + imports – exports.
b/ Import penetration = imports/consumption.

National production

Domestic production of clothing articles, hosiery and accessories reached 5.6 billion pieces/year in 2005. This puts Brazil in tenth place after the major world producers such as China and Hong Kong SAR, India, Mexico, Turkey, the Republic of Korea and Pakistan.

Tables 1.10 and 1.11 provide details of Brazilian production of clothing articles, hosiery and accessories by segment and by volume. Tables 1.12 and 1.13 show production by segment and by value.

Table 1.10 Brazil: domestic production of garments and their accessories, knitwear, by volume, 2000–2005 (in thousands of pieces)

NCM/HS [a/]	Description	2000	2001	2002	2003	2004	2005
6101	Men’s or boys’ overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.03	37 609	28 334	35 681	35 572	34 600	36 401
6102	Women’s or girls’ overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.04	22 811	17 885	22 482	22 480	24 413	15 943
6103	Men’s or boys’ suits, ensembles, jackets, blazers, trousers, etc. (other than swimwear), knitted or crocheted						
6103.1	Suits	0	0	0	0	0	0
6103.2	Ensembles	156 057	127 784	153 264	155 562	158 551	158 890
6103.3	Jackets and blazers	6 021	4 553	3 321	3 314	2 263	1 091
6103.4	Trousers, bib and brace overalls, breeches, shorts	71 069	57 074	28 007	28 135	22 692	43 097
6104	Women’s or girls’ suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, etc., knitted or crocheted						
6104.1	Suits	1,129	731	828	783	777	552
6104.2	Ensembles	93 246	77 832	85 410	86 521	88 125	94 235
6104.3	Jackets and blazers	1 868	1 412	975	973	1 392	583
6104.4	Dresses	125 168	94 654	89 816	89 580	87 996	95 658
6104.5	Skirts and divided skirt	144 987	108 545	104 906	104 464	100 363	95 204
6104.6	Trousers, bib and brace overalls, breeches, shorts	72 886	56 669	26 186	26 231	23 640	40 816
6105	Men’s or boys’ shirts, knitted or crocheted	182 179	146 915	134 415	135 422	138 568	147 764

Table 1.10 (cont'd)

NCM/HS [a/]	Description	2000	2001	2002	2003	2004	2005
6106	Women's or girls' blouses, shirts and shirts-blouses, knitted or crocheted	144 811	113 082	86 007	86 502	84 796	88 278
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, etc., knitted or crocheted						
6107.1	Underpants and briefs	115 390	112 300	121 958	122 624	124 970	125 489
6107.2	Nightshirts and pyjamas	18 885	17 720	17 224	17 260	18 431	19 147
6107.9	Others	3 240	3 043	3 063	3 090	3 384	3 207
6108	Women's or girls' slips, petticoats, briefs, panties, nightdress, pyjamas, negligees, bathrobes, dressing gowns, etc., knitted or crocheted						
6108.1	Slips and petticoats	8 041	7 855	8 324	8 371	8 585	9 147
6108.2	Briefs and panties	204 329	198 355	174 661	175 676	179 507	181 305
6108.3	Nightshirts and pyjamas	97 858	91 958	101 165	101 462	102 495	104 550
6108.9	Others	162 421	147 250	142 467	143 581	148 931	144 308
6109	T-shirts, singlets and other vests, knitted or crocheted	1 349 662	1 013 789	1 045 899	1 042 500	1 059 768	1 055 317
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	163 099	136 743	138 640	139 070	141 197	133 972
6111	Babies' garments and clothing accessories, knitted or crocheted	119 212	151 586	203 067	198 968	203 658	213 465
6112	Track suits, ski suits and swimwear, knitted and crocheted						
6112.1	Track suits	28 033	22 930	26 852	27 255	27 764	27 609
6112.2	Ski suits	1 456	1 423	1 612	1 636	1 508	1 499
6112.3	Men's or boys' swimwear	19 390	16 320	18 658	18 921	15 815	16 330
6112.4	Women's or girls' swimwear	171 682	151 824	169 004	171 392	180 688	195 192
6113	Garments, made up of knitted or crocheted fabrics of heading nos. 5903, 5906 or 5907	141	169	233	270	290	321
6114	Other garments, knitted or crocheted	2 132	1 722	2 576	2 593	2 474	2 836
6115	Pantyhose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	457 968	444 506	504 692	484 706	490 554	497 618
6116	Gloves, mittens and mitts, knitted or crocheted	22 112	8 551	9 625	8 914	9 092	8 749
6117	Other made-up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	13 451	6 658	9 985	8 712	8 098	7 771
	Total garments and their accessories, knitwear	**4 018 342**	**3 370 170**	**3 471 004**	**3 452 540**	**3 495 384**	**3 566 343**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 61 – Articles of apparel and clothing accessories, knitted or crocheted.

Table 1.11 Brazil: domestic production of garments and their accessories, except knitwear, by volume, 2000–2005 (in thousands of pieces)

NCM/HS [a/]	Description	2000	2001	2002	2003	2004	2005
6201	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, and similar articles, other than those of heading no. 6203	5 712	7 271	7 414	7 824	7 924	8 455
6202	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204	5 906	5 312	5 308	6 856	6 033	7 343

Table 1.11 (cont'd)

NCM/HS a/	Description	2000	2001	2002	2003	2004	2005
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)						
6203.1	Suits	5 146	5 923	5 035	4 762	4 881	5 829
6203.2	Ensemble	20 145	23 810	27 667	28 081	29 125	28 233
6203.3	Jackets and blazers	29 123	35 470	29 778	29 615	29 126	34 141
6203.4	Trousers, bib and brace overalls, breeches, shorts	444 804	483 260	485 092	449 199	443 740	450 174
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts, etc. (except swimwear)						
6204.1	Suits	3 948	4 542	5 147	4 870	5 004	5 689
6204.2	Ensembles	22 328	27 986	29 815	30 257	31 142	32 280
6204.3	Jackets	5 208	6 432	5 471	5 477	7 582	5 484
6204.4	Dresses	81 784	98 414	86 022	86 438	89 602	80 599
6204.5	Skirts and divided skirts	64 594	76 835	72 824	73 028	80 337	89 279
6204.6	Trousers, bib and brace overalls, breeches, shorts	275 681	304 939	299 283	280 075	315 241	302 954
6205	Men's or boy's shirts	299 773	368 666	304 588	301 537	323 994	331 349
6206	Women's or girls' blouses, shirts and shirt-blouses	154 009	185 988	165 125	162 284	171 225	164 879
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles						
6207.1	Underpants and briefs	10 047	10 047	10 047	10 047	10 297	11 142
6207.2	Nightshirts and pyjamas	4 180	4 804	2 238	2 300	2 451	1 964
6207.9	Others	739	855	473	481	508	827
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, etc. and similar articles						
6208.1	Slips and petticoats	1 290	1 296	1 304	1 307	1 339	1 101
6208.2	Nightdresses and pyjamas	17 693	20 399	9 505	9 768	9 829	9 691
6208.9	Others	31 051	31 230	28 959	28 979	29 695	31 959
6209	Babies' garments and clothing accessories	89 238	94 512	58 264	57 086	58 772	55 080
6210	Garments made up of fabrics of heading nos. 5602, 5603, 5903, 5906 or 5907	628	650	706	798	877	1 368
6211	Track suits, ski suits and swimwear, other garments						
6211.1	Swimwear	11 227	12 510	9 084	9 095	7 989	3 879
6211.2	Ski suits	809	679	647	695	670	607
6211.3	Other garments, men's or boys'	2 459	2 901	2 554	2 461	2 564	2 547
6211.4	Other garments, women's or girls'	1 670	1 899	2 048	2 028	2 053	1 967
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	13 835	16 089	16 243	16 258	16 426	18 177
6213	Handkerchiefs	41 436	42 664	45 108	45 361	45 450	45 177
6214	Shawls, scarves, mufflers, mantillas, veils and the like	5 287	5 444	6 886	6 923	8 757	9 422
6215	Ties, bow ties and cravats	11 988	12 343	14 112	14 192	14 220	11 953
6216	Gloves, mittens and mitts	101 340	124 156	125 063	113 823	115 507	115 218
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212	144 813	173 129	154 214	144 151	144 514	154 193
	Total: garments and their accessories, except knitwear	**1 936 590**	**2 232 228**	**2 065 283**	**1 984 579**	**2 068 038**	**2 076 425**
	Overall total (chapters 61 + 62)	**5 954 932**	**5 602 397**	**5 536 287**	**5 437 119**	**5 563 422**	**5 642 768**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 62 – Articles of apparel and clothing accessories, not knitted or crocheted.

Table 1.12 Brazil: domestic production of garments and their accessories, knitwear, by value, 2000–2005 (in millions of United States dollars)

NCM/HS [a/]	Description	2000	2001	2002	2003	2004	2005
6101	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.03	217.6	118.7	121.2	126.9	140.8	218.3
6102	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.04	116.7	64.5	65.8	68.9	86.4	74.2
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc. (other than swimwear), knitted or crocheted	0.0	0.0	0.0	0.0	0.0	0.0
6103.1	Suits	0.0	0.0	0.0	0.0	0.0	0.0
6103.2	Ensembles	662.1	451.9	455.8	495.6	584.6	732.4
6103.3	Jackets and blazers	83.1	46.6	25.6	26.9	20.7	12.7
6103.4	Trousers, bib and brace overalls, breeches, shorts	176.8	109.8	60.7	63.9	49.4	137.1
6104	Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, etc., knitted or crocheted	0.0	0.0	0.0	0.0	0.0	0.0
6104.1	Suits	31.0	16.2	15.8	15.0	17.0	15.0
6104.2	Ensembles	637.7	449.5	386.0	411.0	486.6	659.9
6104.3	Jackets and blazers	24.2	13.1	7.1	7.5	12.2	6.6
6104.4	Dresses	1 394.6	803.5	530.8	558.9	631.6	933.1
6104.5	Skirts and skirt-slacks	960.4	530.8	390.7	408.0	446.6	542.8
6104.6	Pants, overalls, bermudas and shorts	136.0	80.7	41.0	43.2	38.2	92.9
6105	Shirts, knitwear, men's	566.2	343.1	257.1	270.8	303.8	428.3
6106	Women's or girls' blouses, shirts and shirt-blouses, knitwear, knitted or crocheted	409.1	231.6	135.6	137.6	146.1	212.1
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns similar articles, knitted or crocheted	0.0	0.0	0.0	0.0	0.0	0.0
6107.1	Underpants and men's drawers	77.6	64.5	55.7	56.8	68.7	92.0
6107.2	Nightshirts and pyjamas	47.8	38.2	31.3	32.7	41.2	58.6
6107.9	Others	19.5	14.9	13.2	13.4	16.9	17.0
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, dressing gowns and similar articles, knitted or crocheted	0.0	0.0	0.0	0.0	0.0	0.0
6108.1	Slips and petticoats	21.9	18.2	15.4	15.7	19.0	26.3
6108.2	Briefs and panties	107.2	88.9	62.2	63.5	76.9	103.4
6108.3	Nightdresses and pyjamas	237.6	190.1	175.6	183.8	219.0	299.3
6108.9	Others	622.9	423.1	326.1	329.8	394.8	513.3
6109	T-shirts, singlets and other vests, knitted or crocheted	1 445.5	783.2	655.5	686.4	798.7	1.038.1
6110	Jerseys, pullovers, cardigans, waist-coats and similar articles, knitted or crocheted	799.1	535.5	438.7	500.3	592.5	679.6
6111	Babies' garments and clothing accessories, knitted or crocheted	308.3	303.0	295.3	320.6	376.5	501.7
6112	Track suits, ski suits and swimwear, knitted or crocheted	0.0	0.0	0.0	0.0	0.0	0.0
6112.1	Track suits	453.9	308.3	304.7	331.6	392.1	506.5
6112.2	Ski suits	8.0	6.7	6.6	6.9	7.4	10.2
6112.3	Men's or boys' swimwear	122.1	77.6	75.8	75.9	73.4	91.2
6112.4	Women's or girls' swimwear	600.1	405.0	390.4	391.1	486.6	668.9

Table 1.12 (cont'd)

NCM/HS a/	Description	2000	2001	2002	2003	2004	2005
6113	Garments, made up of knitted or crocheted fabrics of heading nos. 5903, 5906 or 5907	0.4	0.3	0.4	0.5	0.6	0.8
6114	Other garments, knitted or crocheted	6.9	4.2	5.2	5.4	5.9	6.4
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	308.2	242.1	243.0	274.6	323.9	418.0
6116	Gloves, mittens and mitts, knitted or crocheted	24.3	7.8	8.4	8.4	9.7	10.8
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	9.7	5.8	14.4	14.2	15.3	19.2
	TOTAL: garments and their accessories knitwear	**10 636.0**	**6 777.1**	**5 611.1**	**5 945.8**	**6 882.9**	**9 127.1**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 61 – Articles of apparel and clothing accessories, knitted or crocheted.

Table 1.13 Brazil: domestic production of garments and their accessories, except knitwear, by value, 2000–2005 (in millions of United States dollars)

NCM/HS a/	Description	2000	2001	2002	2003	2004	2005
6201	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, and similar articles, other than those of heading no. 6203	43.8	44.0	38.9	43.4	51.2	70.7
6202	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204	54.3	56.8	48.9	53.2	64.0	77.7
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	0.0	0.0	0.0	0.0	0.0	0.0
6203.1	Suits	172.6	160.9	117.6	111.6	130.1	178.1
6203.2	Ensembles	207.0	229.7	215.3	227.2	271.4	370.2
6203.3	Jackets and blazers	468.9	425.3	303.3	313.1	354.6	519.5
6203.4	Trousers, bib and brace overalls, breeches, shorts	2 893.1	2 231.2	1 774.0	1 655.5	1 865.7	2 382.2
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts, etc. (except swimwear)	0.0	0.0	0.0	0.0	0.0	0.0
6204.1	Suits	108.3	100.9	98.3	93.4	109.4	155.0
6204.2	Ensembles	219.0	226.7	193.1	204.2	238.7	329.0
6204.3	Jackets	74.9	67.7	46.6	48.2	73.1	64.7
6204.4	Dresses	1 453.1	1 302.5	984.9	1 080.3	1 276.0	1 594.0
6204.5	Skirts and divided skirts	714.1	648.1	551.4	578.1	701.2	937.0
6204.6	Trousers, bib and brace overalls, breeches, shorts	1 568.9	1 208.1	956.1	890.9	1 139.9	1 330.4
6205	Men's or boy's shirts	1 715.9	1 581.2	1 144.3	1 155.8	1 360.6	1 806.9
6206	Women's or girls' blouses, shirts and shirt-blouses	993.1	913.9	688.2	678.4	805.7	1 027.9
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles	0.0	0.0	0.0	0.0	0.0	0.0

Table 1.13 (cont'd)

NCM/HS [a]	Description	2000	2001	2002	2003	2004	2005
6207.1	Underpants and briefs	6.8	5.8	4.6	4.7	5.7	8.2
6207.2	Nightshirts and pyjamas	10.6	10.3	4.1	4.4	5.5	6.0
6207.9	Others	7.4	7.2	2.9	3.1	3.7	3.5
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, etc. and similar articles	0.0	0.0	0.0	0.0	0.0	0.0
6208.1	Slips and petticoats	3.3	2.8	2.3	2.3	2.8	2.9
6208.2	Nightshirts and pyjamas	42.7	42.0	16.5	17.7	21.0	27.9
6208.9	Others	42.3	34.4	19.8	20.0	24.1	36.1
6209	Babies' garments and clothing accessories	128.9	100.3	57.3	62.2	74.5	89.1
6210	Garments made up of fabrics of heading nos. 5602, 5603, 5903, 5906 or 5907	1.7	1.3	1.1	1.4	1.7	3.5
6211	Track suits, ski suits and swimwear, other garments	0.0	0.0	0.0	0.0	0.0	0.0
6211.1	Swimwear	42.5	35.9	22.6	22.3	22.5	13.2
6211.2	Ski suits	4.4	3.2	2.7	2.9	3.3	4.1
6211.3	Other garments, men's or boys'	28.8	26.5	23.5	23.5	27.5	34.2
6211.4	Other garments, women's or girls'	20.1	18.7	18.1	17.6	20.5	26.9
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	83.4	85.0	68.0	71.9	83.2	105.7
6213	Handkerchiefs	8.6	7.2	12.2	12.9	14.9	20.0
6214	Shawls, scarves, mufflers, mantillas, veils and the like	5.5	4.6	9.2	9.8	14.1	16.5
6215	Ties, bow ties and cravats	32.2	26.8	49.3	52.1	60.1	77.4
6216	Gloves, mittens and mitts	111.6	114.8	96.8	93.8	107.8	134.1
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212	67.6	58.4	75.4	80.1	90.7	140.5
	TOTAL: garments and their accessories, except knitwear	**11 335.4**	**9 782.1**	**7 647.0**	**7 635.7**	**9 025.2**	**11 592.9**
	Overall total (chapters 61 + 62)	**21 971.4**	**16 559.3**	**13 258.1**	**13 581.5**	**15 908.1**	**20 720.0**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 62 – Articles of apparel and clothing accessories, not knitted or crocheted.

Import developments, 2001–2005

Clothing imports by type

Tables 1.14 and 1.15 present data on Brazil's clothing imports, by type of article. The tables indicate the importance of made-up articles in fabrics other than knitwear (which contribute 68% of the total FOB value of imports) and the high concentration on a few articles. It is possible to identify from the tables which articles would be of greater interest to LDC exporters.

Table 1.14 Brazil: imports of garments and their accessories, knitwear, by value, 2001–2005 (in thousands of United States dollars)

NCM/HS a/	Description	2001	2002	2003	2004	2005
6101	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.03	1 743	788	1 224	1 472	4 190
6102	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted, other than those of heading no. 61.04	1 529	880	1 189	1 400	4 311
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc. (other than swimwear), knitted or crocheted					
6103.1	Suits	1 031	493	111	143	102
6103.2	Ensembles	308	242	22	261	150
6103.3	Jackets and blazers	16	194	96	49	118
6103.4	Trousers, bib and brace overalls, breeches, shorts	3 039	2 472	3 524	5 267	3 330
6104	Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, etc., knitted or crocheted					
6104.1	Suits	20	6	9	12	15
6104.2	Ensembles	846	421	117	330	328
6104.3	Jackets and blazers	310	358	134	77	128
6104.4	Dresses	1 414	1 028	521	703	636
6104.5	Skirts and divided skirt	599	355	249	376	349
6104.6	Trousers, bib and brace overalls, breeches, shorts	785	906	1 371	1 547	1 306
6105	Men's or boys' shirts, knitted or crocheted	5 372	2 994	2 875	5 007	3 988
6106	Women's or girls' blouses, shirts and shirts-blouses, knitted or crocheted	7 189	4 391	3 639	3 756	6 330
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, etc., knitted or crocheted					
6107.1	Underpants and briefs	178	242	418	990	1,899
6107.2	Nightshirts and pyjamas	50	10	7	6	5
6107.9	Others	10	22	1	4	43
6108	Women's or girls' slips, petticoats, briefs, panties, nightdress, pyjamas, negligees, bathrobes, dressing gowns, etc., knitted or crocheted					
6108.1	Slips and petticoats	18	19	1	7	3
6108.2	Briefs and panties	377	253	550	907	885
6108.3	Nightshirts and pyjamas	91	112	42	36	30
6108.9	Others	148	23	130	385	337
6109	T-shirts, singlets and other vests, knitted or crocheted	3 350	3 178	3 709	4 970	8 217
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	19 019	13 897	10 536	13 870	22 999
6111	Babies' garments and clothing accessories, knitted or crocheted	1 205	1 096	766	973	1 501
6112	Track suits, ski suits and swimwear, knitted and crocheted					
6112.1	Track suits	1 739	508	523	557	667
6112.2	Ski suits	11	10	12	7	13
6112.3	Men's or boys' swimwear	589	321	101	9	101
6112.4	Women's or girls' swimwear	401	184	114	78	60
6113	Garments, made up of knitted or crocheted fabrics of heading nos. 5903, 5906 or 5907	537	708	888	1 052	291
6114	Other garments, knitted or crocheted	1 489	1 077	1 263	1 238	1 019
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	2 397	1 050	1 033	1 405	1 844
6116	Gloves, mittens and mitts, knitted or crocheted	2 865	2 599	3 316	4 566	5 835
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	550	324	265	566	1 576
	TOTAL: garments and their accessories, knitwear	**59 225**	**41 162**	**38 755**	**52 024**	**72 606**

Sources: Foreign Trade Secretariat (SECEX), Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 61 – Articles of apparel and clothing accessories, knitted or crocheted.

Table 1.15 Brazil: imports of garments and their accessories, except knitwear, by value, 2001–2005 (in thousands of United States dollars)

NCM/HS [a/]	Description	2001	2002	2003	2004	2005
6201	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, and similar articles, other than those of heading no. 6203	11 248	6 735	3 689	8 222	16 018
6202	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204	6 603	4 076	4 274	10 096	16 037
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)					
6203.1	Suits	2 634	1 855	1 168	2 854	2 800
6203.2	Ensemble	856	242	49	601	502
6203.3	Jackets and blazers	2 665	2 325	1 340	866	1 483
6203.4	Trousers, bib and brace overalls, breeches, shorts	14 768	12 441	13 224	21 894	35 689
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts, etc. (except swimwear)					
6204.1	Suits	247	62	48	130	98
6204.2	Ensembles	1 845	971	394	542	3 647
6204.3	Jackets	4 342	2 938	2 777	3 053	4 440
6204.4	Dresses	3 851	2 654	2 593	2 870	3 728
6204.5	Skirts and divided skirts	1 840	2 039	2 048	2 434	5 257
6204.6	Trousers, bib and brace overalls, breeches, shorts	7 168	6 258	7 621	9 604	13 169
6205	Men's or boy's shirts	12 048	6 415	5 393	5 871	15 547
6206	Women's or girls' blouses, shirts and shirt-blouses	5 717	5 640	4 483	5 949	12 825
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles					
6207.1	Underpants and briefs	83	113	15	22	76
6207.2	Nightshirts and pyjamas	108	41	54	35	56
6207.9	Others	214	29	48	21	79
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, etc. and similar articles					
6208.1	Slips and petticoats	43	15	6	9	5
6208.2	Nightshirts and pyjamas	1 289	205	196	521	747
6208.9	Others	255	252	130	80	488
6209	Babies' garments and clothing accessories	826	657	535	538	1 311
6210	Garments made up of fabrics of heading nos. 5602, 5603, 5903, 5906 or 5907	2 403	1 544	2 097	5 436	1 873
6211	Track suits, ski suits and swimwear, other garments					
6211.1	Swimwear	1 597	1 728	398	741	470
6211.2	Ski suits	11	229	8	118	8
6211.3	Other garments, men's or boys'	1 987	1 102	1 038	1 487	3 050
6211.4	Other garments, women's or girls'	750	588	645	2 505	1 596
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	1 892	1 777	1 854	2 561	4 281
6213	Handkerchiefs	153	76	128	98	210
6214	Shawls, scarves, mufflers, mantillas, veils and the like	2 313	1 959	1 899	2 510	2 711
6215	Ties, bow ties and cravats	3 076	2 373	1 912	2 343	3 124
6216	Gloves, mittens and mitts	770	463	310	622	489
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212	1 106	721	996	1 575	2 748
	TOTAL: garments and their accessories, except knitwear	**94 708**	**68 524**	**61 369**	**96 207**	**154 562**
	Total clothing (chapters 61 + 62)	**153 933**	**109 686**	**100 124**	**148 231**	**227 168**

Sources: Foreign Trade Secretariat (SECEX), Instituto de Estudos e Marketing Industrial (IEMI).

a/ Nomenclatura Comum do Mercosul/Harmonized System: chapter 62 – Garments and their accessories, except knitwear.

Main origins of Brazil's clothing imports

Table 1.16 lists the top 44 clothing suppliers to Brazil during the period 2003 to 2005. Although the biggest suppliers are major clothing producers, some LDCs already export small quantities to the Brazilian market.

It must be stressed that the 10 biggest suppliers to Brazil accounted for almost 85% of all imports in 2005 (figure 1.2).

Table 1.16 Brazil: imports of clothing, hosiery and accessories, by origin and by value, 2003–2005 (in thousands of United States dollars)

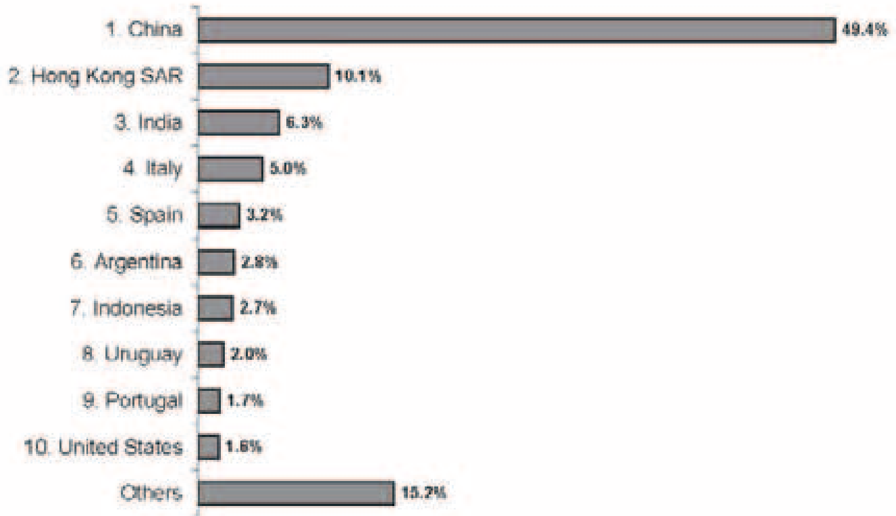
Origin	2003		2004		2005	
	Value	% of total	Value	% of total	Value	% of total
1. China	42 210	42.2	68 851	46.4	112 177	49.4
2. Hong Kong SAR	9 152	9.1	15 240	10.3	22 943	10.1
3. India	3 870	3.9	5 623	3.8	14 420	6.3
4. Italy	7 346	7.3	10 037	6.8	11 414	5.0
5. Spain	8 826	8.8	8 881	6.0	7 304	3.2
6. Argentina	2 865	2.9	4 580	3.1	6 295	2.8
7. Indonesia	2 575	2.6	3 406	2.3	6 025	2.7
8. Uruguay	1 342	1.3	3 017	2.0	4 597	2.0
9. Portugal	2 046	2.0	3 182	2.1	3 865	1.7
10. United States	2 611	2.6	2 956	2.0	3 642	1.6
11. Bangladesh	964	1.0	1 916	1.3	3 536	1.6
12. Paraguay	578	0.6	1 254	0.8	2 943	1.3
13. Turkey	644	0.6	1 175	0.8	2 604	1.1
14. Taiwan Province of China	2 137	2.1	2 372	1.6	2 516	1.1
15. Thailand	1 064	1.1	1 140	0.8	1 971	0.9
16. Viet Nam	496	0.5	1 389	0.9	1 849	0.8
17. Bolivia	348	0.3	1 152	0.8	1 563	0.7
18. Pakistan	508	0.5	813	0.5	1 352	0.6
19. Republic of Korea	1 070	1.1	1.037	0.7	1 333	0.6
20. France	1 712	1.7	1 620	1.1	1 327	0.6
21. Sri Lanka	431	0.4	867	0.6	970	0.4
22. Morocco	1 517	1.5	850	0.6	942	0.4
23. Tunisia	67	0.1	77	0.1	858	0.4
24. Romania	243	0.2	233	0.2	818	0.4
25. Malaysia	68	0.1	242	0.2	815	0.4
26. Bulgaria	430	0.4	473	0.3	764	0.3
27. Philippines	200	0.2	230	0.2	761	0.3
28. Colombia	970	1.0	647	0.4	651	0.3
29. Cambodia	149	0.1	346	0.2	498	0.2
30. Virgin Islands	11	0.0	50	0.0	395	0.2
31. Canada	51	0.1	13	0.0	345	0.2
32. Slovenia	150	0.1	255	0.2	310	0.1
33. United Kingdom	169	0.2	150	0.1	307	0.1
34. Germany	733	0.7	443	0.3	295	0.1
35. Israel	55	0.1	65	0.0	292	0.1
36. Switzerland	39	0.0	226	0.2	287	0.1
37. Democratic People's Republic of Korea	154	0.2	173	0.1	228	0.1
38. Mexico	270	0.3	188	0.1	202	0.1
39. Peru	44	0.0	37	0.0	150	0.1

Table 1.16 (cont'd)

Origin	2003		2004		2005	
	Value	% of total	Value	% of total	Value	% of total
40. Lithuania	100	0.1	54	0.0	121	0.1
41. El Salvador	2	0.0	1	0.0	118	0.1
42. Myanmar	8	0.0	4	0.0	102	0.0
43. Mauritius	45	0.0	13	0.0	101	0.0
44. Lao People's Democratic Republic	11	0.0	147	0.1	90	0.0
Subtotal	***98 283***	***98.2***	***145 424***	***98.1***	***224 096***	***98.6***
Other	1 835	1.8	2 827	1.9	3 072	1.4
TOTAL	**100 118**	**100.0**	**148 251**	**100.0**	**227 168**	**100.0**

Sources: Foreign Trade Secretariat (SECEX), Instituto de Estudos e Marketing Industrial (IEMI).

Figure 1.2: Brazil: imports of clothing, hosiery and accessories, by origin, 2005



An analysis of the tariff structure of imports

Taxes and duties on imports

The duty structure presented in table 1.17 applies to all the clothing articles, hosiery and accessories listed in chapters 61 and 62 of the Nomenclatura Comum do Mercosul/Harmonized System or NCM/HS. (MERCOSUL or MERCOSUR is the Common Market of the South.)

Since May 2004, Brazilian imports have been subject to a PIS (Social Integration Programme) contribution of 1.65% and a COFINS (contribution to Social Security Financing) levy of 7.6%, adding 9.25% to import duties. As these are also imposed on domestic producers, they do not create tax differences between imported articles and articles produced locally. In addition ICMS – a tax on the circulation of goods and services – is collected on all products commercialized in Brazilian territory. When paid, PIS, COFINS and ICMS are recorded as credits which can be deducted from taxes due on sales revenues when the products are sold in the internal market.

Thus, the only tax paid by the importer in addition to the taxes that are also collectible from domestic producers is the import tax. This is 20% for all clothing articles.

Table 1.17 Brazil: taxes and duties on clothing imports, 2002–2006

Year	Import tax (% of CIF price)	IPI [a/]	ICMS [b/]	PIS/COFINS [c/]
2002	21.5%	0.0%	18.0%	0.0%
2003	20.0%	0.0%	18.0%	0.0%
2004	20.0%	0.0%	18.0%	9.25%
2005	20.0%	0.0%	18.0%	9.25%
2006	20.0%	0.0%	18.0%	9.25%

Source: Foreign Trade Secretariat (SECEX).

a/ Tax on industrialized products.

b/ Tax on the circulation of goods and services. The ICMS can be credited to the importer and deducted from the taxes due when the product is sold on the internal market.

c/ Contributions to the Social Integration Programme (PIS) and Social Security Financing (COFINS). These contributions can also be credited to importing companies and deducted from taxes due on sales in the domestic market.

Estimated cost of importing clothing

The cost of importing clothing can be estimated at 40% of the FOB price of the imported article, inclusive of all the expenses related to this activity. The actual cost, however, will depend on the variables involved in purchasing abroad. These include the quantities that can be transported in a container, the distance from the supplying country, the transport means used, international freight and insurance; and the costs of using agents, banks and the like in Brazil.

Table 1.18 Brazil: estimating import prices [a/]

	%
1. FOB price abroad	100.0
2. Sea freight (% of FOB price, estimate)	7.0
3. Insurance (% of FOB price, estimate)	0.5
4. CIF price at the Brazilian port	107.5
5. Import tax (20% of the CIF price)	21.5
6. ICMS (18% of the CIF price + import tax + PIS/COFINS)	25.8
7. PIS/COFINS (9.25% of the CIF price + import tax + ICMS)	14.3
8. Costs of agents, freight and internal insurance, exchange contract, letter of credit, etc. (10% of the CIF price)	10.8
9. Total cost (without deducting the credit for the tax on sales)	179.9
10. Less: ICMS credit	25.8
11. Less: PIS/COFINS credit	14.3
12. Net import price	139.8

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ As stated earlier, actual costs will depend on the distance of the supplying country, the means of transport used, the costs of freight, insurance, etc. The net import price in the table does not include the financial cost incurred between the date of the actual payment of taxes and the utilization of the ICMS and PIS/COFINS credits.

Regional agreements

Argentina, Brazil, Paraguay and Uruguay are full members of MERCOSUR, the Common Market of the South, and between them import taxes are not applicable. Bolivia and Chile are considered associate members of MERCOSUR. For these countries, there is a list of products denoting which products can be included in, or are excluded from, any negotiations on preferential treatment, as well as the products for which preferential tariffs have been negotiated. Reductions of up to 100% of the import tax are possible.

Brazil is also a member of the Asociación Latinoamericana de Integración (ALADI), which aims to favour trade with, and the economic integration of, Latin American countries. ALADI also allows the negotiation of trade agreements for specific products, with varying preference margins, between member countries.

A regional duty preferences agreement, APTR 04, has been negotiated under ALADI which automatically grants member countries duty preferences in accordance with their respective stages of economic development. Countries are classified as developed, under intermediate development and less developed. Under this agreement, Brazil grants duty preferences to all ALADI countries, according to the percentages (of discount in the import tax) shown below:

- Bolivia and Paraguay: 48%
- Ecuador: 40%
- Colombia, Chile, Cuba, Uruguay and Venezuela: 28%
- Peru: 14%
- Argentina and Mexico: 20%

The above are applicable to all garment articles. Argentina, Paraguay and Uruguay are members of MERCOSUR and are exempt from import duties under the terms of the agreement.

Brazil is a signatory of the following additional agreements under the overall ALADI framework:

- Brazil/Cuba
- Brazil/Trinidad and Tobago
- Brazil/Guyana
- MERCOSUR/Chile
- MERCOSUR/Bolivia
- MERCOSUR/Peru
- MERCOSUR/Mexico
- MERCOSUR/Andean Community of Nations (Colombia, Ecuador and Venezuela)

Non-tariff market requirements

Special import regulations

Import licensing[4]

As a general rule, Brazilian imports are exempt from licensing requirements, and importers need only to register a Declaration of Import (DI) with the

4 Based on information from *www.alfredbrand.com/exportguide.htm*.

Importers and Exporters Registry Office of the Foreign Trade Secretariat (SECEX) and SISCOMEX (Sistema Integrado de Comércio Exterior or Integrated Foreign Trade System). This is a computerized information system for completing the import-related documentation for licensing, customs clearance and exchange monitoring.

Depending on the type of goods or services, and whether they are subject to special controls, licensing can be automatic or non-automatic, and is granted before the goods are shipped from abroad. Licensing is executed through SISCOMEX, which will require information on the commercial, financial, tax and exchange details of the transaction in order to define its legal status. Products not subject to special control or special conditions will be automatically licensed upon completion of the Import Declaration of Customs Clearance in the SISCOMEX system. Non-automatic licensing procedures cover products or transactions subject to special importation approval or which are required to comply with special conditions; these must obtain licensing prior to shipment.

Importers should always check with SISCOMEX to verify which type of administrative treatment is applicable to particular operations.

After the goods are shipped, the exporter must send, according to the established method of payment, the documentation that will allow the importer to gain release of goods from Brazilian Customs. This includes the bill of lading or air waybill, commercial invoice, certificate of origin, import licence (when required by Brazilian law).

Access to SISCOMEX[5]

The SISCOMEX network links SECEX (Foreign Trade Secretariat), the Central Bank of Brazil and the Federal Revenue Office. Access to SISCOMEX is granted by Customs to Brazilian importers who are registered with the Cadastro Nacional de Pessoa Jurídica (CNPJ) and the State Taxpayers' Registry. At the time of registry, the importer must designate a bank account to facilitate the payment of duties and taxes.

To enter the SISCOMEX system, one must first obtain a password from the Federal Revenue Office. This password is linked to the Natural Persons Register (CPF) of the user. From then on SISCOMEX can be accessed from points connected to the system (companies, banks, customs agents, brokers or the office of the user), and through terminals installed at the federal bodies in charge of controlling foreign trade.

Inspection of prices

The prices of imported products are inspected by the Department of Foreign Trade Operations (DECEX). The Department uses different references for this check, including quotations at commodities exchanges, specialized publications and price lists of foreign manufacturers.

Customs procedures

The clearance process[6]

The clearance process starts when the imported products arrive in Brazil. The importer or a contracted customs broker, using relevant documentation, shipping information, commercial invoice, and other documents required due

5 Based on information from *www.alfredbrand.com/exportguide.htm*.
6 Based on information from *www.alfredbrand.com/exportguide.htm*.

to special characteristics of the product and/or transaction, will prepare the Import Declaration (DI) in the SISCOMEX and, upon payment of the Import Tax, Excise Tax (IPI also known as Tax on Manufacture) and SISCOMEX user fees, will register the DI. This starts the customs clearance process.

Clearance from Customs consists of a series of acts carried out by a customs official who will authorize the release of the goods to the importer after the verification of the merchandise, verification of compliance with tax laws and of the importer's identity. The SRF (Federal Revenue Office) will release an Import Warrant (CI) in the SISCOMEX that will confirm customs clearance. SISCOMEX will then automatically select the method of customs clearance:

- **Green:** customs clearance authorization is automatically issued.
- **Yellow:** mandatory inspection of documentation is required and, if no evidence of irregularities is found, customs clearance authorization is issued.
- **Red:** mandatory inspection of documentation and of merchandise is required before customs clearance authorization is issued.
- **Gray:** mandatory inspection of documentation, merchandise, and the taxable basis of Import Tax is required before customs clearance authorization is issued. Customs clearance authorization can be arranged before the conclusion of the inspection of customs value, by using a guarantee issued by the importer.

Except under the green option, all documents, together with the receipt of the Import Declaration printed by SISCOMEX and proof of payment or waiver of the ICMS (Value-Added Tax also known as Interstate Movement Tax on Sales and Services), should be presented by the importer to the Federal Revenue Office where the goods are located for the conclusion of customs clearance procedures.

For goods assigned the gray option, a Declaration of Customs Value (DVA) must be made and transmitted via SISCOMEX to explain the commercial aspects of the transaction and to provide additional information to justify the value.

Special customs regimes

The Brazilian Government has created special customs rules, which are managed by the Federal Revenue Office and which allow for the duty-free or suspended-duty entry of foreign merchandise under certain schemes. Some schemes are described below:

- Drawback is a deferral or exemption from taxes on importation of raw materials, semi-finished and finished products and parts and components utilized in the manufacture of products for export from Brazil. It is applicable to the following goods, among others: a) raw material, semi-finished products, used for the production of goods to be exported or which have already been exported; b) goods destined for the packaging, storage or presentation of products, exported or to be exported, since packaging adds value to the product; c) raw material and other merchandise that, although not part of the goods, exported or to be exported, are used for industrial processing such as whitening, purifying or any other similar operation.
- Various bonded warehouse systems which enable Brazilian importers to pay duties only when goods are removed from a warehouse. The exporter has the advantage of being able to make a consolidated shipment and supply customers in a much faster way, as goods will have already landed in Brazil. The exporter must appoint an agent or representative or consignee, who will

be in charge of paying expenses and controlling goods being removed from the bonded warehouse. Although the bonded warehouse is controlled by government officials, the exporter's representative has access to stock.

- Customs warehousing provides for the suspension of import duty on imported goods that are stored in a location authorized by Customs for up to 45 days, after which the goods must be expedited for consumption, re-exported, exported or transferred to another customs warehouse system. This arrangement is beneficial to companies for cash flow reasons, among others.
- Temporary admission. This system allows the temporary import of goods covered under regulations for exhibition, repairs or testing without payment of duties. The term allowed for temporary imports of this type is three months. It also permits the temporary import of goods with proportional payment of taxes based on a rental or lease agreement between the foreign exporter and the Brazilian importer. Import tax and the federal tax (IPI) are charged only on products that are used in the production of other products. This regime is often used for dies and industrial tools. The taxes due are proportional to the time frame the imported product will remain in Brazil.
- Customs transit. This regime allows the transportation of goods under the control of customs officials from one customs area to another. Taxes are suspended until the goods are entered for consumption. Transit entries are filed through SISCOMEX either by the importer or the transportation carrier who then presents a guarantee securing the duties that would be due at arrival if the goods are subsequently entered for consumption.

Freight and transport requirements

Freight charges on imports can be paid at destination or at origin, depending on the agreement between seller and buyer. For imports of products for companies benefiting from government tax incentives, transport in ships carrying the Brazilian flag is compulsory, except when this requirement is waived by the Ministry of Transport when a Brazilian flag ship is not available or lacks space.

A 25% surcharge on freight for merchant fleet renewal (AFRMM) is collected on long-haul transport. It is charged to the cargo consignee by the navigation company. It is due at the Brazilian port on the date of the discharge operation.

Packaging, marketing and labelling requirements

There are no requirements regarding the packaging used for the commercialization of clothing articles. Usually the more sophisticated articles (of higher value) are commercialized in individual packages, while others can be sold and transported in bulk or in common boxes.

Both domestic and imported clothing are required to observe the CONMETRO Resolution (CONMETRO is the National Metrology Counsel), which requires textile articles to be labelled. The labels should carry legible lettering which should be clearly visible and should be at least 2 mm in size. The language used should be that of the country of consumption (Portuguese in the case of Brazil); other languages can be used in addition. Information can be placed on one or more labels or on both sides of the same label.

The information on the labels should include:

- Fibre composition of the product, in % of the total;
- Name or business name of the manufacturer or importer;
- Number in the Cadastro Nacional de Pessoa Jurídica (CNPJ);

- ❑ Country of origin (where it was produced);
- ❑ Size measurements;
- ❑ Care instructions (ISO 3758[7] or NBR 8719[8]).

Use of specialized companies

The majority of manufacturers use the services of independent commercial representatives who are commissioned to sell the manufacturers' products. Sales to major clients are usually made direct by the owner of the factory or by the commercial manager. However, there are companies which use organizations that specialize in sales to distribute their products.

Ethical trading requirements

Some companies select their suppliers from among those who eschew the use of minors in their production departments. However, this is not common in the sector. Brazil does not have laws that regulate this type of ethical standard, nor has it signed any corporate social responsibility agreement.

Expected market developments

The production of garments in Brazil declined over the period 2000 to 2005, with the number of pieces produced falling by 5.2%. In the first three years of that period, internal economic and political factors affected the sector negatively. In the last two years, the difficulties were caused by the appreciation of the Real over the United States dollar, which affected the competitiveness of Brazilian products in the international market. Brazilian exports of the products under review fell by an estimated 15% in 2006 and imports rose by an estimated 51% in the same year. The situation offers opportunities for the LDC group of countries to seek greater participation in the Brazilian market.

The preliminary projections for 2006 pointed to a growth of around 5.2% in the internal supply. This will certainly force the compression of average prices in the market, and will demand more aggressive positioning by the domestic industry if it is to avoid further losses in market share to imported articles, as tables 1.19 and 1.20 show.

Regular studies of a representative sample of the Brazilian apparel industry point to a small growth in production, both by volume and by value, as can be seen in the tables.

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7 ISO 3758:2005, a norm issued by the International Organization for Standardization (ISO), establishes a system of graphic symbols, intended for use in the marking of textile articles, providing information to prevent irreversible damage to the article during the textile care process, and specifies the use of these symbols in care labelling. The following domestic treatments are covered: washing, bleaching, drying, ironing, and drying after washing. Professional textile care treatments in dry and wet cleaning, but excluding industrial laundering, are also covered. However, it is recognized that information imparted by the four domestic symbols will also be of assistance to the professional cleaner and launderer. The standard applies to all textile articles in the form in which they are supplied to the end-user.

8 NBR 8719 is the equivalent Brazilian norm.

Table 1.19 Brazil: forecasts for production in the apparel industry, by volume, 2005–2007 ('000 pieces)

	2005	2006 a/	2007 a/
Production	5 642 768	5 840 265	5 957 070
Imports	170 994	258 885	284 773
Exports	98 999	84 644	91 416
Apparent consumption	5 714 763	6 014 506	6 150 427

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Forecasts.

Table 1.20 Brazil: forecasts for production in the apparel industry, by value, 2005–2007 (in thousands of United States dollars)

	2005	2006 a/	2007 a/
Production	20 720 030	21 445 231	21 874 136
Imports	227 168	343 932	378 325
Exports	336 758	287 928	310 962
Apparent consumption	20 610 440	21 501 235	21 941 499

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Forecasts.

The domestic market

Market players

This section presents the results of a survey of 41 of the largest retail chains that are already importing clothing articles or are interested in importing them. The companies concerned are listed in annex I, together with information on brand names, number of stores, size of sales areas, number of active employees, main imported products and main supplying countries; 2005 import values are also given for some of them. Complete addresses and other contact information are provided to facilitate contact between prospective exporters and garment buyers. For the survey, the respondents were asked to fill out a structured questionnaire drawn up for the purpose or were interviewed over the telephone. The companies are located as follows: 33 in the southeast, 6 in the south and 2 in the northeast of Brazil.

Sales channels

As table 1.21 shows, stores specializing in clothing, with sales area of over 300 m^2, are classified as major specialized retailers. These are the main channels for clothing sales in the country, distributing 19.7% of the volume of clothing produced domestically.

Small multi-brand stores, boutiques, etc., classified as small independent retailers, have a strong presence in residential areas and the smaller cities. Handling 18.8% of domestic production, they rank second as outlets for clothing.

The small store chains, owned or franchised, rank third, with 15.7%. Department stores and hypermarkets account for 10% of the volume distributed.

The wholesale trade, which resells its inventories to the small specialized stores (multi-brand), has 16.2% of the total.

The other channels, including the ready-delivery stores, door-to-door sales, catalogue sales, online sales and other alternative channels, have a highly significant participation, at 14% of the total.

Only 1.8% of the clothing volume produced in the country is aimed at the external market.

Table 1.21 Brazil: channels of distribution for clothing, percentage shares in total production,[a/] 2006

Channels of distribution	Percentage of production
Major retailers: specialized stores	19.7
Small retailers: independent stores	18.8
Wholesale (redistribution)	16.2
Small retailers: chain stores	15.7
Major retailers: department stores/hypermarkets	10.0
Institutions (Government, industries, cooperatives, etc.)	3.8
External market (exports)	1.8
Other	14.0
TOTAL	**100.0**

Source: Instituto de Estudos e Marketing Industrial (IEMI).

a/ Based on the volume of pieces aimed at each channel.

Number of companies in the clothing business

According to information from the Ministry of Labour and Employment (RAIS), presented in table 1.22, there are almost 120,000 points of sale (stores) for clothing articles in Brazil. About 4% of them are wholesale outlets and 96% retail. In terms of size, 97.4% are small, 2.4% are medium-sized and only 0.2% are large.

Table 1.22 Brazil: distribution of companies in the clothing business, by type and by size, 2006

Sectors	Small [a/]	Medium-sized [b/]	Large [c/]	Total
Wholesale trade	4 505	163	13	4 681
Retail trade	112 269	2 745	170	115 184
TOTAL	**116 774**	**2 908**	**183**	**119 865**

Source: Ministry of Labour and Employment.

a/ Up to 19 employees.
b/ 20 to 99 employees.
c/ Over 99 employees.

Apparel procurement practices

The clothing manufacturer should approach a Brazilian retailer with samples of products, along with information on prices, terms of delivery, payment conditions, etc., when he/she wishes to start a business. This work is almost invariably done by an independent professional, locally known as a 'commissioned representative'. This type of professional works within regionally limited areas, or with groups of predetermined clients. Although commissioned representatives are not formally employed by the manufacturers, Brazilian law assures them the right to a certain compensation when they are dismissed.

There are also retailers – generally small and distant from the major production centres – who seek out manufacturers to widen their supplier network, or re-establish connections with past suppliers. Many manufacturers wishing to assist these retailers establish ready-delivery stores, with an inventory of products for wholesale and even retail.

Use of e-commerce and ICT for procurement

Electronic commerce has been tried, but has not produced satisfactory results or results that are significant to the clothing segment. In the majority of purchases, the physical examination of the products offered is very important. According to purchasers, nothing replaces the sight, touch and fit of the product for a perfect evaluation of the fabric used, the quality of manufacturing and design, etc. Some small manufacturers of customized products, particularly in men's shirts, are trying to replace the retailer by offering, via electronic media, products that are made to measure, but the results in terms of the mass consumer market are negligible.

Consumer preferences for specific fibre types and blending

Brazil is a tropical country, where the average annual temperature is around 25°C. Lower temperatures are registered only in the southernmost states. It is also a major cotton producer, with an output sufficient for domestic demand. Thus, it is natural that the Brazilian consumer has a preference for natural fibres, which account for about 61% of the volumes consumed in the clothing industry; cotton accounts for 53% of the total.

Brazil is a net importer of synthetic materials, especially filaments and fabrics.

Table 1.23 divides the Brazilian foreign trade in textiles into two groups: articles of natural fibres and articles of synthetic fibres. Brazil has a trade surplus for every category of natural-fibre products, and a deficit in practically all products made of synthetic fibres.

Table 1.23 Brazil: foreign trade in textiles, by type of raw material and by value, 2003–2005 (in millions of United States dollars)

Raw materials and products	Imports			Exports			Trade balance		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Natural [a]	**231**	**299**	**246**	**1 181**	**1 430**	**1 514**	**+950**	**+1 131**	**+1 268**
Fibres	146	173	48	236	454	502	+90	+281	+454
Yarns and threads	10	16	28	141	121	106	+131	+105	+78
Fabrics	18	30	52	257	289	288	+239	+259	+236
Manufactures [b]	57	80	118	547	566	618	+490	+486	+500
Synthetic [c]	**649**	**908**	**1 005**	**326**	**442**	**434**	**-323**	**-466**	**-571**
Fibres and filaments	351	497	466	136	150	147	-215	-347	-319
Yarns and threads	23	58	118	33	39	45	+10	-19	-73
Fabrics	204	249	263	60	80	96	-144	-169	-167
Manufactures [b]	71	104	158	97	173	146	+26	+69	-12
Other [d]	**182**	**215**	**267**	**149**	**207**	**254**	**-33**	**-8**	**-13**
TOTAL	**1 062**	**1 422**	**1 518**	**1 656**	**2 079**	**2 202**	**+594**	**+657**	**+684**

Sources: Foreign Trade Secretariat (SECEX), Instituto de Estudos e Marketing Industrial (IEMI).

a/ Cotton, jute, wool, linen, ramie, silk and other animal and vegetal fibres.
b/ Carpets and rugs.
c/ Polyester, polyamide, acrylic, viscose and other artificial and synthetic fibres.
d/ Non-fabrics, technical fabrics, felt, cords, etc.

Case studies of large national retailers and clothing importers

This section presents some of the findings of a survey of 41 of Brazil's major retail clothing chains. The case studies give brief descriptions of the chains' position in the country in terms of number of stores, size of sales areas and number of employees. Information on the main imported products and supply origins is provided as well as the value of imports in 2005 for some companies. Import practices are also described.

A general discussion of various aspects of the retailers' trade follows the case studies. All the retailers and/or importers surveyed are listed in annex I, with full contact details and indications of import preferences.

Case studies

C&A Modas Ltda.

Value of imports: US$ 18.5 million

Imported products: Underwear, sleepwear, beachwear, sportswear, baby clothes, socks, pants, bermudas, shorts, shirts, blouses, T-shirts, skirts, dresses, suits, tailleurs, coats, jackets

Countries of origin: China (70%), Bangladesh (3%), India (20%), Indonesia (3%), Taiwan Province of China (3%), Uruguay (1%)

Import practices

Although the company has a purchasing centre for the corporation's international operations, the Brazilian subsidiary handles its own imports. It has an import department, which receives offers from foreign suppliers in Brazil as well as from abroad and is responsible for selecting suppliers. The department identifies suppliers through chambers of commerce, and national and international fairs; it also makes use of the organization's international experience and its presence on five continents. After identifying a possible supplier, the department presents the supplier's products to the sales department for approval.

When the sales department accepts an offer, the import department carries out the import operation, delivering the product, ready for sale, to the different stores in the country, behaving much like an independent importer. This department is not only responsible for purchasing the imported product, but also for all tasks involved (quality control, transportation, etc.) until its delivery to the company warehouses from where it will be distributed to the stores.

Arthur Lundgren Tecidos S.A.

Value of imports: US$ 8.0 million

Imported products: Pants, bermudas, shorts, shirts, blouses, T-shirts, skirts, dresses, coats, jackets, sweaters, pullovers and tricot

Countries of origin: China (70%), Bangladesh (10%), India (10%), Uruguay (10%). The company plans to import from Viet Nam in the future

Import practices

The company has a section handling import operations which is subordinate to the general sales management department. The section has specialized personnel who regularly visit producing countries in order to get to know possible exporters. It visits factories and sends the head office reports containing a description of the industrial park; information on prices, freight costs, delivery times and other information of commercial interest; the reports are accompanied by product samples. If the supplier is accepted on the basis of the preliminary report, an experimental import is made to observe and analyse the product's sales behaviour. If the results are positive, the process of purchasing in commercial quantities is initiated. The time that lapses between initial contact and the first commercial order is never under six months and generally takes 10 to 12 months.

The company chooses possible exporting countries by evaluating products sold by its competitors in Brazil, as well as samples offered by exhibitors at international fairs or by exporters' representatives on visits to Brazil.

To illustrate typical company behaviour, about six months prior to the survey, the company received a visit from a representative of a company in Viet Nam who showed interesting products. As a consequence, the company sent one of the specialized staff of its import section to Viet Nam. This staff member found three other possible exporting companies. At the time of the survey, two experimental orders had already been shipped and one more was in the process of being finalized. If the product performed well, the company expected to place its first commercial order with the Vietnamese company within two or three months.

Lojas Riachuelo S.A.

Value of imports: US$ 10.5 million

Imported products: Underwear, sleepwear, beachwear, sportswear, pants, bermudas, shorts, shirts, blouses, T-shirts, skirts, dresses, coats, jackets

Countries of origin: China (60%), Republic of Korea (10%), India (15%), Indonesia (10%), Taiwan Province of China (2%), Argentina (3%)

Import practices

The company has a section in charge of imports which is subordinate to the purchasing department. The operations of the import section can be defined as passive since in general it does not seek suppliers, negotiating only with suppliers who reach out to it. The company makes contacts at fairs or expositions, or through visits of representatives of foreign factories or local importers. At present, in response to a request from the purchasing department, the section has been trying to reach one or the other possible exporter via the internet.

In reality, the import section is more concerned with transportation logistics, preferably from the local port to the company warehouses since most imports are made on CIF terms. It is the purchasing department which enters into direct discussions with the supplier on prices, delivery times and the evaluation of samples. If the proposition is attractive and the quantities involved justify the action, a representative of the purchasing department (and not the import section) is sent to the supplying country for a detailed on-site study to verify the supplier's capacity to satisfy company demands. But this procedure is not common or routine. In general, the company receives visits from suppliers.

GZT Comercio e Importação Ltda.

Value of imports: US$ 600,000

Imported products: Pants, bermudas, shorts, coats, jackets, shawls, umbrellas

Countries of origin: China (83%), Uruguay (6%), Viet Nam (11%)

Import practices

This case clearly illustrates how small importers operate. The company does not have an import department *per se*. Purchases, including imports, are made by the owner of the company who identifies possible suppliers during visits to national and international fairs (when he/she travels abroad on tourism or business), or from advertisements that come by mail. Visits by importers with interesting offers may also result in purchases. But the company's main interest is direct importation, for which 'costs are lower and the relationship more productive'. Purchases of Chinese and Vietnamese products are made via Hong Kong SAR, considered by the interviewee as the largest and best shopping city in the world. Once the product is selected and the deal is made, the buyer makes the purchase at CIF Brazil prices and hands over to a specialized agency the responsibility for customs clearance and delivery of the product to the warehouse. When inquired about possible after-sales problems, the buyer assumed a more or less passive attitude: 'I complain to the supplier and if I am not appropriately taken care of I remove it from my list of suppliers.'

Irmãos Zolko Ltda.

Value of imports: US$ 150,000

Imported products: Coats, jackets

Country of origin: China (100%)

Import practices

This is another small importer. The company does not have an import department. The acquisition of imported products is handled by the section responsible for purchasing in the domestic market. The company maintains a passive-reactive behaviour to importing. When it receives a visit from an export representative and it finds the offer interesting, it contacts the manufacturer directly to explore purchasing possibilities. The first purchases are of small quantities for purposes of 'practical observation'. If the products do well, larger purchases are made. At present, the company imports from two suppliers in China, one of which had already received five orders and the other three at the time of the survey. The products are acquired CIF Brazilian port, and customs clearance is handled by a specialized company which is also responsible for placing the merchandise in the company warehouses.

Products imported

The large retail chains surveyed for this study import mainly the larger-volume garment articles. Of the 41 companies surveyed, only seven did not deal with imports. The most prominent import products and the percentage of companies that imported them were as follows:

Imports	Importers as % of companies surveyed
Coats and jackets	56
Trousers and shorts (men's and women's)	53
Shirts and blouses (men's and women's)	44
Dresses	44
Skirts and trousers/skirts	35
T-shirts	23
Sportswear	21

Supply origins

The large importer and retail chains concentrate their purchases in countries with the largest share in imports of garments by Brazil. Those that stand out are:

Supply origin	Companies supplied as % of companies surveyed
China	71
India	21
Italy	18
Taiwan Province of China	15
Bangladesh	12
Uruguay	12
Argentina	9
Republic of Korea	9

Besides Bangladesh, a few other LDC countries were mentioned as suppliers of the companies surveyed.

Sourcing practices

Excluding the seven companies (17% of the total surveyed) that do not import, the others are split in terms of purchasing policy on a more or less equal basis between that who seek external suppliers in their own countries and those that buy in Brazil from importers or domestic representatives.

In terms of volume, however, the large companies that go to the suppliers in their own countries account for about 65% of the pieces imported. Purchases from importers and domestic representatives make up the remaining 35% of the volume imported. Some major businesses initially prefer to buy from representatives and importers, and only after some experience with the supplying country do they start to make direct purchases from the producers.

For over 53% of the companies surveyed, imports contribute at the most 10% of their sales volumes. On average, imports account for 17% of the sales revenues of all the companies surveyed.

Table 1.24 Brazil: importing systems used by 41 large retail companies, 2006

Import systems	Number of companies	% of base
Imports directly	16	39.0
Buys from importer/distributor	18	43.9
Is not importing yet	7	17.1
Base	**41**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

Table 1.25 Brazil: how importers contact prospective suppliers, 2006

Method of contact	Number of companies	% of base
Contacted the supplier	11	68.7
Was contacted by the supplier	3	18.8
Went out to contact's country and was contacted by supplier	2	12.5
Base	**16**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

Table 1.26 Brazil: share of imported products in total sales revenue, 2006

Share of imports in total sales revenues	Number of companies	% of base
Up to 5%	9	28.1
6% to 10%	8	25.0
11% to 20%	5	15.6
21% to 30%	4	12.5
31% to 50%	3	9.4
Over 50%	2	6.3
Base	**32**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

The retail chains' main requirements from LDCs

The most important requirement concerns the quality of the product. When companies speak about quality, they refer to the fabric used, the quality of the cut and stitching, and even the model, which must always reflect current fashions. Price is the next main requirement. Quality and price are regarded as the prime criteria by over 63% of importers.

Strictly speaking, acceptable quality and price levels are the minimum conditions for a company to be featured on a company's list of potential exporters. The actual choice of supplier will depend on the other factors indicated in table 1.27, such as reliability, the ability to adjust quickly to fashion trends, terms of delivery and conformity with good social practices.

Table 1.27 Brazil: importing requirements of major retail chains, 2006

Importing requirements a/	Number of answers	% of total number of answers
Quality	26	43.3
Best price	12	20.0
Reliability/decency/partnership	5	8.3
Trends/updated collection/novelties	2	3.3
Terms of delivery	2	3.3
No slave/child work	2	3.3
Technical assistance	2	3.3
Market knowledge	2	3.3
Professional attitude	2	3.3
Good track record	1	1.7
Experience in supplying	1	1.7
Payment conditions	1	1.7
Supplier structure	1	1.7
Respect for the environment	1	1.7
TOTAL NUMBER OF ANSWERS	**60**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

a/ Multiple choice answers.

The retail chains' image of clothing imports from LDCs

The first conclusion to be drawn from the answers obtained during the survey is that there are no preconceptions about suppliers from LDCs. About 15% of the companies surveyed are already importing from LDCs. Among the other companies, there are doubts about whether the LDCs' level of development would enable them to meet the basic requirements for being listed as potential suppliers. However, the doubts concern possible technical limitations in these countries. About 15% of the interviewees have the perception that products from LDCs might suffer from poor raw materials or finishing of lower quality (see table 1.28), and that suppliers in these countries might not have the required infrastructure or the personal culture to become good exporters. These are doubts that can be easily cleared. All that is needed is the presentation of some models, accompanied by information on the companies' machine park and the list of customers they serve on a regular basis. In other words what is required is a good commercial presentation.

Table 1.28 Brazil: the major retail chains' perception of clothing from LDCs, 2006

	Number of companies	% of base
Image of clothing imports from LDCs		
Good	6	14.6
Bad	6	14.6
Same as other countries	6	14.6
Don't know/not aware	14	34.2
Did not give an opinion	9	22.0
Base	**41**	**100.0**
Image of supplying companies		
Inferior raw material/low quality/lack of infrastructure	9	45.0
Quality products	6	30.0
Lack of government incentives, but there is potential	2	10.0
Bad image	1	5.0
Low prices	1	5.0
Does not deliver on time	1	5.0
Base	**20**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

The above conclusion becomes clear from an examination of the reasons why the majority of the companies surveyed do not import from these countries. As table 1.29 shows, the main reason is the lack of knowledge of the products and manufacturers from these locations.

Table 1.29 Brazil: reasons given by major retail chains for not importing from LDCs

Reasons for not importing from LDCs	Number of companies	% of base
We do not have information on LDC products and suppliers.	11	47.8
We already have suitable suppliers.	4	17.4
We import small quantities.	2	8.7
These countries lack the structure for exporting.	2	8.7
Should be linked to the 'collections' subject.	1	4.3
The Chinese market has more to offer.	1	4.3
They do not respect labour rights.	1	4.3
They do not have the products I am looking for.	1	4.3
Base	**23**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

The recommendations of the major retail chains on how best to penetrate the domestic market

Exporters from countries that are not yet exporting or that do not export much to Brazil should have an aggressive sales policy. They should send representatives to see importers because, as has been discussed above, the majority of Brazilian importers are not aware of products from, and suppliers in, foreign countries.

The exporter should be familiar with the products sold in the Brazilian market, evaluating them from the standpoints of the raw materials used, their industrial production standards (patterns, style, finishing, materials, etc.) and sales prices. On the basis of this evaluation, they should prepare sample pieces in order to demonstrate their own production standards. As an alternative, these potential exporters could take as reference standard (for quality, prices and models) products offered in the country by the current major suppliers, such as China, Hong Kong SAR, India and Indonesia.

If at all possible, exporters should maintain a distribution structure in Brazil, as many small and medium-sized retailers buy imported products from distributors based in Brazil.

What LDC clothing exporters need to offer to the major retail chains

To encourage them to buy from LDCs, Brazil's major retailers and importers say that the suppliers must offer a variety of products of good quality in a number of sizes, meet delivery deadlines, provide a company profile with recommendations on their performance as exporters, and propose competitive prices.

Table 1.30 Brazil: the major retailers' main reasons for purchasing from their suppliers, 2006

Main reasons for purchasing	Number of answers [a/]	%
Quality	24	25.3
Meets delivery deadlines	16	16.8
Experience and performance as an exporter	14	14.7
Advantageous prices	12	12.6
Variety of products	12	12.6
Products available in all sizes	12	12.6
Exclusivity	1	1.0
Post-sales assistance	1	1.0
Inquiries to the register	1	1.0
Adequate production capacity	1	1.0
Professional attitude	1	1.0
Base	**95**	**100.0**

Sources: Companies participating in IEMI survey (see annex I).

a/ Multiple choice answers.

Possible niche markets and product groups to be targeted

List of imports

Brazil's imports of clothing remain small; they amounted to US$ 227 million in 2005 and should have reached U$ 344 million in 2006. As table 1.31 shows, they are strongly concentrated on 13 product groups; these accounted for over 89% of imports in 2005.

Table 1.31 Brazil: import items, by NCM/HS categories and as percentage of total purchases of clothing, 2005

Products	% of total imports of clothing	NCM/HS categories
1. Coats and jackets	17.9	6101, 6102, 6201 and 6202
2. Trousers, shorts (male)	17.2	6103.4 and 6203.4
3. Shirts and blouses (men's and women's)	17.0	6105, 6106, 6205 and 6206
4. Sweaters and pullovers	10.1	6110
5. Trousers, shorts (women's)	6.4	6104.6 and 6204.6
6. Coats, blazers, suits	4.0	6103.1, 6103.3, 6203.1 and 6203.4
7. T-shirts	3.6	6109
8. Gloves	2.8	6116 and 6216
9. Swimsuits, bikinis, swimming trunks	2.6	6112.4 and 6211.1
10. Skirts, trousers and skirts	2.5	6104.5 and 6204.5
11. Dresses	1.9	6104.4 and 6204.4
12. Bras, corsets	1.9	6212
13. Ties	1.4	6215
Subtotal	***89.3***	**–**
Other	10.7	–
TOTAL	**100.0**	**–**

Source: SECEX.

Products and market niches offering the best opportunities

Table 1.32 lists the top 10 clothing products that have shown the biggest growth in imports over the period 2001 to 2005.

Table 1.32 Brazil: best performing imports, 2001–2005

	NCM/HS categories
Articles of knitting fabrics	
1. Briefs, pyjamas, robes (male)	6107
2. Ties	6117
3. Shawls, scarves	6117
4. Coats, blazers and jackets	6101 and 6102
5. T-shirts	6109
6. Gloves	6116
7. Panties, pyjamas, robes	6108
8. Trousers, shorts (women's)	6104.6
9. Baby clothing	6111
10. Sweaters, pullovers	6110
Articles of other than knitting fabrics	
1. Skirts, trouser/skirts	6204.5
2. Trousers, shorts (men's)	6203.4
3. Bras, corsets, garters, suspender belts	6212
4. Suits (women's)	6204.2
5. Trousers, shorts (women's)	6204. 6
6. Coats, blazers and jackets	6201 and 6202
7. Shirts, blouses	6205 and 6206
8. Baby clothing	6209
9. Handkerchiefs	6213
10. Swimsuits, swimming trunks	6211.1

Sources: Foreign Trade Secretariat (SECEX), Instituto de Estudos e Marketing Industrial (IEMI).

Thus, in order to obtain more immediate results, clothing exporters looking for opportunities in the Brazilian domestic market should concentrate on the following market niches:

- *Products:* Articles listed in table 1.32, with particular emphasis on knits (sweaters, pullovers, etc.).
- *Sales channels*: Major retail chains, major wholesalers and importers. These offer the best conditions for suppliers from LDC countries.
- *Regions:* The southeastern and southern States should be prioritized as areas for developing major clients and structuring the logistics of commercial representation.
- *Consumer public:* The target should be consumer groups in the middle and low income levels, who seek up-to-date fashion articles that are comfortable, of good quality and attractively priced.

It should be noted, however, that the main textile articles imported by Brazil over the past few years have been fashioned from fabrics made of artificial and synthetic fibres (worth about US$ 235 million in 2005) and polyester filaments (valued at US$ 233 million). Together, they contributed 31% to total imports (fibres, filaments, yarns, fabrics, specialities and manufactures) in 2005, which amounted to US$ 1.5 billion.

Support schemes for LDCs

Brazil has signed the Global System of Trade Preferences among Developing Countries (GSTP). However, the list of products benefiting from preferential treatment in Brazil does not include the products under review.

However, there are no national mechanisms that can support or encourage clothing imports from less developed countries.

Recommendations to clothing exporters

Supplying the retail trade

As has been mentioned, the *specialized* clothing retail trade is highly fragmented. An enormous number of small stores, spread throughout the country, are concentrated in the medium-sized to large cities. There are a total of 115,000 points of sale that can be segmented as follows, according to their organization and potential for purchasing imports:

- *Specialized chains.* These have 11,000 points of sale and are responsible for 36% of clothing sales in Brazil. The focus is on goods of average to high-average quality. Although most demonstrate interest in the opportunities offered by Asian and other lower-cost country suppliers, few operate with enough volume to make direct purchases from foreign exporters as they do not have the structure for handling the entire import process. Therefore, most of these potential buyers will need to be supplied in some indirect manner, through local importers/distributors.
- *Independent stores.* These include 104,000 points of sale and are responsible for another 36% of the volume of clothing sold in the country. In general, the stores are small in area and carry a highly diversified mix of products with a few items per model. They do not have the minimum requirements for engaging in direct imports, and thus, like most of the specialized chains, they will need to be supplied by local importers/distributors.

The channel formed by *non-specialized* clothing retailers, more specifically hypermarkets and department stores (such as Carrefour, Wal-Mart, Pão de Açúcar/Extra, Americanas, Casas Bahia) is highly concentrated. It comprises chains that operate large stores (more than 1,000 m^2 in size) and therefore have the volume and structure needed to directly import from foreign exporters. Not all chains carry clothing.

The chains have 9,000 points of sale in Brazil. The hypermarkets are more focused on food and the department stores on furniture and electrical appliances. Nevertheless, this channel is responsible for 11% of the country's clothing sales.

The rest of domestic market sales (17%) consists of government and company (industries, cooperatives, etc.) purchases, and catalogue and door-to-door sales.

Two conclusions can be drawn from the state of the Brazilian market:

- The first is that there is great interest in the offer of articles imported at competitive costs, whether they are from the large Asian exporters, or from LDCs.
- The second is that most of the specialized retailers do not have the volume nor the structure to purchase imported articles direct from foreign suppliers, which necessarily imposes the need to develop supply agreements and partnerships with local importers/distributors.

There are thus three ways for LDCs to access Brazilian retail clothing buyers.

The first would be to supply Brazilian import companies. These companies would be responsible for import costs, withholding local taxes, granting credit to customers, etc. The main drawback is that the importers generally focus on basic, low-cost, high-turnover articles. These buyers tend to be described as 'opportunistic', without any care for a long-term relationship or in shared investments to promote and develop the product in the local market.

Another alternative would be to establish a local distributor (owned by the exporter) with an administrative structure, cost centre, etc., which would require a mark-up to handle these costs. This mark-up will undoubtedly eliminate part of the initial competitiveness that results from production costs that are lower in LDCs than they are in Brazil. The operation will demand much attention to sales service, product quality, stock and restocking logistics.

The third possibility would be direct sales (export) through local commercial agents to large retail chains, involving negotiations for longer-term supply contracts, delivery schedules, the development of exclusive products, etc. This method offers the buyer the lowest cost and strengthens the competitiveness of LDC exporters, but only large buyers have the volume and the structure required for this type of operation. The inconvenience here is that the large retail chains tend to operate only with their own brands or brands that are known on the local market, which makes the consolidation of exporters' brands on the Brazilian market more difficult.

The survey carried out with the large specialized clothing chains for this study revealed that 83% are already importing, with 39% buying direct from their foreign suppliers and 49% buying from local importers/distributors (indirect).

However, even these buyers import small quantities in comparison with the total acquired from the domestic market. For example, in 2006, the biggest buyer imported goods worth less than US$ 20 million, which represented no more than 4% of its total purchases. However, these buyers intend to expand purchases from abroad although they know they will face increasing pressure from local producers and the entities controlling Brazilian Customs.

That is another problem for exporters interested in operating in the Brazilian market. A vast range of illicit foreign trade practices carried out by local importers, in collusion or not with foreign suppliers, is being identified in the clothing import trade. This has generated demands from domestic producers for more protection and guarantees from the Brazilian Government, which is beginning to cede to the pressure. The main result of this pressure could be an increase in the import tariff on clothing goods from the current 20% to 35%, for all articles in chapters 61 (knitwear) and 62 (flat fabric wear) in the TEC (Common External Tariff). During the time of the preparation of this chapter, this decision had been delayed, but there was a good chance that it would be approved sooner rather than later.

Possible partnership with Brazilian fabric producers

Companies producing fabrics in Brazil, especially flat cotton fabrics (indigo and shirting), as well as some large knitwear factories, are interested in identifying partners in low-cost producing countries that have privileged access (reduced import tariffs) to the American and European markets.

The intention is to export Brazilian fabrics to these partners who will manufacture the apparel and export the preferential final product to the United States and Europe. In order to make this arrangement feasible, they are even willing to invest in a production unit to be installed next to that of the apparel manufacturing partner in the country of origin.

Cited here merely as examples, the following companies are studying this possibility:

- Weaving mills: Santista, Vicunha and Santana;
- Knitwear and apparel producer: Marisol;
- Weaving mills and producer of bed, table and bath fabrics: Coteminas and Karsten.

Annex I

Brazil: useful contacts and addresses

GOVERNMENT OFFICES

Ministry of Development, Industry and Foreign Trade
Esplanada dos Ministérios - Bloco J
Brasília - Distrito Federal
CEP 70053-900
Tel: 55 61 329-7001- 3297942
Website: *www.desenvolvimento.gov.br*

Ministry of Foreign Affairs
Palácio Itamarati
Esplanada dos Ministérios - Bloco H
Brasília - Distrito Federal
CEP 70170-900
Website: *www.mre.gov.br*

Foreign Trade Office – SECEX
Esplanada dos Ministérios - Bloco J
Brasília - Distrito Federal
CEP 70053-900
Tel: 55 61 2109-7000
Website: *www.aliceweb.desenvolvimento.gov.br*

Federal Revenue Office – SRF
Esplanada dos Ministérios - Bloco P
Brasília - Distrito Federal
CEP 70048-900
Tel: 55 61 412-2707
Website: *www.receita.fazenda.gov.br*

INDUSTRY FEDERATIONS

National Industry Confederation – CNI
SBN - Quadra I - Bloco C - 17.º andar
Brasília - Distrito Federal
CEP 70040-903
Tel: 55 61 3317-9528
Website: *www.cni.org.br*

Federation of São Paulo State Industries – FIESP
Av Paulista, 1313
São Paulo - SP
CEP 01311-923
Tel: 55 11 3549-4200
Website: *www.fiesp.org.br*

ASSOCIATIONS

Brazilian Association of the Machinery and Equipment Industry – ABIMAQ
Av Jabaquara, 2925
São Paulo - SP
CEP 040045-902
Tel: 55 11 5582-6311
Website: *www.abimaq.org.br*

Brazilian Association of the Textile and Apparel Industry – ABIT
Rua Marquês de Itu, 968
São Paulo - SP
CEP 01223-000
Tel: 55 11 3823-6100
Website: *www.abit.org.br*

Brazilian Clothing Association – ABRAVEST
Rua Chico Pontes, 1500
São Paulo - SP
CEP 02067-002
Tel: 55 11 6901-4333
Website: *www.abravest.org.br*

Paulista Clothing Association – APIVEST
Alameda Santos 2224 - Conjunto 41 - 4º Andar
São Paulo - SP
CEP 01418-200
Tel: 55 11 3081-2273
Website: *www.sindivest.org.br*

Brazilian Association of Producers of Artificial and Synthetic Fibres – ABRAFAS
Rua Marquês de Itu, 968
CEP 01223-000
São Paulo - SP
Tel: 55 11 3823-6100
Website: *www.abrafas.org.br*

Annex II

Brazil: main clothing retail and import companies

AMC Têxtil Ltda.
Brand name: Colcci
Rua Germano Furbringuer, 107
Brusque - Santa Catarina
CEP 88354-600
Tel: 55 47 3251-3000
Website: *www.colcci.com.br*

Area of operation: nationwide
Number of stores: 111
Number of employees: 1,100
Most imported products: trousers, shirts, skirts/dresses, coats/jackets
Main supplying countries: India, China, Bangladesh

Arthur Lundgren Tecidos S/A (Casas Pernambucanas)
Brand name: Casas Pernambucanas
Rua da Consolação, 2411
São Paulo - São Paulo
CEP 01301-909
Tel: 55 11 3150-8527
Website: *www.pernambucanas.com.br*

Area of operation: nationwide
Number of stores: 247
Number of employees: 12,000
Imports in 2005: US$ 8,000,000
Most imported products: trousers, shirts, T-shirts, dresses, jackets, sweaters
Main supplying countries: China, Bangladesh, India, Uruguay

Belinda Modas Ltda.
Brand name: Practory
Rua Silva Pinto, 166
São Paulo - São Paulo
CEP 01126-010
Tel: 55 11 3331-7299
Website: *www.practory.com.br*

Area of operation: southeastern Brazil
Number of stores: 6
Total sales area: 500 m^2 (average per store)
Number of employees: 200
Most imported products: trousers, shorts, dresses, suits, coats
Main supplying countries/areas: China, Taiwan Province of China

Bobstore Confecções Ltda.
Brand name: Bobstore
Rua Casa do Ator, 867
São Paulo - São Paulo
CEP 04546-002
Tel: 55 11 3044-3332
Website: *www.bobstore.com.br*

Area of operation: southeastern Brazil
Number of stores: 27
Number of employees: 270
Most imported products: fabrics
Main supplying countries: India

C&A Modas Ltda.
Brand name: C&A
Alameda Araguaia, 1222
Barueri - São Paulo
CEP 06455-000
Tel: 55 11 2134-9513
Website: *www.cea.com.br*

Area of operation: nationwide
Number of stores: 130
Total sales area: 1,500 m^2 (average per store)
Number of employees: 11,500
Most imported products: underwear, sleepwear, beachwear, sportswear, baby clothing, hosiery, trousers, shirts, T-shirts, skirts/dresses, suits/tailleurs, blazers
Main supplying countries/areas: China, Bangladesh, India, Uruguay, Indonesia, Taiwan Province of China

C. Rolim Comércio de Confecções Ltda.
Brand name: C. Rolim
Rua Pedro Borges, 20
Fortaleza - Ceará
CEP 6055-110
Tel: 55 85 3464-6200
Website: *www.grupocrolim.com.br*

Area of operation: northeastern Brazil
Number of stores: 8
Total sales area: 1,000 m^2 (average per store)
Number of employees: 370
Most imported products: trousers, shirts, T-shirts
Main supplying country: China

Couros Comércio de Artefatos de Couro Ltda.
Brand name: Sidewalk
Rua Gomes de Carvalho, 770
São Paulo - São Paulo
CEP 04547-002
Tel: 55 11 3845-1033
Website: *www.sidewalk.com.br*

Area of operation: southeastern Brazil
Number of stores: 23
Total sales area: 200 m^2 (average per store)
Number of employees: 280
Most imported products: trousers, shorts, jackets, coats
Main supplying country: China

Carrefour Comércio e Indústria Ltda.
Rua George Eastman, 213
São Paulo - São Paulo
CEP 05690-000
Tel: 55 11 3779-6000
Website: *www.carrefour.com.br*

Area of operation: nationwide
Number of stores: 99
Most imported products: underwear, sleepwear, sportswear, trousers, shorts, skirts/dresses, coats, jackets, ties
Main supplying countries/areas: China, Republic of Korea, Taiwan Province of China, Uruguay

Casa Bayard Esportes Ltda.
Brand name: Bayard
Rua Helena, 275 - 11º andar
São Paulo - São Paulo
CEP 04552-050
Tel: 55 11 3016-8000
Website: *www.bayardnet.com.br*

Area of operation: southeastern Brazil
Number of stores: 12
Total sales area: 600 m^2 (average per store)
Number of employees: 350
Most imported products: sportswear
Main supplying countries/areas: China, Taiwan Province of China, Hong Kong SAR

Casa das Cuecas Ltda.
Brand name: Casa das Cuecas
Alameda Santos, 1470 - 13º andar
São Paulo - São Paulo
CEP 01418-100
Tel: 55 11 3263-0600
Website: *www.casadascuecas.com.br*

Area of operation: southeastern Brazil
Number of stores: 12
Total sales area: 360 m^2 (average per store)
Number of employees: 130
Most imported products: is not yet importing

Chicco do Brasil Ltda.
Brand name: Chicco do Brasil
Rua Vigário Jaques Bittencourt, 74
São Paulo - São Paulo
CEP 04766-050
Tel: 55 11 5641-2764
Website: *www.chicco.com.br*

Area of operation: southeastern Brazil
Number of stores: 16
Total sales area: 1,000 m^2 (average per store)
Number of employees: 85
Most imported products: trousers, shirts, T-shirts, skirts, dresses
Main supplying country: Italy

Companhia Brasileira de Distribuição (Pão de Açúcar)
Brand name: Extra
Avenida Brigadeiro Luiz Antonio, 3172
São Paulo - São Paulo
CEP 01401-002
Tel: 55 11 3886-4709
Website: *www.grupopaodeacucar.com.br*

Area of operation: nationwide
Number of stores: 83
Total sales area: 1,500 m^2 (average per store)
Most imported products: trousers, shirts, skirts/dresses, coats
Main supplying country: China

Companhia Hering
Brand name: Hering
Rua Hermann Hering, 1790
Blumenau - Santa Catarina
CEP 89010-900
Tel: 55 47 3321-3220
Website: *www.hering.com.br*

Area of operation: nationwide
Number of stores: 140 franchises
Total sales area: 200 m^2 (average per store)
Number of employees: 6,800
Imports in 2005: US$ 1,800,000
Most imported products: yarns, zippers, sewing thread, chemical products
Main supplying countries: Germany, Argentina, United States, India

Confecções Costume Ltda.
Brand name: Costume
Rua Professor Santiago Dantas, 121
São Paulo - São Paulo
CEP 05690-010
Tel: 55 11 3758-0980
Website: *www.costume.com.br*

Area of operation: southeastern Brazil
Number of stores: 11
Total sales area: 500 m^2 (average per store)
Most imported products: is not yet importing

Dorinhos Confecções Ltda.
Brand name: Dorinhos
Avenida Rio Bonito, 650
São Paulo - São Paulo
CEP 03023-000
Tel: 55 11 6090-4422
Website: *www.dorinhos.com.br*

Area of operation: southeastern Brazil
Number of stores: 30
Total sales area: 1,500 m^2
Number of employees: 180
Most imported products: is not yet importing

Expresso Comércio de Roupas Ltda.
Brand name: Expresso 2222
Rua Padre Carapuceiro, 777 (Shopping Recife)
Recife - Pernambuco
CEP 51020-280
Tel: 55 81 3467-5083

Area of operation: northeastern Brazil
Number of stores: 10
Total sales area: 350 m^2 (average per store)
Number of employees: 40
Most imported products: throws, gowns, skirts, dresses
Main supplying countries: India

G. Land Esportes Ltda.
Brand name: Havaí Esportes
Rua Conde Bonfim, 685
Rio de Janeiro - Rio de Janeiro
CEP 20520-052
Tel: 55 21 3262-6872

Area of operation: southeastern Brazil
Number of stores: 2
Total sales area: 500 m^2 (average per store)
Number of employees: 45
Most imported products: sportswear
Main supplying country: China

GZT Comércio e Importação Ltda.
Brand name: GZT
Rua Presidente Vargas, 3232
Passo Fundo - Rio Grande do Sul
CEP 99063-000
Tel: 55 54 3315-3322

Area of operation: southern Brazil
Number of stores: 1
Total sales area: 9,000 m²
Number of employees: 30
Imports in 2005: US$ 600,000
Most imported products: trousers, shorts, coats, shawls
Main supplying countries: China, Viet Nam, Uruguay

Garbo S/A
Brand name: Garbo
Rua Aquiles Orlando Cursolo, 551
São Paulo - São Paulo
CEP 01164-010
Tel: 55 11 3411-9926
Website: *www.garbo.com.br*

Area of operation: nationwide
Number of stores: 36
Total sales area: 3,960 m²
Number of employees: 400
Most imported products: fabrics, shirts, blouses
Main supplying country: China

Grupo Valdac Ltda.
Brand names: Siberian and Crawford
Avenida 11 de Junho, 1528
São Paulo - São Paulo
CEP 04041-004
Tel: 55 11 5087-1900

Area of operation: nationwide
Number of stores: 52
Total sales area: 200 m² (average per store)
Number of employees: 1,200
Most imported products: is not yet importing

Iódice Indústria and Comércio de Moda
Brand name: Iodice
Rua Nicolau Gagliardi, 418
São Paulo - São Paulo
CEP 05429-010
Tel: 55 11 3094-3170
Website: *www.iodice.com.br*

Area of operation: nationwide
Number of stores: 5
Total sales area: 100 m² (average per store)
Number of employees: 150
Most imported products: fabrics
Main supplying countries: Italy, France

Irmãos Zolko Ltda.
Brand name: X - Ray
Rua Martim Francisco, 387
São Paulo - São Paulo
CEP 01226-001
Tel: 55 11 3661-6814

Area of operation: southeastern Brazil
Number of stores: 7
Total sales area: 2 00 m² (average per store)
Number of employees: 120
Most imported products: coats, jackets, blazers
Main supplying country: China

Khelf Modas Ltda.
Brand name: Khelf
Rua Leão XIII, 80
São Paulo - São Paulo
CEP 02526-000
Tel: 55 11 3862-4547

Area of operation: southeastern Brazil
Number of stores: 26
Total sales area: 200 m² (average per store)
Number of employees: 500
Most imported products: trousers, coats, sweaters
Main supplying country: China

Latitude Barra Comércio and Confecção Ltda.
Brand name: Físico & Forma
Avenida das Américas, 4666
Rio de Janeiro - Rio de Janeiro
CEP 22640-100
Tel: 55 21 2431-9586
Website: *www.fisicoeforma.com*

Area of operation: southeastern Brazil
Number of stores: 14
Total sales area: 500 m² (average per store)
Number of employees: 300

Lojas Americanas S/A
Brand name: Lojas Americanas
Rua Sacadura Cabral, 102
Rio de Janeiro - Rio de Janeiro
CEP 20081-902
Tel: 55 21 2295-9782
Website: *www.americanas.com*

Area of operation: nationwide
Number of stores: 175
Total sales area: 1,000 m² (average per store)
Number of employees: 13,000
Most imported products: trousers, shirts, T-shirts, skirts/dresses, jackets
Main supplying country: China

Lojas Jean Moriz Ltda.
Brand name: Besni
Rua 24 de Maio, 195 - 5º andar
São Paulo - SP
CEP 01041-001
Tel: 55 11 3357-0500
Website: *www.besni.com.br*

Area of operation: southeastern Brazil
Number of stores: 23
Total sales area: 800 m² (average per store)
Number of employees: 1,600
Most imported products: is not yet importing

Lojão do Brás Ltda.
Brand name: Lojão do Brás
Largo da Concórdia, 88
São Paulo - São Paulo
CEP 03012-011
Tel: 55 11 6694-5133

Area of operation: southeastern Brazil
Number of stores: 11
Total sales area: 1,000 m² (average per store)
Number of employees: 4,400
Most imported products: shirts, blouses, coats, jackets, blazers
Main supplying country: China

Lojas Citycol S/A
Rua Marechal Souza Menezes, 43
Rio de Janeiro - Rio de Janeiro
CEP 21031-060
Tel: 55 21 2560-0422

Area of operation: southeastern and northeastern Brazil
Number of stores: 87
Total sales area: 800 m2 (average per store)
Number of employees: 550
Most imported products: trousers, shirts, skirts, dresses, coats
Main supplying country: China

Lojas Riachuelo S/A
Brand name: Riachuelo
Rua Leão XIII, 500
São Paulo - São Paulo
CEP 02526-900
Tel: 55 11 6281-2188
Website: *www.riachuelo.com.br*

Area of operation: nationwide
Number of stores: 79
Total sales area: 2,500 m2 (average per store)
Number of employees: 12,000
Most imported products: underwear, sleepwear, beachwear, sportswear, trousers, shirts, T-shirts, skirts/dresses, coats
Main supplying countries/areas: China, Republic of Korea, India, Indonesia, Argentina, Taiwan Province of China

Lojas Radan Ltda.
Brand name: Radan
Avenida Getulio Vargas, 1124
São Leopoldo - Rio Grande do Sul
CEP 93025-000
Tel: 55 51 3589-1777
Website: *www.radan.com.br*

Area of operation: southern Brazil
Number of stores: 8
Total sales area: 500 m2 (average per store)
Number of employees: 240
Most imported products: coats, jackets, blazers
Main supplying country: China

Lupo S/A
Brand name: Lupo
Rodovia Washington Luis, km 276
Araraquara - São Paulo
CEP 14801-905
Tel: 55 16 33034000
Website: *www.Lupo.com.br*

Area of operation: nationwide
Number of stores: 135
Total sales area: 1,500 m2 (average per store)
Number of employees: 2,200
Most imported products: hosiery
Main supplying country: Italy

M5 Indústria and Comércio Ltda.
Brand name: M Officer
Avenida Dr. Mauro Lindenberg Monteiro, 185
São Paulo - São Paulo
CEP 06278-010
Tel: 55 11 3658-1166
Website: *www.mofficer.com.br*

Area of operation: nationwide
Number of stores: 71
Number of employees: 1,200
Most imported products: trousers, shirts, T-shirts, skirts/dresses, jackets, sweaters, shawls, gloves, fabrics, fur, lace
Main supplying countries: Italy, France, China, United States

New Work Comércio and Participações Ltda.
Brand name: Vila Romana
Rua Robert Bosh, 1765
Osasco - São Paulo
CEP 06278-310
Tel: 55 11 3604-5200
Website: *www.vilaromana.com.br*

Area of operation: nationwide
Number of stores: 23
Number of employees: 900
Most imported products: fabrics, sewing materials
Main supplying countries: Uruguay, Chile, Argentina, China, India, Italy

Organizações RA Oliveira Ltda.
Brand name: Tikyta Malhas
Rua Bento Gonçalves, 1635
Caxias do Sul - Rio Grande do Sul
CEP 95020-412
Tel: 55 54 3214-4044

Area of operation: southern Brazil
Number of stores: 5
Total sales area: 200 m2 (average per store)
Number of employees: 200
Most imported products: yarns
Main supplying countries: Argentina

RKG Esportes Ltda.
Brand name: Tikyta Malhas
Rua Bento Gonçalves, 1635
Caxias do Sul - Rio Grande do Sul
CEP 95020-412
Tel: 55 54 3214-4044

Area of operation: southern Brazil
Number of stores: 5
Total sales area: 500 m2 (average per store)
Number of employees: 100
Most imported products: sportswear
Main supplying countries: China, Republic of Korea, Democratic People’s Republic of Korea, Germany, Italy

Sociale Pole Comercial Ltda.
Brand name: Pólo by Kim
Avenida Prestes Maia, 831
São Paulo - São Paulo
CEP 09930-270
Tel: 55 11 2169-1149
Website: *www.polobykim.com.br*

Area of operation: southeastern Brazil
Number of stores: 7
Total sales area: 100 m2 (average per store)
Number of employees: 36
Most imported products: is not yet importing

Sport Life Artigos Esportivos Ltda.
Brand name: Procópio Sports
Travessa Casalbueno, 120 loja 215
São Paulo - São Paulo
CEP 02047-050
Tel: 55 11 6222-2142
Website: *www.procopiosports.com.br*

Area of operation: southeastern Brazil
Number of stores: 9
Total sales area: 200 m^2 (average per store)
Number of employees: 198
Most imported products: sportswear
Main supplying countries: China, Thailand, Paraguay, Democratic People's Republic of Korea, Bangladesh

Square Modas Ltda.
Brand name: Square
Rua Dr. Rafael de Barros, 39 - 1º andar
São Paulo - São Paulo
CEP 04004-030
Tel: 55 11 3889-9934
Website: *www.squaremodas.com.br*

Area of operation: southeastern Brazil
Number of stores: 8
Total sales area: 150 m^2 (average per store)
Number of employees: 110
Imports in 2005: US$ 350,000
Most imported products: suits, tailleurs, handkerchiefs, ties
Main supplying countries: Italy, Spain

Têxtil Abril Ltda.
Brand name: Têxtil Abril
Rua Silva Teles, 695
São Paulo - São Paulo
CEP 03026-001
Tel: 55 11 6099-2525
Website: *www.textilabril.com.br*

Area of operation: southeastern Brazil
Number of stores: 14
Total sales area: 10,000 m^2
Number of employees: 1,400
Most imported products: trousers, shirts/blouses, skirts/dresses, coats
Main supplying country: China

Zara do Brasil Ltda.
Avenida Tamboré, 451
Barueri - São Paulo
CEP 06460-000
Tel: 55 11 2101-1900
Website: *www.zara.com.br*

Area of operation: nationwide
Number of stores: 17
Total sales area: 800 m^2 (average per store)
Number of employees: 650
Most imported products: trousers, shirts, dresses, suits, coats, ties
Main supplying country: Spain

WMS Supermercados do Brasil S/A (Wal Mart)
Brand name: Wal Mart
Rua Sertorio, 6600
Porto Alegre - Rio Grande do Sul
CEP 91110-580
Tel: 55 51 3349-4860
Website: *www.walmartbrasil.com*

Area of operation: nationwide
Number of stores: 152
Number of employees: 11,000
Most imported products: trousers, shirts, T-shirts, skirts, dresses, jackets
Main supplying country: China

Annex III

Brazil: macroeconomic indicators

In 2005, the Brazilian population exceeded 184 million inhabitants. The gross domestic product (GDP) was US$ 797 billion and per capita income was US$ 4,325. Inflation fell from 9.3% in 2003 to 5.6% in 2005. The trade balance (exports minus imports) rose from US$ 24.8 billion in 2003 to US$ 44.7 billion in 2005; continued growth was expected for 2006. The table below examines the main indicators for the Brazilian economy from 2003 to 2005.

Brazil: main economic indicators, 2003–2005

Indicators	2003	2004	2005
Population (in millions)	178.985	181.586	184.184
GNP [a/] (US$ billion)	506.8	604.0	796.3
GNP per capita (US$)	2.831	3.326	4.322
Inflation (%)	9.30	7.60	5.69
Exports (US$ billion)	73.1	96.5	118.3
Exports/GNP (%)	14.4	16.0	14.9
Imports (US$ billion)	48.3	62.8	73.6
Imports/GNP (%)	9.5	10.4	9.2
Commercial trade balance (US$ billion)	24.8	33.7	44.7
Exchange rate (R$/US$) [b/]	3.07	2.93	2.43
Direct external investments (US$ billion)	10.1	18.2	15.2
International reserves (US$ billion)	49.3	52.9	53.8
Reserves/GNP (%)	9.7	8.7	6.8
Total net external debt (US$ billion)	151.0	135.7	101.1
External debt/GNP (%)	29.8	22.4	12.7
Unemployment rate (%)	10.9	9.6	8.3

Sources: Instituto Brasileiro de Geografia e Estatística (IBGE) and Banco Central do Brasil.

a/ Gross national product.
b/ Annual average.

Annex IV

Brazil: sources of information

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Instituto Brasileiro de Geografia e Estatística (IBGE).

Instituto de Estudos e Marketing Industrial (IEMI). Conjuntura e comércio exterior têxtil, relatório mensal. 24 pages.

Instituto de Estudos e Marketing Industrial (IEMI). Potencial do mercado para artigos de vestuário no Brasil 2006. August 2006. 57 pages.

Instituto de Estudos and Marketing Industrial (IEMI). Relatório setorial da indústria têxtil Brasileira 2006. Vol. 6, No. 6, July 2006. 172 pages.

Ministério do Desenvolvimento, Indústria e Comércio Exterior, Departamento de Operações de Comércio Exterior, Secretaria de Comércio Exterior – SECEX.

Ministério do Trabalho e Emprego. Relação anual de informações sociais (RAIS).

Chapter 2

China

Executive summary

Background

China plays a vital role in the world textile economy. It is not only the world's biggest producer and exporter but, backed by a large and fast growing consumer market, it is also the world's largest importer.

China is involved in almost all activities in the textile and clothing industry value chain. It provides textile products ranging from raw materials to fibres, fabrics and ready-made clothing to the world. It also purchases cotton, wool, yarn, fabrics and textile machinery from the world.

With a population of 1.3 billion and rapid economic growth, China has the potential to become the world's largest consumer market for clothing. With its enormous population and increasing clothing consumption per capita, it offers a lucrative business opportunity to the rest of the world.

When China became a full Member of the World Trade Organization (WTO) in 2001, it committed itself to lowering its bound tariff rates, opening its domestic retail and distribution market, granting trading rights to qualified enterprises and individuals, and providing access to foreign-funded retailers interested in doing business in its second-tier cities.

China's sustained opening up and relaxation of the regulations for entry into its domestic market, which is evidenced by its rising imports, has been beneficial not only to the world market, but also to its own economy. Chinese consumers today are provided with more choices than ever before within their home market and are exposed to fashionable value-added imports.

The scale and characteristics of China's clothing market

China's consumer clothing industry is large and growing. Per capita fibre consumption increased from 4.1 kg in 2000 to 14 kg in 2005, and it will reach an estimated 20 kg in 2010. The consumer clothing industry has grown at an annual rate of 8% in recent years. Though clothing consumption per capita is low, with its population of 1.3 billion and continuous economic growth foreseen for the coming years, China provides a promising market with unprecedented potential to many exporters.

The country is in the process of urbanization and industrialization, and is gradually developing a market-based economy. During this transitional period, large numbers of people previously living in rural areas are becoming urban residents. This is forming a unique dual structure for the clothing market. There is, on the one hand, rapidly increasing demand for branded luxury goods and, on the other, a large need for clothing for the middle and low-end market segments.

In 2005, China's per capita gross domestic product (GDP) reached US$ 1,700. As the renminbi appreciates in value, which is probable, the Chinese consumer's purchasing power will grow even stronger and clothing consumption will continue to rise.

The Chinese consumer's lifestyle is undergoing tremendous changes, and the domestic clothing market is becoming more versatile, fashionable and segmented. With demand for comfort dressing increasing, more and more consumers today prefer quality clothing made of pure cotton and other natural fibres. At the higher end of the market, consumers also care about brands, the countries where these brands originated, and the countries where the articles bearing the brand names have been manufactured. Consumers at the middle and low-end markets are comparatively more sensitive to price.

Geographically, 80% of China's apparel manufacturing capacity is clustered along its coastal areas. Consumption of fashion products is greatest in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. The area is gradually extending to the mainland cities.

Key players in the Chinese clothing market

Overall, the high-end clothing market in China is dominated by brands of European origin, such as Giorgio Armani, Cerruti 1881, Hugo Boss, Dunhill, Chanel, Dior and Ermenegildo Zegna. The middle and low-end market segments have a product mix of both foreign and domestic brands, and most of the goods are manufactured in China.

Imported garments account for 1.5%–1.8% of total clothing expenditure; over 80% of these garments come from Asia.[9] While only a very small proportion of imports are sourced from developing and least developed countries, imports from these countries are growing steadily. It should be noted that the limited imports from developing countries consist only of middle- to high-end fashion goods.

Brands like Nike, Adidas, Tommy Hilfiger, Zara and H&M are being sourced from developing countries and LDCs. For example, in Zara's stores in Shanghai, over 90% of the SKU[10] is imported. Nearly 85% is from Morocco and Spain, 5% from India, 5% from Portugal; the balance is from Turkey, Sri Lanka and Eastern Europe. The new H&M stores in Shanghai attracted thousands of consumers when they opened in April 2007. About 85% of H&M's SKU is imported: 40% from Turkey, 30% from Bangladesh, 8% from India, and 6% from Eastern Europe. Nevertheless, China's clothing industry still possesses great competitive advantage in terms of labour cost, lead time, vertical integration of the industry, variety of products and political stability from a Chinese perspective.

Many multinational retailers, international fashion brands and overseas trading firms find it profitable to manufacture clothing in various developing countries and LDCs and export it to China for retailing. With global sourcing, they benefit from proximity to the market, economies of scale and low processing costs.

9 *2006–2007 China Garment Industry Development Report* (China Textile & Apparel Press).

10 A stock keeping unit, or SKU, is a unique identifier for each of the distinct products and services that can be ordered from a supplier. Usage of the SKU system is rooted in data management and enables a merchant to track its inventory systematically, such as in warehouses and retail outlets.

However, relatively few local Chinese retailers, importers and brand owners choose to import or source clothing from overseas on account of the risk associated with this. The other factor is the lack of supply chain management skills in developing countries.

Market entry strategies of developing and least developed countries

Exporting countries wishing to enter the Chinese market should take into account the specifics of the market demand in China and the requirements of Chinese buyers. To improve their competitiveness, they should utilize such advantages as market proximity and trade preferences, and meet the buyers' purchasing criteria and priorities. In the main, these are social accountability, environmental protection, processing and transport costs, delivery times, flexibility in regard to size of orders, product quality, production capacity, capacity for product development and design, and product assortment.

The new operational models for international retailers and brand operators in the Chinese market, such as Zara and H&M, have created new standards for the multitude of suppliers.

LDC exporters will have to understand these trends to gain market share.

Because of the homogeneity of LDC garment products, competition among them is intense. However, since many international brands (such as Zara, H&M, Adidas and Tommy Hilfiger) are increasing their sourcing through the Global Production Network (GPN) for goods to be sold in China, opportunities exist for LDCs to enter the market by serving these buyers. Therefore, LDC suppliers should:

- Differentiate their products by using their comparative advantages. They should also cover production and transportation costs.
- Take advantage of free trade zones and integrate their industrial chains vertically and horizontally to make the pipeline more effective and thereby enable them to save costs.
- In the light of the changes in market and fashion trends, pay more attention to non-cost factors such as one-package buying, the application of information and communications technology (ICT) to design and pattern making, speeding up the supply of samples, providing multiple choices and a variety of products, services, good will and credit.
- Make good use of their proximity and accessibility to the market.
- Upgrade their product, process, quality and quick response (QR) strategy through advanced facilities, the use of digital technology, and improved management.

Governments of exporting countries should take measures to:

- Strengthen their countries' infrastructure, enhance the efficiency of transportation and communication, and speed up customs clearance;
- Conduct training and education programmes for workers and managers;
- Cooperate inter- and intra-regionally;
- Restructure textile complexes, integrate the value chain horizontally and vertically, reinforce support industries;
- Maintain political and economic stability.

The structure and characteristics of the domestic market: a macro view

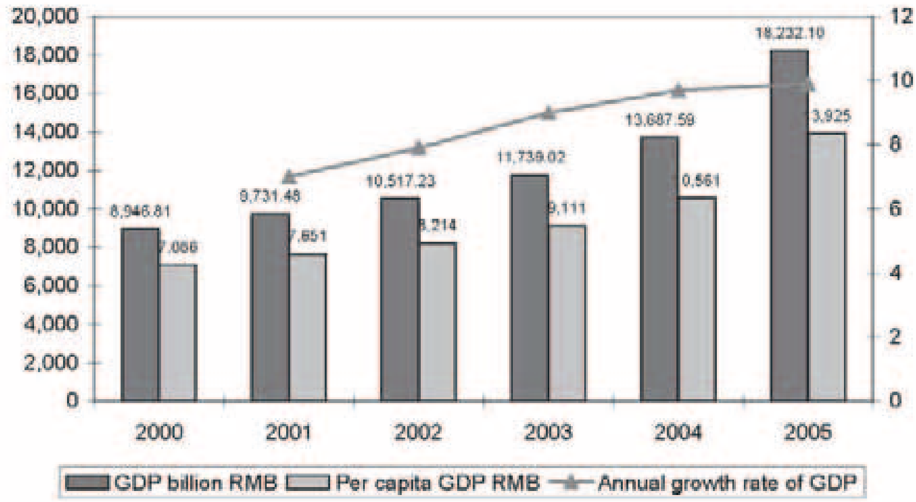
Market size: contributing factors

Population and GDP growth

With a population of 1.3 billion, China has become one of the largest consumer markets in the world. In 2004, its natural population growth rate was 5.87%, a net increase of 7.63 million from the previous year.

In 2005, the country's GDP rose to RMB 18.231 trillion (US$ 2.22 trillion), 9.9% higher than in 2004, with per capita GDP reaching RMB 13,926 (US$ 1,700) (figure 2.1). This accelerated economic growth will further stimulate apparel consumption, making the potential of China's apparel market immense.

Figure 2.1: China: GDP and per capita GDP growth, 2000–2005



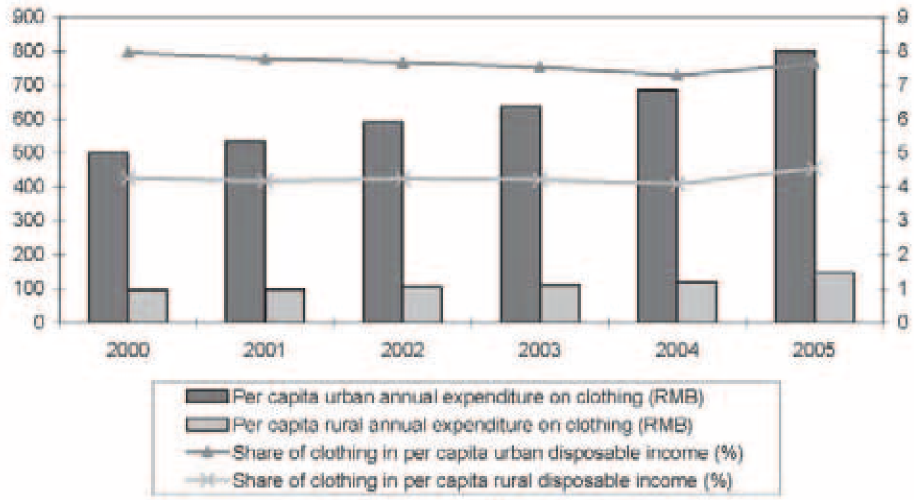
Source: National Bureau of Statistics of the People's Republic of China.

Growth of income and apparel consumption

In 2005, the per capita annual disposable income of urban households reached RMB 10,493, much higher than the income of RMB 6,280 in 2000. The urban residents' spending on clothing increased in tandem with the surging GDP and disposable income. The urban household's annual consumption of clothing rose from RMB 500 in 2000 to RMB 686 in 2004, increasing annually by 8%. The share of clothing expenditure in per capita urban disposable income dropped from 7.96% in 2000 to 7.29% in 2004 (figure 2.2).

China has already become the world's biggest consumer of fibres. The amount of per capita fibre consumed increased from 4.1 kg per person in 2000 to 14 kg per person in 2005.

Figure 2.2: China: per capita annual expenditure on clothing



Source: National Bureau of Statistics of the People's Republic of China.

Note: According to the National Bureau of Statistics, 'clothing' includes garments, shoes, clothing materials, and tailoring and laundry service fees.

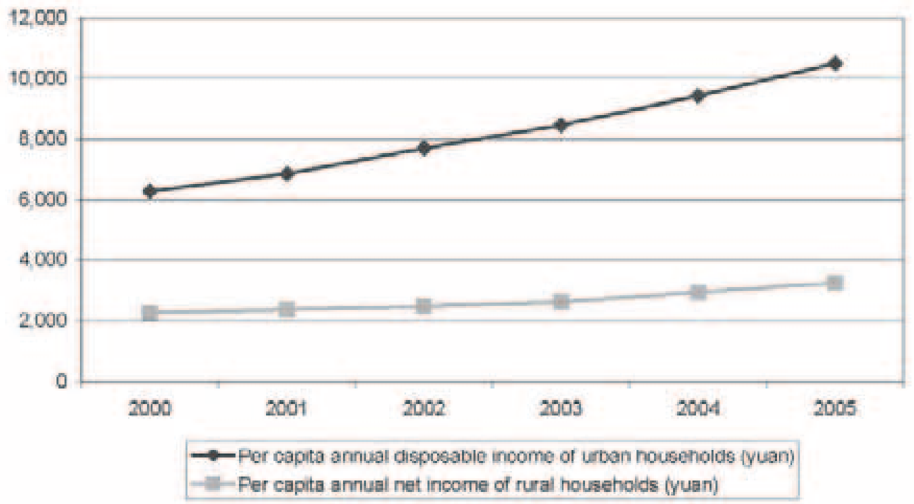
Retail sales of clothing

Retail sales of clothing in China are increasing in step with apparel consumption. Total retail sales of goods reached RMB 6,717.1 billion in 2005, having risen by 12.9% over the previous year. By contrast, total retail sales by clothing enterprises above a designated size increased 21.6% over the same period.

Market characteristics: dualism in consumption patterns

Currently, of the 1.3 billion people in China, 59% are rural residents. Although the income levels of rural residents have greatly improved in recent years, the majority of them fall within the middle to lower income groups. In 2005, the per capita annual net income of rural households was RMB 3,254.9, nearly one quarter that of their urban counterparts (figure 2.3). It is true that the apparel market growth is now led mainly by urban consumption (figure 2.2). However, it is expected that, in the near future, farmers' incomes and the rural retail environment will improve significantly. This will encourage rural consumption and unleash a huge potential in this market.

Figure 2.3: China: annual disposable income of urban and rural households, 2000–2005



Source: National Bureau of Statistics of the People's Republic of China.

Regional diversity

China's economy is heterogeneously distributed among three geographical tiers. This regional diversity has important implications for enterprises wishing to enter the market.

The first tier is the trendsetter in China in everything from fashion to lifestyle. It consists of the metropolises located mostly along the coastline, including the Yangtze River Delta, Pearl River Delta and Bohai Gulf Metropolitan Rim. Beijing, Shanghai, Guangzhou, Tianjin, Shenzhen, Qingdao and Dalian are representative cities of this tier. It is the bridgehead market for foreign fashion brands.

The second tier comprises the provincial capitals and well-developed cities in inland China, such as Nanchang, Zhengzhou, Changsha, Changzhou, Wuxi and Xi'an. Their population varies from 4 million to 8 million.

The third tier is made up of the cities in the west, including northwest and southwest China, which are far from coastal areas. Some cities have populations of less than 1 million.

The eastern coastline cities are the wealthiest part of China, and they have a high concentration of apparel stores. Many famous international brands enter the country mainly through the first-tier cities and from there establish their presence in affluent second-tier cities. Penetration of second-tier cities by the big names is increasing. The brands concerned include Armani, Zegna, Prada and Gucci.

Among the first-tier cities, Shanghai plays a significant role in setting fashion trends in the mainland. Therefore, many foreign and domestic suppliers of apparel choose to establish a foothold in Shanghai first before seeking nationwide expansion.

Consumption drivers

Falling consumer price index (CPI) and retail price index (RPI) for garments. Table 2.1 shows that both CPI and RPI were lower in 2004 than they were in 1990.

Table 2.1 China: consumer price and retail price indices for garments, 1990, 2000–2004

Preceding year = 100

Year	1990	2000	2001	2002	2003	2004
CPI	103.1	100.4	100.7	99.2	101.2	98.3
RPI	102.1	98.5	99.2	98.7	99.9	98.2

Source: National Bureau of Statistics of the People's Republic of China.

The consumer price index for garments dropped by 1.9% year on year in 2001, 2.6% in 2002, 2.4% in 2003, and 1.5% in 2004 (table 2.2). The continual deflation was largely attributable to the oversupply of mass-produced garments. The lack of product differentiation and the intense competition have prompted apparel retailers to resort to price cutting and to offering different kinds of promotional activities such as big sales events to attract consumers.[11]

11 **Source:** Li & Fung Research Centre, *The Development of Trends of the Apparel Market in China* (September 2005).

Table 2.2 China: consumer price index for garments, 1998–2005

	2005	2004	2003	2002	2001	2000	1999	1998
Year on year % change in garment prices	1.8	-1.5	-2.4	-2.6	-1.9	-0.9	-3.4	-1.1

Source: National Bureau of Statistics of the People's Republic of China.

RMB appreciation. On 21 July 2005, the People's Bank of China (PBOC) announced an appreciation of the Chinese renminbi. This slight appreciation was expected to stabilize domestic prices, to make imported commodities cheaper, and to force Chinese apparel enterprises to pay more attention to the domestic market.

High savings. As shown in table 2.3, China's savings deposits increased steadily in recent years. In 2005, it surged to RMB 14.1 trillion. The high savings indicate a lack of interest in investing and consumption.

Table 2.3 China: value of savings deposits, 1980, 1990, 2000–2005 (in RMB billion)

Year	1980	1990	2000	2001	2002	2003	2004	2005
TOTAL	39.95	711.98	6 433.24	7 376.24	8 691.06	10 361.73	11 955.54	14 100.00

Source: National Bureau of Statistics of the People's Republic of China.

Supply of apparel: domestic and imported

In China, domestic brands play a strong role in the mass market, such as the markets for men's shirts, knitted underwear, down coats, jackets, pants and sweaters. The high-end market is dominated by overseas brands, which are expected to quicken their expansion in China. Most of the domestic and overseas brands are manufactured locally, while premium brands such as Ermenegildo Zegna and Armani, continue to be imported.

Table 2.4 China: examples of brand leaders, international and domestic

Products	Leading brands	
	International brands	Domestic brands
Menswear	Ermenegildo Zegna, Dunhill, Hugo Boss, Armani, Pierre Cardin, Crocodile, Montagut, Valentino	Youngor, Romon, Firs, Conch, Rouse
Womenswear	Dior, Chanel, Ralph Lauren, Prada, Gucci, Only, Celine, Vero Moda, Etam, New Yorker, Esprit, FA:GE, MK	White Collar, Finity, Kaiser, Artis
Childrenswear	Lawlandee, Mickey's, Les Enphants, BOBDOG, Bossini Kids	Yaduo, Mlinge, Yeeshow, Boshiwa, Smiling Broadly
Casual wear	Levi's, Lee, Wrangler, Jack & Jones, Tony Wear, Uniqlo, Baleno, Jeanswest, U2, Zara, Tommy Hilfiger, Bossini,	Metersbonwe, Tonlion, Boboo, Fairwhale, Yishion
Sportswear	Nike, Adidas, Puma, Umbro, Reebok, Converse, Mizuno, Fila, New Balance	Lining, Anta
Underwear	Triumph, Wacoal, Embry Form, CK, Pierre Cardin, Chilier, Audrey, Aubade, Ordifen	Aimer, Sunflora, Gujin, Maniform

Menswear

Suits

Overseas brands currently dominate the premium market in China's suit sector. Many well-known premium brands like Ermenegildo Zegna, Dunhill, Hugo Boss, Pierre Cardin and Armani have already established a strong presence in the market.

Meanwhile, some domestic brands are taking the lead in terms of volume sales in the same market segment. Brands such as Youngor, Romon and Firs are the most popular. Almost all domestic brands are made in China.

Shirts

In the men's shirts market segment, domestic brands enjoy a lion's share. Most men's shirts all over the world are made in China.

Youngor, Firs, Conch and Rouse are the top four brands in the domestic market. Domestic enterprises have put in a substantial amount of effort in upgrading the production standard of shirts. However, in design and style, domestic shirts lag behind and still remain rather plain and simple.

Womenswear

With a female population of over 600 million, China provides the single largest consumer market for womenswear. With a rising number of working women, the demand for women's clothing, especially career wear, is projected to increase enormously. It can be expected that the markets for women's office wear and business casual wear will be the fastest growing segments.

The top overseas brands – Dior, Chanel, Ralph Lauren, Prada, Gucci and others like them – dominate the premium market segment. However, the quantity of imports remains small.

There is no single dominant brand. The market share of the top 10 brands accounts for only 13.36% of the total market; Etam ranked first among these brands with a share of 3.71%. Only six brands have market shares that have exceeded 1%.[12]

Childrenswear

Overseas brands have captured much of the market for childrenswear and dominate the premium market. Lawlandee, Mickey's and Les Enphants occupy the top three positions. These brands distribute their products mainly through speciality stores and concessions in mid- to high-end department stores.

There are a few well-known domestic brands but these have captured only 10% of the market. Among the prominent ones are Yaduo, Shuihaier, M-linge and Yeeshow. Most are usually much cheaper than the foreign brands and are distributed via different channels.

The population of 1- to 3-year-old children has reached 0.3 billion. With rising income levels and the one-child national policy, Chinese parents are better able and more willing to spend on children's clothing. As a result, the childrenswear market has become one of the fastest growing markets in China.

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12 **Source:** Li & Fung Research Centre, *The Development of Trends of the Apparel Market in China* (September 2005).

Casual wear

Many enterprises in China are relaxing their dressing requirements and shifting to a 'business casual' dress code. Sales of casual wear such as denim wear, jackets and T-shirts are also on the rise as people prefer to dress more comfortably during their leisure time.

Domestic brands dominate the mass market; overseas brands, such as Levi's, Lee, Jack & Jones and Tommy Hilfiger still play a leading role in the high-end market. Most of the casual wear in China is manufactured locally.

Sportswear

The world's two top brands, Nike and Adidas, are the brand leaders in the Chinese sportswear market. Other foreign brands such as Puma and Umbro also play a leading role. These overseas brands source their products globally. For example, the Adidas products in China are from India, Turkey, Thailand and Viet Nam. However, domestic brands such as Lining now have a greater share in the domestic market than they ever had before.

Lingerie and underwear

According to the China National Garment Association, middle to high-end and premium brands of women's underwear account for nearly 60% of the market. The premium brands of women's underwear entered the Chinese market early by targeting high-income women in urban areas. Mass consumers favour the middle brands, which are low-priced in comparison to the premium labels but are nevertheless of a guaranteed quality.

The market for men's underwear is only one-seventh of the overall market as compared to one-sixth for women's underwear. With the limited number of brands and narrow channels, the market for men's underwear is still at a preliminary stage of development. It is projected to see enormous growth in the near future, because of the huge demand and the rise in the number of fashion-conscious consumers.

National production

According to National Bureau of Statistics, the total factory output of apparel in 2005 hit 46.5 billion pieces, 11.24% higher than in 2004. Of these, woven clothes reached 17 billion pieces, 13.33% more than in the year before, and knitted clothes 29.5 billion, up by 10.07% from the 2004 level (table 2.5). Output in 2006 in all product categories was higher still.

Table 2.5 China: garment production, by volume and by growth rate, 2005–2006

Products	Output (billion pieces)		Annual growth rate (%)	
	2005	2006	2005	2006
Woven clothing	17.0	18.0	13.33	5.88
Knitted clothing	29.5	33.2	10.07	12.54
TOTAL	**46.5**	**51.2**	**11.24**	**10.11**

Source: National Bureau of Statistics of the People's Republic of China.

According to the China National Textile and Apparel Council (CNTAC), there are 51 major apparel manufacturing clusters in China. One-third are located in Zhejiang and over one-quarter in Guangdong. Jiangsu and Fujian are the next largest in terms of number of clusters.

Guangdong, Zhejiang, Jiangsu and Shandong provinces, the four leading clothing manufacturing provinces, account for 25.76%, 18.72%, 17.20% and 11.97% respectively of the total national output.

Import developments in 2000–2006

Import growth

China's imports of textiles and clothing have grown steadily since 2001 (table 2.6). In 2006, the figure hit US$ 18.1 billion, of which textile imports reached US$ 16.3 billion and clothing imports US$ 1.8 billion. Continued growth is expected for the near future as a result of expanding market demand, rising national income and the appreciation of the renminbi.

Table 2.6 China: imports of textiles and clothing, by value, 2000–2006 (in billions of United States dollars)

Year	Textiles	Clothing	TOTAL
2000	12.703	1.184	13.887
2001	12.458	1.262	13.720
2002	13.026	1.337	14.363
2003	14.183	1.404	15.587
2004	15.273	1.531	16.804
2005	15.490	1.609	17.099
2006	16.354	1.697	18.051

Source: China Customs.

Imports from least developed countries

China's textile and clothing imports from LDCs increased sharply in recent years, although gross values remained very small. In 2005, total imports from LDCs rose to US$ 5.79 million. Bangladesh was the largest supplier, providing US$ 2.96 million worth of goods (table 2.7).

Table 2.7 China: imports of textiles and clothing from LDCs, 2001–2005 (in United States dollars)

Countries	2001	2002	2003	2004	2005
Bangladesh	335 150	238 544	483 760	2 288 784	2 958 781
Cambodia	138 478	52 100	50 296	749 350	2 069 593
Myanmar	41 885	43 113	144 697	27 109	135 660
Nepal	1 971	10 972	13 049	48 396	283 058
Lao PDR	14 467	18 522	57 437	34 495	194 013
Madagascar	1 720	18 220	21 202	107 153	141 439
Haiti	85	595	0	680	3 366
Lesotho	0	0	0	165	1 795
Mauritania	0	8 340	591	70	644
Ethiopia	315	113	234	622	631
Sudan	n.a.	n.a.	0	0	129
Mali	0	22 543	0	173	0
Maldives	3 105	824	0	0	0
Afghanistan	n.a.	n.a.	0	28	0
TOTAL, LDCs	**537 176**	**413 886**	**771 266**	**3 256 097**	**5 788 980**

Source: United Nations Comtrade Database.

The tariff structure for imports

Tariff system

The basic legal framework for China's import tariff is provided by the Customs Law and related regulations. The tariff schedules are part of the Regulations on Import and Export Tariff of the People's Republic of China (promulgated by Decree No. 392 of the State Council on 23 November 2003 and effective as of 1 January 2004). The tariff is set by the Tariff Commission, which is based in the Ministry of Finance and is an inter-ministerial body under the State Council.

Under the Regulations on Import Tariff, import duties are categorized as:[13]

- *Most Favoured Nation (MFN) Tariff:* applied to goods imported from and originating in WTO Members (except El Salvador) as well as countries or regions with which China has signed bilateral trade agreements for reciprocal tariff preference.
- *Special Preferential Tariff:* applied to goods imported from and originating in countries or regions that have concluded special tariff preferential agreements with China.
- *General Tariff:* applied to goods imported from and originating in countries or regions with which China has concluded no agreements for reciprocal tariff preference, goods with non-origin or no definite origin.
- *Interim Tariff:* applicable to eligible imported goods which are subject to both an agreed tariff rate and a special preferential tariff rate; the lower of these two rates is applied.

In addition, customs duties are reduced or are subject to exemptions in accordance with provisions set out in the relevant regulations by the State Council.

Tariff structure for clothing

China has committed itself to substantial annual reductions in its tariff rates since it acceded to WTO in 2001. The overall tariff level fell to 10% on average in 2005 and will be further reduced to 9.9% by 2010.

Although clothing is among the products for which tariff levels remain comparatively high, the applied tariff level has been substantially cut and reached its final bound rate of 15.8% in 2005 from 21.9% in 2002 (table 2.8).

The current applied tariff rates for clothing (HS 61 and 62) are between 14% and 25%, except for nine product lines, for which the applied rates are between 1% and 3% lower than the bound level. They are mostly underwear products.[14] The tariff peaks at 25% for overcoats, suits for men and women and ensembles out of wool.

13 **Source:** *2006 Customs Tariff of Import and Export of the People's Republic of China (The Legal Texts)* (China Financial & Economic Publishing House, January 2006).
14 The product lines for which the applied tariff is lower than the bound tariff are: 611220, 620429, 620719, 621010, 621120, 621210, 621220, 621230, 621290.

Table 2.8 China: import tariffs on clothing, 2001–2005 (percentage)

	2001	2002	2003	2004	2005	Final bound rate [a/]
Bound tariff						
Simple average bound rate *	n.a.	12.4	11.3	10.4	10.0	9.9
Clothing **	n.a.	21.9	19.7	17.5	15.8	15.8
Applied tariff [b/]						
Simple average applied rate *	15.6	12.2	11.1	10.2	9.7 (9.8)	n.a.
Clothing **	24.1	21.9	19.7	17.5	15.8	n.a.

Sources: *WTO Secretariat, Trade Policy Review of the People's Republic of China (Geneva, 2006); **WTO Secretariat calculations.

a/ Based on the 2005 tariff schedule.
b/ Not available for the last column, which shows the final bound rate.

Notes: The tariff rate for clothing is the average for Harmonized System (HS) categories 61 and 62.
n.a. Not available.

In addition to the above, nine product lines under HS 61 and 62 are unbound in accordance with China's WTO accession commitment. These products include jerseys and pullovers of wool, Kashmir and goat hair, as well as gloves and mittens made from different materials.[15]

Preferential tariff systems for clothing from LDCs and developing countries

China has three preferential systems that are applicable to clothing products: the preferential system for African LDCs, the Bangkok Agreement focusing on neighbouring developing countries and the preferential agreement with Bangladesh, Cambodia, the Lao People's Democratic Republic and Myanmar.

Preferential system for selected African countries

On 1 January 2005, China unilaterally granted zero tariff for over 190 imported product lines originating in Africa. The African LDCs that received this preferential treatment included: Benin, Burundi, Cape Verde, Central African Republic, Comoros, Djibouti, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Sierra Leone, Sudan, United Republic of Tanzania, Togo, Uganda and Zambia.

Until 2006, approximately 22 clothing products[16] at the six-digit HS code level, such as cotton T-shirts, shirts, blouses, skirts, jerseys had zero tariffs. The remaining 241 product lines were subject to the MFN tariff.

The Bangkok Agreement

The Bangkok Agreement was signed in 1975 as an initiative of the Economic and Social Commission for Asia and the Pacific (ESCAP). The regional preferential trading arrangement aims to promote intraregional trade through the exchange of mutually agreed concessions by member countries. Six countries – Bangladesh, China, India, the Lao People's Democratic Republic, the Republic of Korea and Sri Lanka – are signatories to the Agreement.

15 Categories 611011, 611012, 611019, 611693, 611699, 611710, 611720, 611780, 611790.
16 610332, 610432, 610610, 610910, 61099090, 611011, 611020, 611780, 620311, 620332, 620333, 62033990, 62034990, 62043, 62045990, 620462, 620520, 620530, 620690, 62079, 621590, 621790.

Under the Agreement, Bangladesh (an LDC) and the other signatories are given preferential treatment for their clothing exports to China. These countries benefit from a preferential tariff that is between 0.55% and 3.50% lower than the applied MFN tariff for 107 of the 126 tariff lines in chapter 61 of the Harmonized System. In regard to HS 62, the five countries enjoy preferential tariffs that are lower by between 0.80% and 3.10% than the general tariff for 89 out of 165 tariff lines.[17]

Preferential agreement with Bangladesh, Cambodia, Lao People's Democratic Republic and Myanmar

On the basis of the 'enabling clause' of the WTO system (under which developing country Members may grant special preferential treatment to LDCs without applying MFN rates), imported goods from Bangladesh, Cambodia, Lao PDR and Myanmar enjoy zero tariffs in China. The number of clothing product lines subject to this treatment for each of the four countries mentioned are 44, 35, 48 and 39 respectively.

Customs procedures

The customs procedure provides for the entry of imported goods into free circulation in the customs territory upon payment of any import duties and taxes chargeable and the accomplishment of all the necessary customs formalities.

According to law, importers and clearing agents must be registered with Customs to entitle them to make customs declarations. Registration is granted to individuals only if they go through the procedures to obtain the requisite qualification. The same is true of enterprises, which must meet the following requirements to be registered:

- They must be registered according to China's company laws;
- They must have a registered capital of not less than RMB 1.5 million;
- They must have sound organizational, institutional and financial structures;
- They must have management systems in place; and
- They must have more than five customs specialists.

Various documents dealing with other matters are also required.

Under the Customs Law of the People's Republic of China, importers must register with Customs, and import declarations must be made at the port of entry within 14 days of the goods' arrival. The registration documents usually include a copy of the business certificate and by-laws of the enterprise; the registration form of a foreign trade operator; tax registration certificate; certificate on a bank account; a copy of the certificate on the 'organization code' of the enterprise and registration forms introducing the customs declarer and its management.[18] In addition, 'foreign-invested enterprises' are required to submit a 'Certificate of Approval of Foreign Invested Enterprise'.

17 *LDC Clothing Exports to China – Tariff Structure and Trade Flows.*
18 The documents are required under the Regulations on Registration of Customs Declarer of the People's Republic of China (General Administration of Customs Decree No. 127 of 2005) and the Announcement on Certain Issues concerning the Implementation of the Regulations on Registration of Customs Declarer (General Administration of Customs Announcement No. 18 of 2005).

Customs duty must be paid at a designated bank within 15 days of the memorandum of duty payment being issued by Customs. In case of a delay in payment, a fine of 0.05% of the total amount of duty payable is charged. If the duty is not paid within three months of the payment period, Customs may take certain measures under Article 60 of the Customs Law, including notification to the importer's bank to deduct the amount due directly from the account; and to sell the dutiable goods and/or other goods belonging to the importer in order to raise the amount due. The time limit for payment of duty may be extended to a maximum of six months by Customs if duty cannot be paid owing to, for example, *force majeure* or adjustments to the taxation policy.

Freight, insurance and other charges on imports that cannot be determined by the importer are calculated by Customs. Freight charges are calculated on 'the basis of the freight rate or amount published by the transportation industry at the time of importation'. Insurance costs are calculated as 0.3% of the sum of cost and freight, for goods imported by land, air or sea, and as 1% of the price for goods imported by rail or road.[19]

Certain goods are exempt from payment of import or export duties. These include goods valued at RMB 50 or less, advertising material and samples of no commercial value, goods and materials provided free by international organizations or foreign governments, goods damaged prior to Customs release, and fuels, stores, beverages and provisions for use en route, loaded on any means of transport in transit across the frontier.

In general, the internal maximum examination period is 48 hours and in practice the majority of goods are cleared during this period. However, customs examination is also affected by the 'capacities of commodity owners' and port facilities; in addition, if illegal activities are detected, the examination period may be longer. No fees are charged for clearance and other services provided by Customs.

Non-tariff market requirements

Import restrictions

According to the Protocol of Accession to the WTO, China shall eliminate and shall not introduce, re-introduce or apply non-tariff measures that cannot be justified under the provisions of the WTO Agreement.

Import quotas

Certain textiles and clothing products used to be subject to import restrictions imposed by the Chinese Government, but these restrictions are being phased out. For example, upon WTO accession, China eliminated import quotas for more than 40[20] categories of textile and clothing products in HS 51–55.

Import licence

The licensing regime as a whole is regulated, inter alia, by the Foreign Trade Law, the Administrative Permission Law, and the Measures for Administration of Automatic Import Licensing for Goods.

19 WTO document G/VAL/N/1/CHN/1, 5 July 2002.
20 As calculated according to Protocol on the Accession of the People's Republic of China, Annex 3 Non-tariff measures subject to phased elimination.

According to China's notifications to WTO, the number of tariff lines fully subject to import licensing declined from 185 (2.53% of the tariff lines) in 2002 to 90 (1.20% of the tariff lines) in 2004. The number of lines partly subject to import licensing increased from 29 to 32 during this period. In total, the number of lines partially and fully covered by import licensing fell from 214 in 2002 to 82 in 2005.[21]

Products that are not subject to import restrictions but require import monitoring are subject to automatic import licensing. Textile and clothing products of polyester slice, acrylic and terylene are currently subject to automatic import licensing. As of 11 December 2004, China no longer places restrictions on the import of wool and acrylic products.

Details of commodities subject to import licensing, except goods subject to Trade Rate Quotas (TRQ), are published annually by the Ministry of Commerce (MOFCOM) in the Catalogue of Goods Subject to Import Licence Administration and the Catalogue of Goods Subject to Automatic Import Licensing Administration.

Tariff rate quotas (TRQ)

A tariff rate quota is a quota for a volume of imports at a lower tariff. After the quota is reached, a higher tariff is applied on additional imports.

In principle, a TRQ provides more market access to imports than a quota. In practice, however, many over-quota tariffs are prohibitively high and effectively exclude imports in excess of the quota. It is possible to design a TRQ so that it reproduces the trade-volume limit of the quota it replaces.

According to the authorities, as import quotas were eliminated on 1 January 2002, the tariff rate quota (TRQ) system is used to monitor trade in wool, wool tops and cotton. The National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) are joint administrators of the TRQs for cotton; MOFCOM has sole responsibility for wool and wool tops.[22]

Table 2.9 China: tariff rate quotas for cotton, wool and wool tops (in metric tons)

Year/TRQ	Cotton	Wool	Wool tops
2002	818 500	264 500	72 500
2003	856 250	275 750	76 250
2004	894 000	287 000	80 000
2005	894 000	287 000	80 000
2006	894 000	287 000	80 000

Source: Ministry of Commerce.

TRQs establish specific quantities that may be imported into China at low tariffs (1% for fibres). Over-quota tariffs are considerably higher. The TRQ system also reserves a certain percentage of the quota for State trading entities; the balance is shared by non-State and private companies.

21 Figures for 2002 include products subject to import tendering, many of which have, as of 2004, been moved to the automatic import licensing list; excluding the products subject to import tendering, the 2002 figure is 172 (2.35% of the tariff lines).

22 Previously all the quotas except those on fertilizers were administered by the State Development Planning Commission (SDPC); quotas for fertilizers were administered by the State Economic and Trade Commission (WTO document, G/LIC/N/3/CHN/1, 23 September 2002).

The allocation of quotas is based on the applicant's capacity for production, sales, service and past import performance, the number of new applicants, quota utilization records, and other relevant factors, including the scale or size of the enterprise and tax records.

The TRQs on cotton increased 5% year on year during the three years after China's accession to WTO. They rose from 818,500 metric tons in 2002 to 894,000 tons in 2004. The products covered are HS 52010000 cotton, not carded or combed, and HS 52030000 cotton, carded or combed. Likewise, the TRQs on wool expanded by 3% yearly during the three years after accession; the rise for wool tops was 5% yearly over the same period.

Standards and other technical requirements

Under the Agreement on Technical Barriers to Trade, China submitted to WTO five notifications on standards and technical requirements for textiles and clothing from 1 January 2002 to 31 June 2006.

National general safety technical code for textile products (GB 18401)

The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China adopted a new National General Safety Technical Code for Textile Products: GB 18401–2003 on 27 November 2003. The Code went into effect on 1 January 2005.

The safety requirements in the technical code are established to facilitate third-party verification. For self-declaration, a company may perform the inspection according to their product categories and their own quality assurance system.

As GB 18401 is the national safety standard for textile products, products that fail to meet its safety requirements may not be manufactured in China, nor may they be sold in or imported into the country. Therefore, the importance of safety testing according to GB 18401 cannot be overstressed.

National standard: Cotton-Upland Cotton, Revision No. 1 (draft)

Since 1 April 2003, short fibre content (SFC) and nep count have been included in the quality requirements of the national standard GB 1103-1999 Cotton-Upland Cotton. The test for SFC is conducted according to GB/T6098.1-1985 Test Method of Cotton Fibre Length Using Roller Analyser. The test of neps is carried out according to GB/T6103-1985 Test Method for Raw Cotton Trash. The national standard for cotton was revised in order to improve the quality of cotton, to satisfy the needs of textile enterprises for high-quality cotton, to prevent fake and bad-quality cotton from flowing into the market and to fight deceptive practices in trade.

National General Safety Technical Code for Textile Products (recommended)

The standard is applicable to apparel and upholstery textile products produced, sold and used in China, including yarns, fabrics and their made-up products, etc., using natural and man-made fibres as major raw materials, produced with textile processing technology and/or sewing manufacturing technology, for the purpose of wearing and upholstery. The following textiles for particular uses are not included: textiles for engineering projects, agriculture, safety and protective rope and net, packaging, medicine, toys, ornaments and outdoor decorations.

The standard specifies general safety technical requirements, test methods and inspection rules for textile products. The products covered are divided into three categories – Category A: products for babies and children; Category B: products that will be in direct contact with skin; and Category C: products that will not be in direct contact with skin. Corresponding basic safety technical requirements are also specified.

The relevant documents include:[23]

- GB/T 2912.1 Textiles – Determination of formaldehyde – part 1: Free and hydrolized formaldehyde (water extraction method);
- GB/T 3920 Textiles – Tests for colour fastness – Colour fastness to rubbing;
- GB/T 3922 Textiles – Testing method for colour fastness to perspiration;
- GB/T 5713 Textiles – Tests for colour fastness – Colour fastness to water;
- GB/T 7573 Textiles – Determination of pH of the aqueous extract;
- GB/T 17592.1 Textiles – Test method of the use of banned azo colourants – Gas chromatography/mass spectrography method;
- GB/T 18886 Textiles – Tests for fastness – Colour fastness to saliva.

National Standard of the People's Republic of China, Environmental Protection Control Standard for Imported Solid Wastes as Raw Materials – Waste and Scrap of Fibres

Cotton waste, waste fibres, rags and scrap of textile materials are covered by this standard. It stipulates the requirements for the control of carried wastes in imported waste and scrap of fibres, and for radioactive pollution control. Its purpose is to protect the environment.

Announcement No. 177 of 2005 made by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)[24]

This announcement concerns paper clothing. From 1 January 2006, products such as toilet paper, tissue paper, paper handkerchiefs, napkins, paper napkins, paper diapers, paper clothing and paper bedsheets (which fall under HS heading 6) were included in the 'Catalogue of Commodities Subject to Mandatory Inspection and Quarantine'. The mandatory inspection and quarantine are executed when these products enter the country.

Labelling and packaging

Labelling requirements are set out in the Standardization Law and the Law on Product Quality, adopted on 22 February 1993 and amended on 8 July 2000. Under these laws, all products sold in China must have Chinese language labels. Information may also be provided in a foreign language, although the details must correspond to the information provided in Chinese.

23 World Trade Organization, G/TBT/N/CHN/20, 19 June 2003.
24 World Trade Organization, G/TBT/N/CHN/183, 16 January 2006.

The labelling of imported textiles and clothing for domestic sales must conform to the mandatory standards for product identification and instructions for use; all information must be written in Chinese. The regulations on instructions for use include: GB5296.4-1998 Instructions on consuming textiles and clothing, and GB/T8685-88 Graphical symbols for textiles and clothing instructions for use.

Early in 2006, China promulgated legislation to implement the requirements of the International Plant Protection Convention (IPPC) on wood packaging. The law requires all wood packaging materials to conform to the IPPC mark, treatment and certification requirements in accordance with the standards documented in the International Standards for Phytosanitary Measures, frequently referred to as 'ISPM 15'. China's Customs will destroy or return to the exporter of record all shipments with non-conforming packaging.

Anti-dumping

Anti-dumping measures may be taken under the Foreign Trade Law and the Regulations of the People's Republic of China on Anti-Dumping (promulgated by Decree No. 328 of the State Council on 26 November 2001, amended on 31 March 2004). Two agencies in MOFCOM are currently responsible for investigating and determining dumping and injury. The Bureau of Fair Trade for Imports and Exports (BOFT) is in charge of the investigation process and determines whether dumping has occurred; and the Investigation Bureau of Industry Injury investigates and determines injury caused to industry. The two are jointly in charge of determining the causal link between dumping and injury.

According to China's notifications to WTO, from 1 January 2002 to 31 December 2005, 103 anti-dumping investigations were initiated and final measures were taken in 70 cases; no final measures were taken in 17 cases. Most of the cases initiated have involved imports from Japan (22), the Republic of Korea (18), and the United States (18). The majority concerned chemicals and products thereof, followed by plastics, rubber and articles. Up to now, China has initiated only four anti-dumping cases on textiles and clothing, all of which concerned textile fibres originating mostly from Japan, the Republic of Korea and Taiwan Province of China. No anti-dumping cases have ever been initiated on textiles and clothing from LDCs.

Market prospects

Market potential

The rise of the middle class

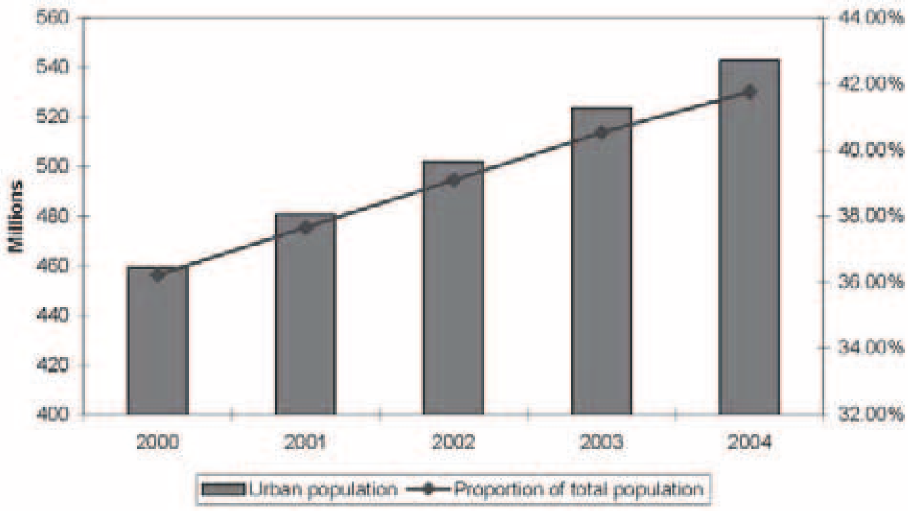
According to the National Bureau of Statistics of the People's Republic of China (NBS), the middle class consists of people with an annual household income of between RMB 60,000 (US$ 7,230) and RMB 500,000 (US$ 60,240) who have higher expectations than other consumer groups and pursue a life of 'style and taste'. NBS has predicted that the middle class will rise from the current 5% of total households to 45%, and will become an influential group in Chinese society. It is certain to become one of the most active consumers of apparel in the next 10–20 years.[25]

25 Li & Fung Research Centre, *The Development of Trends of the Apparel Market in China* (September 2005).

The process of urbanization

The percentage of population in urban areas rose from 36.22% in 2000 to 41.76% in 2004, with about 20 million people moving to urban centres every year. The lifestyles and fashion consumption patterns of these people change drastically in their efforts to adapt to their new environments. It is anticipated that the mass market for this group will expand at a faster pace.

Figure 2.4: China: population in urban areas, number and as percentage of total population, 2000-2004



Source: National Bureau of Statistics of the People's Republic of China.

Consumer behaviour

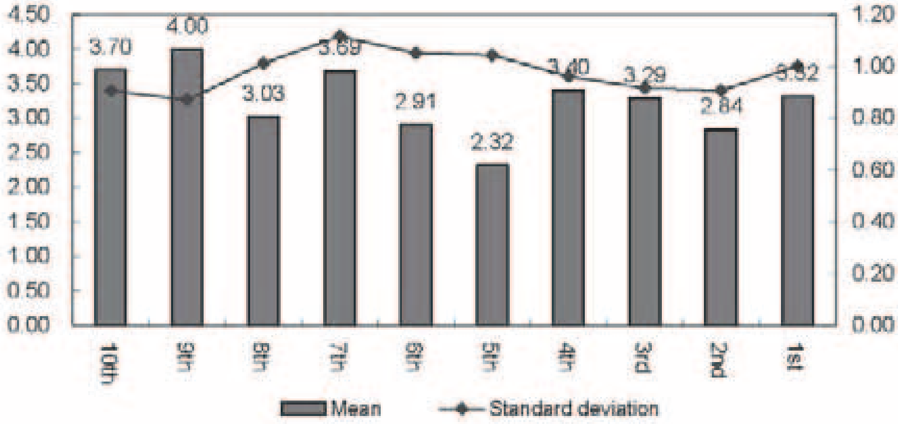
The change of lifestyle

Urban consumers focus both on improving basic living conditions and on enhancing their overall quality of life. According to a survey carried out in Shanghai, Suzhou and Qingdao in 2005, respondents agreed with the statements, 'I always set high objectives in my life', 'I need specific apparel for different occasions in my leisure time' and 'I don't deal with things related to work after office'. They disagreed with statements such as 'I think it is more important to save money than to earn it' and 'I always buy something I don't need when it is on sale'. It can be concluded that the consumers studied attach importance to having a better life and a good personal image. They tend to be reasonable, mature and not too price-sensitive.

Diversification of demand

With the diversification of consumer demand, consumption behaviour has also become differentiated. The luxury market is growing, attracting brands such as Louis Vuitton and Armani. High-end consumers, who are often loyal buyers, attach great importance to style, quality and brand image. Branded apparel also appeals to consumers in the middle range, but they tend to have weak brand loyalty. Price continues to be the determining influence on the buying behaviour of low-income consumers.

Figure 2.5: China: lifestyle preferences of consumers as revealed by a survey in three cities, 2005



1st I can accept different styles of brands.
2nd Ads exert great influence on buying decisions.
3rd I am concerned about fashion trends.
4th I desire a fashionable and casual life.
5th I think it is more important to save money than to earn it.
6th I prefer to stay at home rather than go out to party at night.
7th I don't deal with things related to work after office hours.
8th I want to express myself through dressing.
9th I need specific apparel for different occasions during my leisure time.
10th I always set up high objectives in my life.

Source: Consumer research in Shanghai, Suzhou and Qingdao, conducted by Donghua University, 2005.

Distribution channels

With the announcement of the Administrative Measures on Foreign Investment in Commercial Areas in April 2004, a more liberalized business environment became available for retailers and their activities are expected to expand at a faster rate. Zara, the Spanish apparel manufacturer and brand owner, has entered China with stores in Shanghai and Beijing. Likewise, H&M has opened stores in Shanghai.

The big foreign retailers present in China will accelerate their expansion – mostly through direct investment or franchising. Whatever practices they adopt, they will usually handle merchandising, sourcing and distribution themselves.

The domestic garment market: a micro view

The players/distributors in the market

In China, direct importing, licensing and the use of established local agents are common practices. With the adoption of an open-up policy subsequent to China's accession to WTO, the foreign importers' role in distribution is becoming more important.

Retailers of garments

Retailers often play the role of sole buyer. However, they frequently also act as channels for importing garments.

Department stores

Department stores were once a well-established and popular retail format in China. Few of them sell brands originating from LDCs. Moreover, they focus on high-fashion goods, mostly those processed in the European Union and the United States. When the stores do carry them, the major categories of products sourced and manufactured in LDCs are casual wear and sportswear brands such as Lee, Tommy Hilfiger, Adidas and Nike.

There are two typical types of department store in China. One is the State-owned department store, of which the Oriental Shopping Centre of the Brilliance Group is an example. The other type is the joint venture department store, such as the Jin Jiang Dickson Center in Shanghai (see box 1 for a description of the Center), the Beijing Yansha and Citic Square.

The Shanghai Brilliance Group was co-established by four big public companies in 2003. With a turnover of RMB 72.07 billion, the Group became the country's biggest distributor in 2005.

Thanks to its particular background in Hong Kong, Jin Jiang Dickson is not only a department store, but also the licensee of many international brands (Polo Ralph Lauren and Tommy Hilfiger) in greater China. Beijing Yansha Friendship is one of the high-end department stores in China. Its investors are the Beijing Government and Lufthansa Airlines. It is the store of choice for middle-class consumers. It has become a landmark in Beijing.

Box 1

Shanghai Jin Jiang Dickson Center

Shanghai Jin Jiang Dickson Center is a joint venture between the renowned Jin Jiang Holdings Co., Ltd (Shanghai) and the Dickson Group of Companies (Hong Kong SAR). The latter is a majority shareholder and operator of the Harvey Nichols Department Store in London.

Located at 400 Chang Le Road in Shanghai, the Center is adjacent to the famous shopping avenue of Huai Hai Road, with Shanghai's best hotels as its neighbours, such as the Garden Hotel, Jin Jiang Hotel and Jin Jiang Tower. With its excellent location in what was the French Concession of old Shanghai and its serene environment, the Center stands out among competitors for its high-quality merchandise and service.

With a total floor space of 8,000 m^2, the Center opened in May 1994. It is today the leader in the world of high fashion retail in Shanghai and is the home of top international brand names such as Polo, Ralph Lauren, Versace, Tommy Hilfiger, Lancel, Kent & Curwen, Moreschi, Brooks Brothers, Davinci, Gieves & Hawkes, Cerruti 1881, S.T. Dupont, Guy Laroche, Roberta di Camerino, Mabrun, D'Urban, Ascot Chang, Autason, Gibo. Saville Row, Moonheart, Decleor and Miss Yun Japan.

The Center is an agent of Tommy Hilfiger. Articles bearing this brand are already being produced in LDCs and other developing countries, including Cambodia, Honduras, Mauritius, Mexico, Pakistan, Sri Lanka and Viet Nam.

The Center is a good place for high-end brands and products for which the establishment of a retail presence in cosmopolitan Shanghai is being sought. However, it may not be an ideal place for products in the middle and low-end ranges from LDCs.

Source: *www.shjjd.com.*

Speciality stores and chain stores

These are becoming increasingly popular in the country. When they first entered China, many international brand owners, especially those dealing with casual wear and sportswear, chose to set up speciality stores or chain stores in the famous commercial regions to reinforce their brand image.

Casual wear brands entered China in the 1990s. Baleno, Giordano, and Jeanswest were the main competitors and experienced rapid development. The number of Jeanswest stores in China exceeded 1,000 in 2005. Meanwhile domestic brands, like Metersbonwe, have been expanding faster in recent years. The number of Metersbonwe stores reached 1,500 in 2005 and was expected to rise to 2,000 by the end of 2006; internet sources indicate that this number had climbed to 1,800 by 2007.

Specialized superstore

The specialized superstore is a newly emerging retailing form. An example is Decathlon – a French speciality superstore for outdoor sports. So far, it has 13 stores in China and 350 around the world. It had about 15 production factories in Shanghai in 2005, and many more production bases in countries like Cambodia, Thailand, and Viet Nam. One-third of its products are sourced in China.

Hypermarkets and discount stores

Hypermarkets and discount stores are booming and key players for imported brands. They take up an increasing market share in China's retail sector and have become a popular shopping place for the masses. In the hypermarkets, the majority of the brands sold are local. They also carry some global sportswear brands; these are generally produced in other developing countries. Examples are Nike shoes from Viet Nam and Nike T-shirts from Sri Lanka.

Carrefour had the biggest turnover among all the hypermarkets, while Lotus had the largest number of stores in China (table 2.10).

Table 2.10 China: hypermarkets, number of stores, turnover and rank, 2005

Hypermarkets	Turnover (RMB '000)	Rank in mainland China	Number of stores
Carrefour	17 435 800	10	70
Lotus	10 060 000	20	93
Wal-Mart	9 933 700	23	50
Hymall	7 920 000	29	–
Metro	7 546 330	30	28

Sources: China General Chamber of Commerce, China Commercial Information Center.

Shopping malls

These have been built in China in the past few years at an amazing speed and have performed well in terms of gathering customers and extending brand image. The Gate Way and Super Grand Mall are successful examples for this kind of format. Super Grand Mall is owned by the Chia Tai Group, one of the biggest corporations in Thailand.

Outlets

Outlets cater to mass sales and help to decrease inventories rapidly. They generally sell the well-known brands. In the big cities of China, people drive to the outlets in the suburbs during the weekend. This is rapidly becoming the lifestyle of the future. Famous brands, lower prices and a variety of choices all work towards making this distribution channel a major preference of many customers.

Outlets sell a wide range of brands, including top brands, casual and sportswear brands, which could also be procured from LDCs (Adidas and Nike). Shanghai Outlets, for example, which is owned by the Brilliance Group and Wharf (China), covers a land area of 160,000 m^2. It carries 150 brands, most of which are well-known brands like Zegna, Dunhill, Givenchy, Reebok and Nike.

The least developed countries as sources of apparel

Figure 2.6 shows the various types of products and brands procured from LDCs.

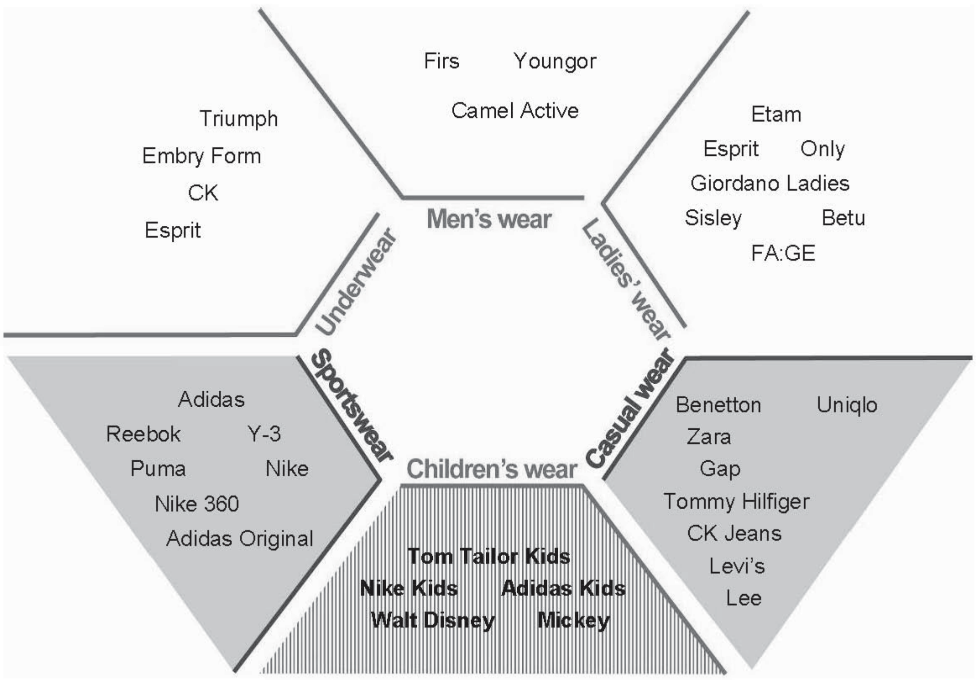
Sportswear and casual wear are commonly obtained from LDCs. A few internationally known brands of childrenswear are also sourced in LDCs.

Most of the menswear sold in China is produced in the domestic manufacturing clusters with large-scale advanced facilities and skilled workers. Developed countries like Italy and the United Kingdom supply high-quality suits in fashionable designs and unique fabrics.

Womenswear is generally produced locally. The rapid changes in demand and the large varieties of styles required in small quantities would make sourcing from LDCs difficult as the supply chain would be too complex to manage.

The production of underwear requires skilled workers; most of China's underwear is therefore procured domestically.

Figure 2.6: China: brands procured from least developed countries



Apparel procurement practices

Information on the procurement criteria and procedures of big global distributors like Carrefour, Decathlon, Jin Jiang Dickson and Brilliance Group and of manufacturers like Donglong is provided below. Obtained through in-depth interviews with their business executives, this should guide LDCs in evaluating and enhancing their competitiveness.

Global sourcing

The ASEAN[26] countries include the main developing and least developed countries exporting apparel to China. The countries performing well in the aspects discussed below will be preferred by China's global sourcing companies, though some big companies will deliberately distribute orders among different suppliers to spread risks.

Comprehensive investment environment. An adequate infrastructure, the right trade policy, attractive labour costs and the presence of the requisite skills are vital for a comprehensive investment environment. A complete supply chain from raw material to textiles, from manufacturing to finishing is strongly preferred, given that one-packaging and one-stop sourcing is possible with such a set-up. Being close to market also reduces supply times and costs. Speed and efficiency at customs clearance are crucial.

Overall vendor qualification. Evidence of corporate social responsibility (CSR) and a commitment to environmental protection are the first priorities when evaluating the vendor. Versatility and processing technologies are becoming important factors in addition to cost.

Political and social factors. The working behaviour and motivation of labour will strongly influence company efficiency. Political stability will certainly reduce transaction costs and the risks to suppliers and buyers as well.

As an export-processing powerhouse, China outperforms many LDCs in certain aspects. For example, a domestic supplier can move goods from any place inside Mainland China to Shanghai stores in 24 hours and even less (10 hours from the neighbouring Jiangsu and Zhejiang Provinces). By contrast, goods from LDCs may take weeks to arrive in Shanghai. However, some LDCs have other strengths as shown in the comparative text table below.

Comparative advantages: Chinese manufacturers as against LDC vendors

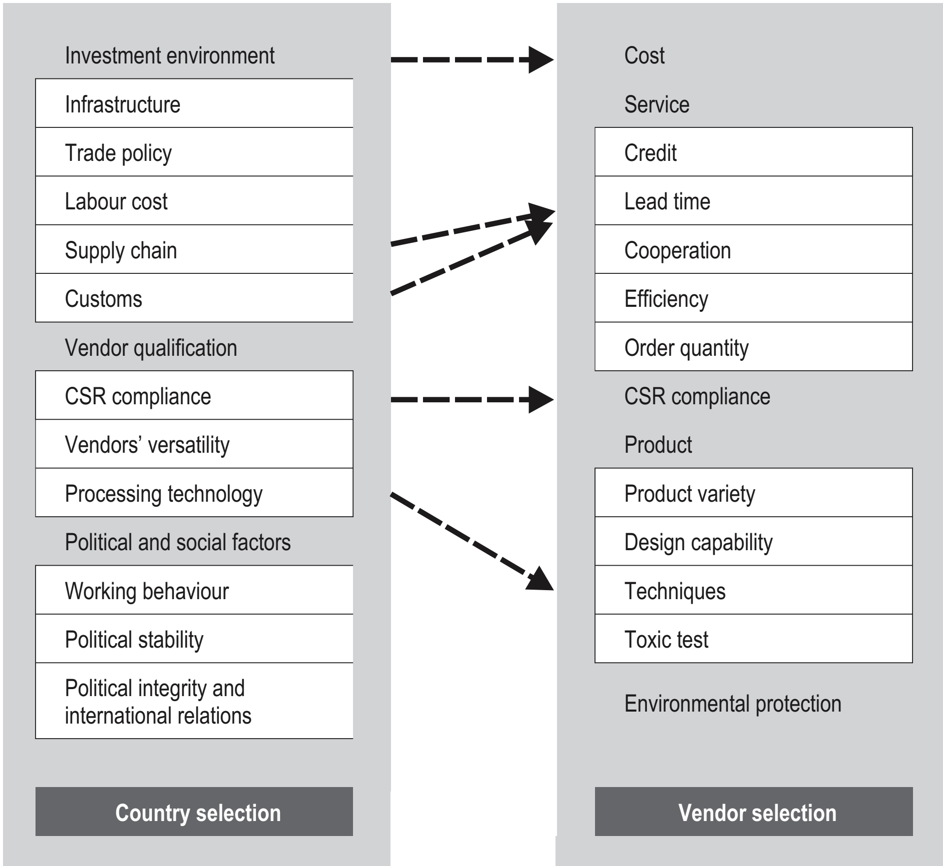
Chinese manufacturers	**LDC suppliers**
Better infrastructure Complete supply chain Variety of products, full range of sectors, one-stop buying Industry clusters Skilled and well-trained labour Political stability	Lower labour cost Favourable trade policy, less trade barriers and disputes Close to natural fibre suppliers Industry clusters in some areas Proximity to world markets

26 Association of Southeast Asian Nations.

Vendor selection

When selecting supplying countries and vendors, sourcing companies will pay attention to factors like costs, services, CSR compliance, products, and commitment to environmental protection (figure 2.7).

Figure 2.7: China: importers' criteria for vendor selection



Some brand owners do not design their products. Factories have to recommend their collections to buyers. Design and research and development (R&D) capabilities often have to be obtained from abroad.

Factories must provide a guarantee that their products will pass tests for formaldehyde and heavy metal toxicity. Sourcing enterprises invite a third party to conduct annual spot checks on this aspect.

The criteria for vendor evaluation are almost the same for all importers. However, the priorities vary from product to product, brand to brand, and buyer to buyer. For example, delivery time is important for seasonal goods and fashion products; costs are fundamental for basic items.

To enhance their competitiveness, vendors in developing countries and LDCs must meet the buyers' criteria listed in table 2.11.

Table 2.11 China: priorities in the market demand for apparel from the consumers' and the vendors' points of view, by category of product

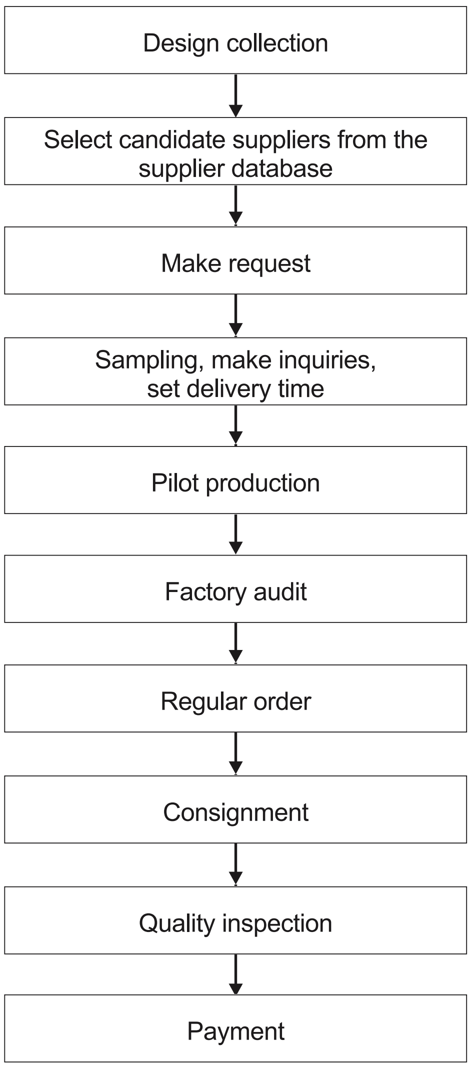
Category of product	Consumers	Vendors
High-fashion product	Fashionable styles, designs	Design lead time
	Unique patterns	Skilled labour
Fashion basic product	Durability, workmanship	Flexibility of facilities
	Fitness	Use of ICT/EDI [a/]
	Comfort	High efficiency, advanced facilities
Basic product	Super value	Productivity
	Price	Cost leader

a/ Information and communications technology/Electronic data interchange.

Procurement procedure

The procedure for apparel sourcing (figure 2.8) is almost the same for all buyers except in regard to the complex subset for size, colour and material confirmation before the regular order is placed.

Figure 2.8: China: procurement procedure



To reduce risks, the factory audit is sometimes carried out by an impartial third party, such as the Intertek Testing Services and the SGS Group. It looks mainly at three aspects, for instance, corporate social responsibility (CSR) as a precondition, the quality system and processing.

SA 8000[27] is the most frequently used standard for CSR authentication. By 30 June 2005, 99[28] enterprises had acquired SA 8000 authentication in China, among which were 47 manufacturers of accessories, apparel, footwear and textile.

E-procurement and usage of information and communications technology

The ability to use ICT is a competence required of buyers and suppliers, as the capacity to meet demands brought about by fashion and market changes is critical to success.

The use of ICT in global sourcing companies often covers the following aspects:

- The information platform and database;
- E-procurement: online design, order, confirmation and supplementary procedures;
- ERP and MRP.[29]

All of the above aspects involve both sourcing and processing parties. It is essential for suppliers to possess ICT systems corresponding with those of their buyers.

The ERP systems used by apparel enterprises are described below.

- *SAP ERP*. The SAP ERP application is an integrated enterprise resource planning (ERP) software manufactured by SAP AG that targets the business software needs of organizations in all industries and sectors. The most widely used ERP system, over 80% of the Fortune 500 companies use SAP. Nike, Decathlon and Benetton are all SAP users.
- *Intentia MOVEX*. MOVEX is another prestigious ERP system specializing in the apparel industry. It offers ERP, CRM, VCM, BPM[30] and E-biz applications, among others. Its users include Adidas, Morgan and North Face.[31] Youngor, the leading Chinese manufacturer of suits, also employs the MOVEX system.
- *Probabilistic road map methods (PRMs)*. The need for motion planning arises in many areas such as intelligent CAD[32] (virtual prototyping) and mixed reality systems (computer-assisted operations). A single class of planners, called probabilistic road map methods (PRMs),[33] has proven effective for tackling problems in these domains. The strengths of PRMs, in addition to versatility, are simplicity and efficiency even in high-dimensional configuration spaces.

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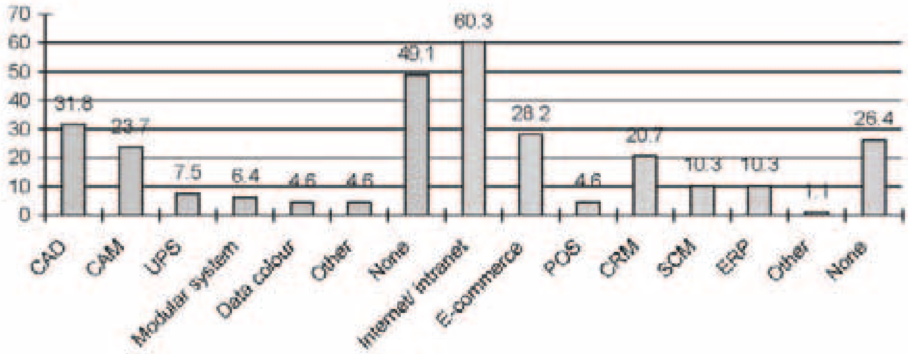
27 A global standard for social accountability developed by Social Accountability International.
28 **Source:** *Corporate Social Responsibility Alliance (www.sa8000.org.cn* and *www.crs-global.com*).
29 ERP or 'enterprise resource planning' integrates all the data and processes of an organization into a unified system. MRP (materials requirements planning) is a software-based production planning and inventory control system.
30 CRM or customer relationship management includes the capture, storage and analysis of customer, vendor, partner, and internal process information. VCM: value chain management; BPM: business performance management.
31 *www.intentia.com.cn*.
32 *CAD: computer aided design*.
33 The motion planning problem asks for computing a collision-free, feasible motion for an object (from a given start to a given goal placement in a workspace with obstacles). Besides the obvious application within robotics, motion planning also plays an important role in computer-aided design.

In addition to ICT software, relevant facilities such as data colour, digital cutting machines, printing machines and unit product systems (UPS) are necessary for the application of digital information. Cutting time and cost while improving precision, this set of software and digital equipment will enhance both the buyers and suppliers' ability to respond quickly to fashion changes and increase their competitiveness.

Figure 2.9 indicates the return on sales resulting from the manufacturers' utilization of various ICT systems and advanced facilities in Ningbo, China, which is an apparel cluster. ICT helps manufacturers to achieve higher efficiency and better quality and thus to raise their profitability (figure 2.10).

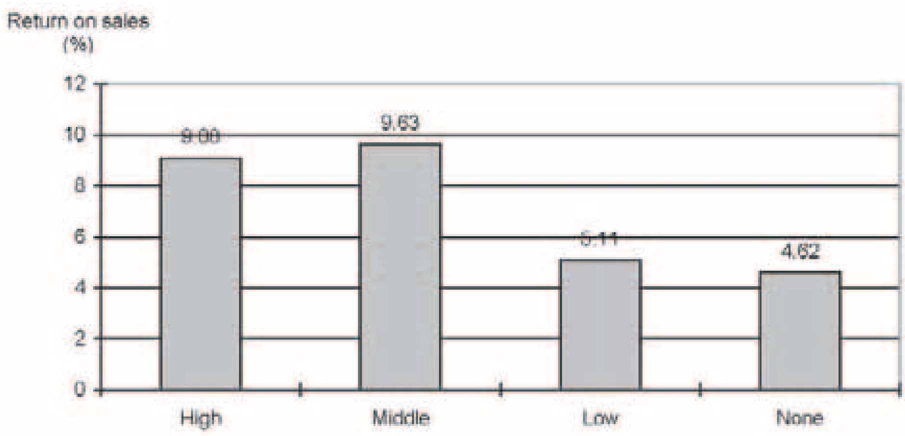
Figure 2.9: China: return on sales obtained by manufacturers as a result of utilization of IT systems in Ningbo, by type of IT system



Source: Questionnaire survey in Ningbo, December 2004.

Notes: Sample size: 173.
CAM: computer-aided manufacturing; POS: point of sale.

Figure 2.10: China: return on sales obtained by manufacturers as a result of varying levels[a/] of adoption of innovation technology in Ningbo



Source: Questionnaire survey in Ningbo, December 2004.

a/ High, middle, low, none.

Note: Sample size: 173.

Consumer preferences

Growing demand for natural fabrics

With increasing product knowledge and surging purchasing power, mainland consumers in China tend to have higher requirements for quality and comfort in clothing. They usually prefer apparel made of natural fabrics.

Preferences for countries of origin and price consciousness

The high-fashion brands sold in China such as Dior and Chanel come from the European Union; in most cases, the garments are made in EU countries, especially France and Italy. Consumers care about the brand's country of origin as well as the country where the piece of apparel they are considering has been manufactured. When they have to pay more than RMB 1,000 for just one T-shirt or a pair of pants, they prefer these items to be made in developed countries rather than in developing ones.

In contrast, consumers are more price sensitive in regard to sportswear, casual wear and mass products and do not bother very much about countries of origin. While a number of these products carry well-known brands from the European Union and the United States, they are usually made in ASEAN countries and developing and least developed countries elsewhere. The global sourcing of these brands continues to create opportunities for LDC exporters.

Box 2

Why do retailers source in Cambodia or China? Why do they not? – A retailer's consideration

Cost is an important factor for a retailer to consider. It covers not only labour cost, but also other costs such as the cost of transport. For example, while labour costs in Cambodia are lower than in China, the addition of freight costs raises Cambodia's total costs to a level higher than those of China.

Delivery time is becoming crucial. In practice, the distribution of goods from any place inside mainland China to Shanghai stores requires less than 24 hours, or even less (10 hours) from factories in the neighbouring provinces of Zhejiang, Jiangsu. In contrast, delivery from LDCs may take weeks.

Order quantity is a problem. One of China's big retailers will not source supplies in quantities less than a container load from vendors outside China for its stores in China.

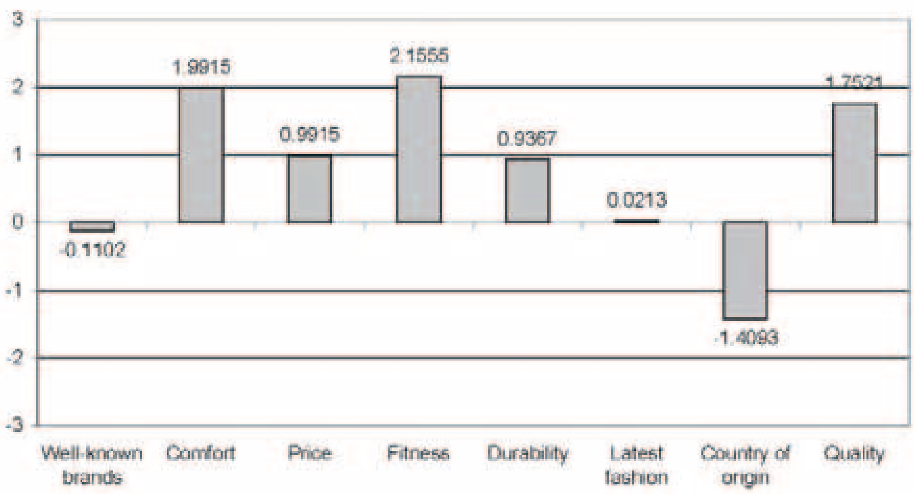
Quality is the priority. The international retailer purchases fabrics separately to ensure the quality of finished goods. In this case, sourcing in China is a good option, as China produces good quality goods and the complete range of garments, fabrics and trims.

The use of e-commerce and political stability reduces operational risks.

Quality and comfort

Most consumers consider fitness for purpose, quality and comfort of utmost importance. This is one reason for their preference for natural fabrics (figure 2.11).

Figure 2.11: China: the importance of attributes of casual wear to university youth, as measured on the Likert scale



Source: Questionnaire survey on blue jeans, June 2006.

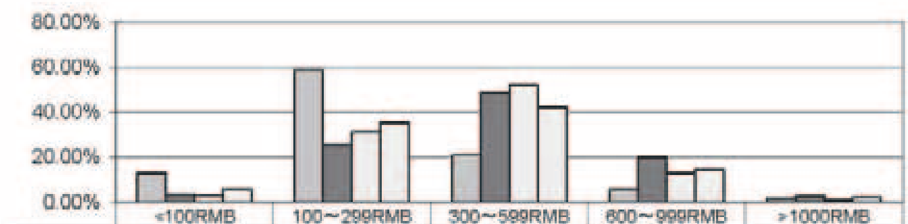
Notes: Sample size of survey: 247.
Seven-point Likert scale: -3 = least important 0 = indifferent +3 = most important

Price range and store preference

Consumption of high-end brands is growing at an annual rate of 20%. Nevertheless the majority of consumers cannot afford these high-priced goods. Casual and sportswear prices which fall between RMB 100–299 and RMB 300–599 are more acceptable to consumers (figure 2.12). Apparel at this price range includes brands registered and produced in China, brands registered abroad but produced in China and brands from developed countries but sourced globally.

Consumers prefer to buy clothes in speciality stores and department stores (figure 2.13). Generally speaking, brands produced in LDCs are sold mainly through these outlets. Few brands produced in LDCs are sold in hypermarkets and discount stores, with the exception of casual sports brands such as Adidas and Nike.

Figure 2.12: China: the prices of sportswear bought by consumers in three cities, 2005

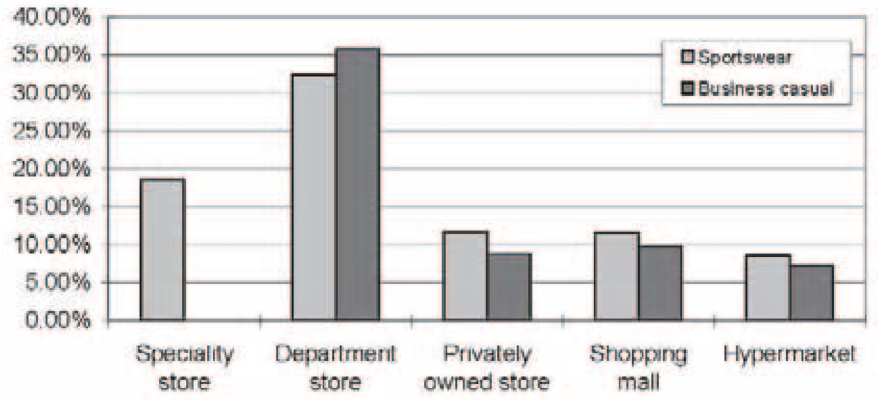


	<100RMB	100~299RMB	300~599RMB	600~999RMB	>1000RMB
Tsingdao	12.80%	58.70%	21.10%	5.50%	1.80%
Shanghai	3.30%	25.60%	48.30%	19.90%	2.80%
Suzhou	3.00%	31.00%	52.00%	13.00%	1.00%
Average	5.70%	35.50%	42.10%	14.50%	2.10%

Source: Questionnaire survey on casual wear or sportswear, 2005.

Note: Sample size: 426.

Figure 2.13: China: purchasing channels for consumers of sportswear and business casual wear, 2005



Source: Questionnaire survey on casual wear and sportswear, 2005.

Note: Sample size: 426.

Case studies: the key players in China's garment market

Case 1: Shanghai Brilliance (Group) Co., Ltd

Shanghai Brilliance (Group) Co., Ltd is China's biggest conglomerate in the distribution sector. With a registered capital of RMB 1 billion (about US$ 125 million), it has more than 50,000 employees and its retail sales in 2005 amounted to RMB 72.07 billion (US$ 9.01 billion).

It was co-established in 2003 by four big State-owned enterprises – Shanghai Yi Bai (Group) Co., Ltd; Hua Lian (Group) Co.; Ltd, Shanghai Friendship (Group) Co., Ltd; and Shanghai Materials (Group) Corporation. It had seven listed companies by 2006. It is a result of the strategic restructuring of State-owned enterprises (SOEs) by the Shanghai State-Owned Assets Supervision and Administration Committee to cope with the challenges of opening up the distribution, services and trade industries to global competition after China's entry into WTO.

In 2005, Shanghai Brilliance had 7,000 outlets in 25 provinces in China. These covered all retail formats – department stores, supermarkets, hypermarkets, convenience stores, shopping malls and speciality stores.

Following the guideline 'based in Shanghai, developing throughout China, linking with the world', Shanghai Brilliance seeks to strengthen cooperation with the world's reputable distribution conglomerates. While developing its local chain outlets, it is working hard to adapt itself to the global commercial network.

Outlets

In 2004, it invested RMB 470 million to establish Outlets, one of its distribution points, together with partner The Wharf (Holdings) Ltd of Hong Kong. Outlets is located at the Zhaoxiang exit of the A9 Huqingping Highway in the Qingpu district of Shanghai, and is 26 km away from People's Square in downtown Shanghai. It is targeted at customers in the middle to high-end ranges who live in the delta area of the Yangtze River (Jiangsu, Zhejiang, and Shanghai) and who own private cars.

Outlets occupies a land area of 160,000 m^2 and comprises 150 brand discount shops. Shanghai Brilliance conducts negotiations with exclusive regional agents of international brands and has its own team of buyers. Imagine X Group of The Wharf (Holdings) has made a great contribution by introducing first- and second-tier world brands (such as Zegna, Dunhill and Givenchy) to Outlets.

In the Outlets shops of Nike, Adidas, Henry Cotton, one can easily find clothing and sports items imported from LDCs such as Bangladesh, Cambodia and Mauritius.

Oriental Shopping Center

Established in 1993, Oriental Shopping Center now has annual sales reaching RMB 1 billion. It is mainly a retailer of products in the middle to high-end ranges but it also carries out wholesale business to some extent. Located in Xu Jia Hui, one of the busiest CBD (central business district) areas in southwest Shanghai, it has a total area of 30,000 m^2. In 2003, it was put under the control of Shanghai Brilliance.

Oriental Shopping Center deals with over 60,000 items of commodity, a third of which are imported. In a recent month, the small Tommy Hilfiger counter, which occupies an area of less than 20 m^2, displayed T-shirts and pants made in Cambodia, Honduras, Mauritius, Sri Lanka, Turkey and Viet Nam. The Puma counter had products made in Turkey and Viet Nam.

According to Ms Zhang Fanghua, manager of the newly established Purchasing Headquarters (interviewed in 2006), they still lack the ability to carry out supply chain management. They deal mainly with large trading firms like the Li & Fung Group and the Imagine X Group (which is based in Hong Kong), although they had acquired the right to import on their own.

Shanghai Orient International Trading Co., Ltd

Shanghai Orient International Trading Co., Ltd is under the control of Oriental Shopping Center. It is the brand distributor in China of Lancel (leather goods from France), Royal Doulton (porcelain from the United Kingdom) and Magnanni (leather goods from Spain). Its sales in 2005 amounted to RMB 25 million, and it had a net profit of RMB 1.12 million.

Ms Zhou Yuhua, Assistant General Manager, said in an interview that her firm sourced consumer goods mainly from Europe – Belgium, France, Italy, Spain, Sweden and the United Kingdom, among others. Each year her firm attends exhibitions in Frankfurt and Dubai to establish business contacts and find possible clients.

Ms Zhou's recommendation to LDC exporters intending to enter the Chinese market is to find the right channel. She suggests the following ways:

- Attend trade fairs to look for dealers and agents;
- With the help of trade councils, try to gain support (e.g. financial sponsorship) from their consulates in China to promote their products in the country;
- Do market research – sample analysis, market forecast, projections of returns on investment – to gain a clear picture of what the market needs.

Case 2: Carrefour

Carrefour Group, the largest retailer in Europe and the second largest retailer in the world, supplies up to 2,000 food and non-food products in more than 11,000 stores in 30 countries in Europe, South America and Asia. With a staff of about 430,000, Carrefour now operates multi-format retail stores, including hypermarkets, supermarkets, discount stores, convenient stores, cash & carry outlets and e-business. Its total sales reached €81.3 billion in 2004.

Carrefour opened its first hypermarket in Beijing in 1995, and now boasts 78 stores in 31 cities in China. Carrefour Global Sourcing China has developed business relationships with more than 1,000 qualified factories in the country.

The Carrefour Group's total purchases from China have reached US$ 3.2 billion yearly and 95% of the goods in its hypermarkets in China are provided by local suppliers. China has become the Group's biggest procurement base in Asia. It will continue to raise its purchasing volume in China to benefit from economies of scale and because of the geographic advantages of doing so.

Purchasing categories

As an international retailer, the Carrefour group purchases large volumes of T-shirts and sweaters for the autumn season through its sourcing offices in Bangladesh and India.

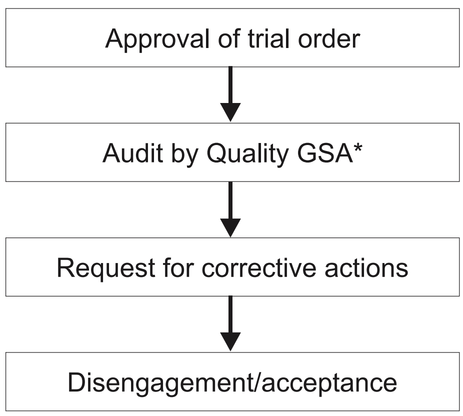
It sources four categories of products from China: food, hard goods, electronics, and textile products and garments. Its purchases include babies' and childrenswear, men's and womenswear, shoes, home textiles, underwear, socks, gloves, scarves and ties.

Vendor evaluation

Though the Carrefour Group emphasizes local procurement, it also sources in different countries to reduce risks.

Carrefour Global Sourcing China actively seeks competitive suppliers. Various steps take place during the initial period of partnership development (figure 2.14). At each step, candidate suppliers are rated according to the following scale: A = Outstanding, B = Acceptable, C = Below requirement, D = Absent or irrelevant.

Figure 2.14: Carrefour's four steps in the initial evaluation of a prospective vendor



* General Services Administration.

Carrefour also implements a system of checkpoints on various aspects of the prospective vendor's operations. These are outlined below.

Operational aspects	Checkpoints
Incoming controls	1 Parts and materials delivered to the factory should be inspected before storing. 2 Instructions followed by the inspector, formal reporting. 3 Supplier policy and follow-up.
Production system	1 Cleanliness of the production lines. 2 Production capacity. 3 Smoothness of the production flow. 4 Major checkpoints along the production process. 5 Segregation and/or repair of defective units.
Final controls	1 Description of the frequency of the controls conducted before shipment. 2 Relevance of the final controls.
Safety and social issues	1 Cleanliness in the warehouses. 2 Disposal of waste water. 3 Fire prevention. 4 Safety hazards. 5 Under-aged workers.
Management ability	1 Collaboration received during the visit. 2 Factory profile.

Case 3: Shenzhou Knitting Co., Ltd

Ningbo Shenzhou Knitting Co., Ltd specializes in the processing of knitwear for export. The company's exports were valued at US$ 263 million in 2004, with earnings after tax amounting to about US$ 38.5 million (RMB 308 million). The executives of the Shenzhou Group understand that the golden era has long gone and that apparel manufacturers can no longer rely on cost advantages and preferential policies to succeed as exporters. They believe good performance on the world market comes from innovation.

Innovation at Shenzhou has taken place on two fronts. First, it now employs the 5S management application in addition to its network management system to ensure that its operations take place on schedule and in a stable, orderly, effective and harmonious way. As a result, it produces quality goods and earns abundant returns on investment. Second, the company stresses social responsibility in its relationship with its employees. It has improved their working and living conditions, increased employees' pay and benefits, provided social security. With this package of benefits, which has given the company a leading position in the social responsibility domain in the industry, the Shenzhou Group succeeds in encouraging an increasing number of employees to consider the company as their own and in stimulating their initiative and creativity.

Social responsibility and environmental protection

The Shenzhou Group has about 17,000 employees, of which women workers constitute the majority. Over 70% of its workers come from provinces other than Zhejiang, and are mostly from Anhui and Jiangsu provinces. These workers have all taken a training course which lasts for one to two months in Ningbo after receiving basic training in their hometowns.

The company strengthens cohesion and increases labour productivity by establishing sound working and living conditions and providing opportunities for training and career development. A skilled worker can get a yearly pay of RMB 20,000. Air conditioners have been installed not only in workshops but also in dormitories, which are apartments with some services provided. The company provides nutritious catering to the staff by controlling the purchase of food supplies, among other means. The staff members receive a 50% meal allowance and enjoy a large reduction in meal expenses. Employees who perform well are awarded free tours to countries like Thailand and the Republic of Korea. The fare by train or coach is fully refunded when staff members return from leave in their hometowns. Through scientific management and following the principle of 'providing the best welfare and implementing efficient management', the company increases labour productivity to compensate for increased labour costs.

The Shenzhou Group was certified to the ISO 14001 Environmental Management System in February 2001. It has invested RMB 16 million in the construction of two sewage disposal plants, which are the two leaders in Zhejiang Province in terms of both scale and modernity of facilities. The two plants have been run by professional companies to obtain a disposal capacity of 41,000 tons per day and the discharged water reaches the national first grade Integrated Wastewater Discharge Standard.

With imported high-quality dyes and up-to-date dyeing machinery, the company adopts low-bath-ratio techniques to obtain better dyeing, decrease the input of dyes, increase quality, reduce cost and pollution, meet the requirements of customers, and improve the company's reputation.

Quick response, R&D and design

Attaching importance to its IT strategy, the Shenzhou Group has invested RMB 10 million in a LAN (local area network), and shares information with its customers and suppliers through a management information system designed specially for processing and for export-oriented companies. The company uses flexible facilities such as the Data Color system, UPS, CAD, a semi-automatic management system for inventory, and bar code technology. With its quick-response customer service, the company can complete and deliver samples for customers in Shanghai in a period as short as 12 hours. Because there is only a 10-minute drive between the company and Beilun Harbour, shipments can be cleared for export in a few hours.

The Shenzhou Group has an R&D team of more than 100, as the company stresses the importance of product development. New fabrics, new styles and products with new functions have been developed to meet customer requirements and comply with cutting-edge fashion trends.

In May 2006, Shenzhou invested US$ 33.8 million in Cambodia to build a clothing factory with a capacity of 300,000–400,000 pieces monthly.

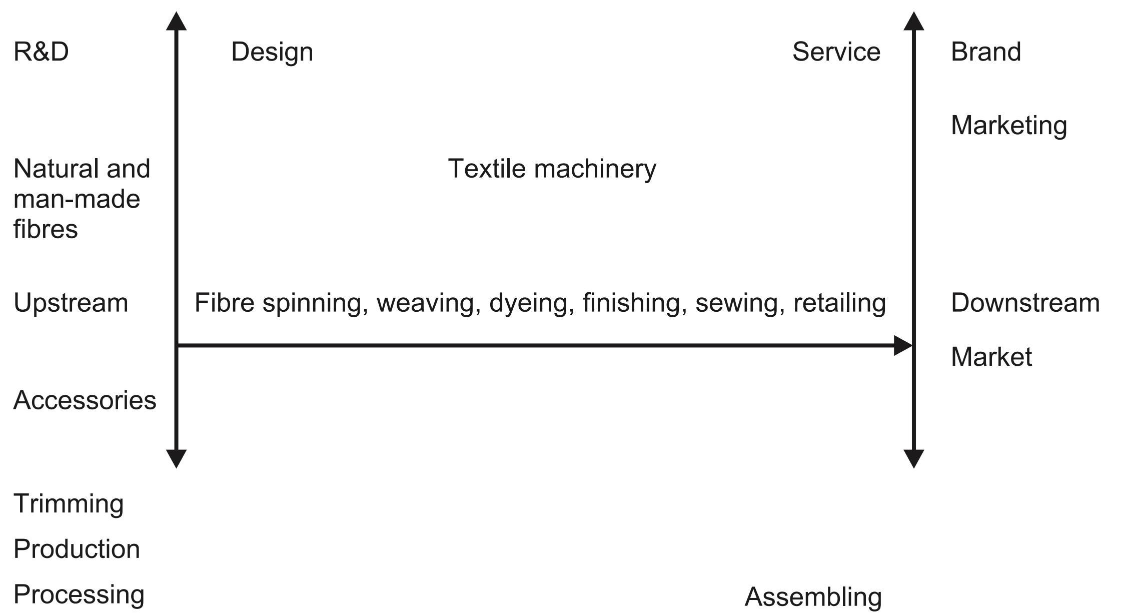
Possibilities for cooperation along the value chain

The textile complex and the role of least developed countries

The garment value chain is a complex process from fashion designing to retailing, from fibre production to garment assembling. The sewing sector, downstream of the garment industry, is labour intensive. Upstream sectors, such as man-made fibre production, are capital intensive and this is where developed and advanced developing countries have their strengths.

Developing country and LDC textile industries mainly concentrate on processing, sewing and assembling. The profit made at this stage is less than 10% of the total value added. By contrast, industrialized and developed countries focus on the high-technology and high-fashion sectors. They produce new man-made fibres, high-grade dyes, fashion goods and textile machinery, and perform functions such as branding, designing, retailing, merchandising, trading and marketing. They capture a large proportion of value added. Furthermore, the giant retailers and brand owners have huge bargaining powers in buying and supplying.

Figure 2.15: The textile complex



China is the largest producer and consumer of clothing and textiles. It has the full range of products and a complete production chain, which covers natural and man-made fibres, spinning, weaving and knitting, printing and dyeing, and sewing.

China itself is the leading supplier of cotton, silk, ramie, and polyester. However, high-grade and newly developed man-made fibres and fabrics are mainly supplied by the United States, Japan, the Republic of Korea and Europe.

Table 2.12 shows China's imports of raw materials, equipment in recent years.

Table 2.12 China: imports of fibre, machinery, dyestuff, textiles and garments, 2000–2005

Quantity (Q): '000 tons
Value (V): US$ million

Year	Cotton Q	Wool Q	Chemical monofibre Q	Man-made fibre Q	Textile machinery V	Dye-stuff Q	Textiles V	Garments V
2000	84	300.7	4 504.7	1 653	1 913	42.1	12 703	1 184
2001	112.6	309.1	5 595.8	1 473	2 514	46.3	12 458	1 262
2002	208	237.2	7 549.1	1 720	3519	56.3	13 026	1 337
2003	870	192.7	9 045.2	1 858	4 611	108	14 183	1 404
2004	1 980	239.2	11 268.3	1 776.8	4 755	110.2	15 273	1 531
2005	2 650	269	13 087.7	1 700.1	3 556	111.1	15 490	1609
2005/2000 GR [a]	3 054.76	-10.54	190.53	2.85	85.89	163.90	21.94	35.90

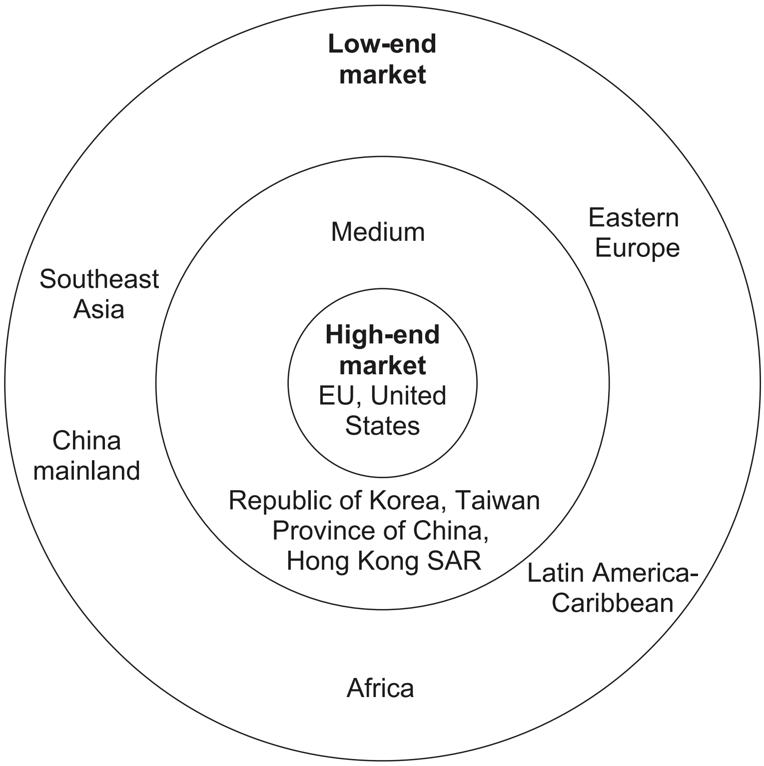
Source: China National Textile & Apparel Council (CNTAC), *China Textile Industry Development Report, 2005/2006*.

a/ Growth rate (%).

Global market segmentation

In the world apparel market, high-fashion and the middle to high-end segments are dominated by brands from developed countries, mostly EU countries. Though developing countries are able to produce garments of all grades and categories, they mainly target the middle to low-end markets.

Figure 2.16: The market targeting of the global textile and apparel industry



Competitors or cooperators

Many exporters in developing countries and LDCs perform the same functions and play the same roles as those in China. Competing homogenously in the same sectors (most of the LDCs' textile industries concentrate on the garment sector) with little support from related industries will most likely result in loss of competitiveness and a zero-sum game. The fourth biggest importer of textiles and garment industry products, China benefits from its imports of advanced equipment, fibres, yarn, fabrics and finished goods. Horizontal and vertical regional integration, complementing each other in the value chain with innovative strategies, will lead to competitive and comparative advantages for both LDCs and China.

Cotton, yarn and fabrics

Cotton

China is one of the world's largest cotton producers and consumers. The United States is the key exporter of cotton to China.

Table 2.13 shows the performance of the six leading exporters of cotton to China in 2004 and 2005.

Table 2.13 China: top six suppliers of cotton, by quantity, 2004–2005

2004			2005		
Country	**'000 tons**	**% of total**	**Country**	**'000 tons**	**% of total**
United States	1 057	55.4	United States	1 210	46.9
Uzbekistan	197	10.3	Uzbekistan	303	11.8
Australia	103	5.2	Australia	202	7.9
Burkina Faso	74	3.9	Burkina Faso	132	5.1
Benin	66	3.5	Indonesia	125	4.9
Mali	64	3.4	Benin	101	3.9

Source: China National Textile & Apparel Council (CNTAC), *China Textile Industry Development Report, 2005/2006*.

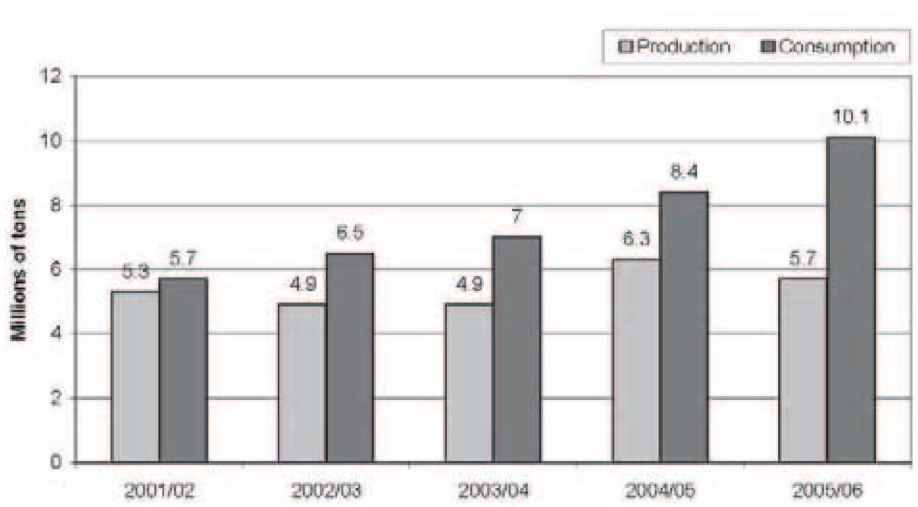
Because of its long fine fibre, high-grade Egyptian cotton is imported for the production of quality fabrics. The United States is the largest exporter of cotton fibre by volume. In the first quarter of 2006, China imported 1,660,000 tons of cotton fibre, 45.94% of which (737,000 tons) was from the United States.

United States cotton is attractive to Chinese buyers because of its price and the good service, technical support and guidance in fashion trends that accompany purchases. In a recent year, the price of cotton imported from the United States was about RMB 13,000 per ton, lower than the price of domestic supplies which was set at between RMB 13,800 and RMB 14,000 per ton.

China also imports a small proportion of cotton from African, South American and Asian countries, but the cotton grade and suppliers' services do not match the expectations of the importing companies. According to the China Chamber of Commerce for Import & Export of Textiles, in 2004, 19.98% (396 300 tons) of China's total imports of cotton came from Africa, a rise of 137.29% over the previous year. Of this, 178,700 tons were from Benin, Mali, the Sudan, Togo, Zambia and other African countries.

Owing to the gap between production and consumption, China is compelled to import cotton.

Figure 2.17: China: cotton production and consumption, 2001/02–2005/06



Source: *US Cotton Market Monthly Economic Letter*.

Cotton yarn

Imports of cotton yarn are growing. In 2005, 528 000 tons of cotton yarn were imported; 64% of this consisted of pure cotton combed yarn.

Table 2.14 China: imports and exports of cotton yarn, by quantity, 2000–2005 (in thousands of tons)

Item	2001	2002	2003	2004	2005	Average annual growth rate (%)
Export	245.5	388.4	504.2	431.2	469.5	20.6
Import	533.5	613.8	711.6	714.7	793.8	10.6

Source: CNTAC, *China Textile Industry Development Report, 2001–2005.*

The top five suppliers of cotton yarn to China are Pakistan, Taiwan Province of China, India, Indonesia, Hong Kong SAR and Thailand (table 2.15).

Table 2.15 China: imports and exports of cotton yarn, by origin and by destination, 2005

Origin: imports from			Destination: exports to		
Country/area	**Tons**	**%**	**Country/ area**	**Tons**	**%**
Pakistan	24.55	32.73	Hong Kong SAR	34.17	81.36
Taiwan Province of China	5.31	7.08	Republic of Korea	2.04	4.85
India	5.2	6.93	Japan	1.21	2.88
Indonesia	3.1	4.13	Myanmar	0.78	1.86
Hong Kong SAR	2.7	3.6	Bangladesh	0.53	1.26
Thailand	1.41	1.88	Indonesia	0.35	0.83

Source: CNTAC, *China Textile Industry Development Report, 2005/2006.*

Cotton fabrics

Imports of cotton fabrics are also growing, mainly from India, Pakistan and ASEAN countries. In 2005, the total cotton fabrics China imported has reached 1,564 million metres (see table 2.16 below).

Table 2.16 China: imports and exports of cotton fabrics, in millions of metres, 2001–2005

Item	2001	2002	2003	2004	2005	Average growth rate (%)
Exports	3 060	4 146	5 035	4 792	5 492	15.75
Imports	1 437	1 512	1 539	1 604	1 564	2.1
Surplus ($ billion)	1.12037	1.90091	2.74832	3.06890	3.887002	36.33

Source: CNTAC, *China Textile Industry Development Report, 2005/2006.*

Raw bast

China imported 247,800 tons of raw bast (this is the fibre obtained from the bast or skin of the jute plant) in 2005, valued at US$ 277 million, up by 13.8%

and 13.74% respectively over the previous year. The 2005 totals included 131,600 tons of raw flax and 82,200 tons of raw jute, higher by 7.54% and 28.04% respectively from the year before.

The top five suppliers of raw bast are France, Belgium, Bangladesh, Brazil and Egypt.

Table 2.17 China: imports of raw bast, by quantity and by value, 2005

Origin	Volume (tons)	Growth rate: 2005/2004 (%)	Value [a/] (US$ '000)	Growth rate: 2005/2004 (%)	Price (US$/kg)	Growth rate: 2005/2004 (%)
France	61 750	29.56	114 790	23.01	1.86	-5.1
Belgium	41 343	-5.74	74 200	-0.91	1.79	4.68
Bangladesh	69 637	30.68	22 540	79.57	0.32	33.33
Brazil	22 530	0.01	13 980	23.58	0.62	24
Egypt	9 558	-26.88	10 830	0.35	1.13	36.14

Source: CNTAC, *China Textile Industry Development Report, 2005/2006*.

a/ Value: the accumulated amount of value.

Bangladesh, the world's leading jute cultivator, may have an opportunity in the Chinese market. Chinese companies have recently been developing a technique to produce fabrics for home textiles and garments from jute.

Box 3

Li & Fung: Global Sourcing & Supply Chain Management

Li & Fung is a trading group based in Hong Kong SAR. For long it has made great efforts to build an innovative supply chain management system (SCM) and become an expert in global sourcing.

To deal with an order from the European Union for 10,000 pieces of ready-to-wear garments, its procedure would be as described below.

- *Buy yarn in the Republic of Korea, have it woven and dyed in Taiwan Province of China. Purchase Japanese YKK zipper fasteners from factories in mainland China.*
- *Have the garments sewn and assembled in Thailand. To speed up delivery time, have the order produced simultaneously in five Thai factories.*
- *Five weeks from date of order, 10,000 pieces of ready-to-wear garments are on the shelves of European stores. All products match each other in colour, quality level and workmanship, the outcome of a well-managed processing and logistics operation. The garments are marked 'Made in Thailand', but they are actually globally manufactured.*

The advantage of the Li & Fung SCM model is that it produces a sophisticated product at lower logistics costs, provides better customer service, and ensures fast delivery.

Recommendations for developing and least developed countries

The structure of the textile and clothing industries in many developing countries and LDCs are similar to that of China. This leads to homogeneity in their product lines and limits their exports to China's garment retail market.

However, changes in fashions and in sourcing patterns make it possible for them to enhance their competitiveness through factors other than cost and price.

Effective strategies for exploiting and penetrating an emerging market like China are based on a better understanding of the following:

- Who the buyers are in China and what their sourcing criteria and priorities are;
- Who the consumers are in China and what their demands are;
- What the supplying company's advantages and disadvantages are in comparison to competitors in China.

To promote exports to China, both government and industry should develop and maintain appropriate policies and innovative strategies.

Government policies and strategies

The business climate

Governments should seek to maintain political and economic stability as this will reduce the risks and cost of sourcing. Corruption and bureaucracy certainly render business inefficient, drive investors out, and heighten costs; strategies to reduce these will make a country more attractive to business partners.

Customs clearance should be speeded up to shorten lead times. Strict audits of compliance with social and environmental protection standards will help build a country's reputation as a supplier.

Infrastructure

The efficiency of the transportation, communication and IT platform is of vital importance as this has an impact on the productivity and efficiency of running a business for both buyers and suppliers. Any deficiency in the platform is a bottleneck in exporting as fashion markets change rapidly and demands must be met quickly.

Regional integration and international cooperation

Free trade zone and regional agreements on preferential trade will help. However, it will be more meaningful to integrate the textile complex horizontally and vertically, and build a production and distribution network. Most LDC textile and clothing industries behave as clusters specializing in a few sectors. While this provides them with some comparative advantages, they do not benefit from economies of scale.

The establishment of supporting and related industries is of prime importance.

Education and training

The presence of skilled labour will contribute greatly to quality, productivity and the reputation of the industry, and enhance its competitiveness.

Supplying raw materials

LDCs have abundant resources of cotton, flax, jute and silk. Fluctuations in production and price hurt industries. Appropriate policies are necessary for trade and industry development.

The industries' strategies

Targeting and positioning

The sectors for luxury and premium goods are dominated by European brands and most of these goods are made in developed countries. For high-end fashion, consumers are sensitive to the brand origin as well as the country of manufacture.

Basic fashion items and basic products are mainly local made, but a part of the products on sale in China are produced in developing and least developed countries. At this level, Chinese consumers are not too concerned about the country of origin, but they are sensitive to price. LDC producers can hardly compete with Chinese suppliers on delivery time, quality of production, labour skills and production capacity. This is why national retailers (such as Shanghai Brilliance) and brands (such as MetersBonwe) usually do their sourcing domestically.

However, importers who source multinational brands globally will take all factors into consideration. Among the aspects that will be evaluated are easy access to the Chinese market, geographic distance, tariff and non-tariff barriers, political and institutional factors, costs and lead times.

Garments imported from LDCs are distributed by giant multinational retailers and brand holders, and are mainly targeted to the mass market.

Criteria and priorities

The criteria for vendor evaluation and audit are basically the same, but priorities vary from product to product, season to season, brand to brand and buyer to buyer. To enhance their competitiveness, vendors from developing countries and LDCs have to meet buyers' criteria for the Chinese market.

Advanced equipment

Garment industries should watch the sewing machinery industry closely and update their facilities to improve the quality, productivity and capacity of their production. Flexible production lines, such as UPS, will cut the costs of setting up and the work in process and will provide a company with the flexibility to meet variations in market demand and changes in quantities ordered.

Digital technology and a quick response (QR) strategy

CAD, CAM, Data Color and ICT are essential to designers, manufacturers, buyers and contractors.

Equipment and software based on the internet and intranet and supported by a management information system (MIS) will ensure quality of production, make possible a quick response to fashion trends, and reduce transaction cost and lead time.

Good will and trust

SCM (supply chain management) and CRM (customer relationship management) must be backed by mutual trust and a close relationship between vendors and buyers. Such a relationship is a valuable resource to both sides, and the key component of core competence, which is weak in many LDCs.

In conclusion, the 5C model gives the garment industry a strategic map to follow. The industry has to develop Creative strategies, maintain its core Competence, meet Challenges and take advantage of Chances.

Figure 2.18: China: strategy innovation in apparel industry

Changes

China's accession into WTO

Free trade and globalization

MFA phased out and quotas eliminated

Evolution of textile development stage

The expansion in demand for textiles and clothing

Ecology movement and the call for environment protection

Social responsibility

Demand for fashion and value

Requirements for QR and flexibility

Opportunities and challenges

Opportunities:

- Enlarge market
- New market opportunities
- Niche markets

Challenges:

- New competitors
- Trade disputes
- Buyers' bargaining power
- Cost of labour
- Social compliance
- Environmental protection

Creation and competence

Company strategies:

- Product differentiation
- R&D, design
- High quality/high value-added
- Full range/diversification of product line
- New equipment/innovation of technology
- Cost leader based on high efficiency
- Value creation chain
- Network firm
- Green textile and clean production
- CSR as a strategy
- QR/JIT-just in time/lean retailing

Government policy:

- Specialized clustering
- Horizontal and vertical integration
- Global cooperation and alliance
- Infrastructure
- Customs clearance
- Inter- and intra-regional collaboration
- Related and supporting industries
- Political & economic stability

Annex

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Chapter 3

India

Executive summary

The Indian market

The Indian economy has been growing at an average of 8% for the past three years, making it the second-fastest growing economy in the world.

The total market size of the retail industry, estimated at around $300 billion in 2005/06, is expected to increase to $637 billion by 2015. The organized retail industry, estimated to be $7.5 billion, currently accounts for a mere 2%–3% of the $300 billion market, but is growing at 30% a year.

Indian retail is dominated by small, independently owned stores and is characterized by the highest density of outlets (15 million) of any country in the world. Organized retailing, accompanied by the chain store phenomenon, is fairly nascent in India. The sector is growing rapidly because of the emergence of large retail spaces created by the construction of over 200 new malls. The organized retail offer has initially focused on department stores. These are now growing rapidly in parallel with a slew of hypermarkets.

Foreign direct investment (FDI) in retail was disallowed till 2006. In early 2006 an exception was made in the case of single-brand retail. Currently, 51% FDI in single-brand retail is allowed. A number of international retailers are in the process of entering the market through the licensing route or through alternative formats such as wholesale clubs. This includes international retailers such as Wal-Mart, Metro and Marks & Spencer.

Retailers work with manufacturers either directly or through agents or wholesalers. The large chain stores prefer to work with brands directly so they can get additional margin. Commission agents and wholesalers are used to reach the smaller independent stores that are located across the length and breadth of the country.

The size of the market for apparel is estimated at $20 billion. Menswear contributes 37% of the market, womenswear 32%, childrenswear 15%, and unisex apparel (jeans, sportswear etc.) accounts for the balance. The most significant product categories for men are trousers and shirts, which together contribute 63% of the menswear category. Menswear is a relatively mature market with a number of national and international brands. In womenswear, saris and ethnic clothing account for 75% of the category. Womenswear is dominated by Indian wear, though in the last decade (1990s onwards) there has been a shift towards Western styles. Childrenswear is a nascent market with low brand penetration. Homeware retail is expected to grow rapidly because of the dramatic increase in the urban housing infrastructure in the last few years.

India has traditionally had a rich textile offer and a strong garment manufacturing base. The initial retail offer has, therefore, been largely sourced out of India. In recent years there has been a move towards importing both higher-end brands (Austin Reed, Hugo Boss, etc.) and lower-end products (from Southeast Asia and China). However, imports of apparel and textiles are still a very small fraction of the retail business in India.

As India is a tropical country, cotton and cotton blends are the most popular fabrics across product categories. Low-end pure polyester fabrics are worn by lower income groups because of the ease of maintenance and product longevity. Value-added polyester blends are popular in the premium markets. These are mostly imported, since they are not produced in-country. Cotton textiles account for approximately 39% of textile consumption in the country; man-made and blended fabrics account for 59.7%.

Import procedures

Import of textile and textile articles is permitted subject to the condition that they shall not contain any of the hazardous dyes prohibited by the Government of India. The Ministry of Environment and Forests has prohibited the handling of benzidine-based dyes and a list of 70 more azo dyes For this purpose, import consignments are required to have a pre-shipment certificate from the notified agencies. In cases where such certificates are not available, the consignment will be cleared only after it has been tested by notified agencies in India. The normal customs clearance process can take 3–7 days.

In order to facilitate the clearing process, the customs authority has instituted a system of licensed customs house agents. Under this system, those interested in becoming agents undertake a certified training programme and pass an exam to obtain a licence from the customs authority. The customs house agents are private entrepreneurs who work on behalf of the importer and handle all customs procedures.

Tariffs

India is a member of WTO and is committed to bringing import tariffs to levels that comply with WTO guidelines.

The import tariff structure comprises the basic customs duty and special duties that are added on from time to time. All tariffs are calculated on the assessable value of the product. The assessable value is arrived at by adding a charge of 1% to the CIF (cost, insurance, freight) value of the product. To the assessable value are added the import tariffs listed below.

- *Basic customs duty (BCD)*, expressed ad valorem or as a fixed charge. In India the ad valorem rate is roughly 12.5% of the assessable value, but the fixed rates vary widely.
- *Countervailing duty (CVD)* at 8% of the sum of assessable value + BCD.
- *Additional duty* at 4% of assessable value + BCD + CVD.
- *An education cess* (tax) of 2% on BCD.
- *A second education cess* of 2% on CVD.

Preferential trade agreements

India has negotiated a number of bilateral and multilateral preferential trade agreements. The most significant of its preferential trade agreements is SAFTA (South Asian Free Trade Area), an initiative undertaken by the Governments of SAARC (South Asian Association for Regional Cooperation) Member States. The SAFTA initiative is committed to allowing the free movement of goods between countries through the elimination of tariffs and non-tariff restrictions. Tariff concessions for textiles and apparel under SAFTA are presently limited in their scope but are expected to increase in the coming years.

Scope for apparel imports

Indian manufacturers are strong on basics and weak on fashion. Retailers and brands are therefore looking outside the country for sources of supply in fashion products. This provides an opportunity for LDC factories. Orders are currently small but are expected to grow because of retail expansion in the country. Presently most outsourcing efforts are restricted to well-known brands or to private label imports from China and countries in Southeast Asia. The four main types of opportunity are described below.

- *Private label suppliers.* Private label retail is driving the need for international outsourcing. Retailers are looking for factories that can produce:
  - Apparel from fabrics not available in India (e.g. new textile developments in spandex and polyester blends);
  - Apparel with international styling;
  - Value-added offers such as special denim washes and cargo pants;
  - Lingerie – especially bras;
  - Aggressive price offers. This is especially true for the hypermarket category.
- *Suppliers to well-known brands.* In the last decade India has established a number of strong brands in the menswear category. A number of them work with outsourced manufacturing facilities within the country. Some of the larger brands are already sourcing production from factories in neighbouring countries. A preliminary discussion with some of the larger brand owners has revealed a willingness to work with factories overseas.
- *Launch own brands.* As the size of the market grows, the demand for brands will grow. Menswear (shirts, trousers, sportswear) and denim both have a number of brands already, but other categories – such as womenswear (both Indian wear and Western wear) and childrenswear – have very few brands. As organized retail in the form of department stores expands, retailers will look for new brands to support growth.
- *Sell through wholesalers.* A number of wholesalers in India buy overseas products and distribute them in India. Tying up with these wholesalers allows manufacturers to gain market entry in select categories that are not easily available in India. Currently this includes lingerie for women and fashion wear (T-shirts, shirts) for men and women.

In addition to retail opportunities, LDC factories may choose to explore the market for specialty textiles and garment trims. Trims range from basics such as zips, buttons and garment labels, to fashion trims such as ribbons. These are required by both the domestic industry and the export manufacturers.

Entry strategy

Indian retailers and brands are currently looking for ways to differentiate themselves from the competition and also for ways to enhance capacity. LDC factories must visit and understand the Indian offer in terms of styling, fabrics, colours and prices prior to meeting with retailers, wholesalers or brands.

LDC manufacturers can access the Indian market by using one or a combination of the following approaches.

- *Participate in trade fairs.* The Retailers Association of India organizes an annual Retail Conclave which gives factories an opportunity to exhibit for the domestic market.
- *Use the services of industry and trade associations* such as the Retailers Association of India or the Confederation of Indian Industry to establish contact with Indian retailers and brand marketers.
- *Take the services of a consultant* to identify gaps in the market and set up meetings with retailers, brands and wholesalers. For smaller manufacturers this can be best achieved as a delegation. This would help to optimize costs and attract greater retailer interest.

Structure and characteristics of the domestic market

India is the fourth-largest economy in the world by purchasing power parity (after the United States, China and Japan), and the twelfth-largest by absolute GDP ($800 billion in 2005/06). It is the second-most populous country, with a population of over 1 billion (census 2001), and the seventh-largest by geographical area. It is a vast, diverse land (a continent disguised as a nation) that can be broadly divided along geographic lines into four relatively homogenous regions, north, south, east and west. Within each region there is similarity in terms of physical features, culture, language, food and general outlook.

India has traditionally been an agrarian economy with the bulk of its people living in villages. However, the contribution of agriculture to GDP has been reducing. Services, industry and agriculture now account for 51%, 28%, and 21% of GDP respectively. Growing urbanization is a key trend in the country, with rural population growth averaging 17.9% and urban growth 30.7% for the period 1991–2001.

Prosperity figures in India have been showing a positive curve. For the moment, however, the country is dominated by a value-conscious middle class. According to *The Marketing Whitebook (2003–04)* by Businessworld India, Indian households may be profiled as shown in table 3.1.

Table 3.1 India: household classification by income, 1994–2008

Classification (annual household income, in rupees)	Number of households (millions)		
	1994/95	1999–2000	2005–2008 (projected)
Very rich (above 215,000)	1	3	6
Consuming (45,000–215,000)	29	55	75
Climbers (22,000–45,000)	48	66	78
Aspirants (16,000–22,000)	48	32	33
Destitutes (less than 16,000)	35	24	17

Source: *The Marketing Whitebook (2003–04).*

Since the early 1990s the Government of India has focused on economic liberalization and global integration for the Indian economy. As a consequence, India is currently the second-fastest growing economy in the world (after China). GDP has grown consistently at approximately 8% for the last three years (2003–2006) and the growth momentum is expected to maintain. The rapidly growing services sector and a pick-up in industrial activity are underpinning economic growth, leading to growth in per capita income. Increasing prosperity and economic security has led to an increase in consumer spending.

The 2001 population census revealed that India has a population dominated by young people. Over 65% of the population in the country is below 35 years of age; 54% of the population is below 25 years of age; and 35% of its population is less than 14 years of age. The median age of India's population is the lowest in the world at 24 years. As a result India is set to have the highest number of people in the consumer age group ever in its history. Over 60% of the population (an estimated 720 million people) will be in the 15–54 age group by 2010. Additionally, the ratio of non-working population to working population (dependency ratio) will decline steadily over the next few years. It is expected, therefore, that the Indian market is heading for a consumer boom.

Hindi is the national language and the primary tongue of 30% of the people. There are 14 other official languages. English enjoys associate status but is the most important language for national, political and commercial communication. A large population with English-speaking skills has allowed India to provide business process outsourcing services to the United States and other English-speaking countries. The growth of the services sector and emergence and growing popularity of business process outsourcing as a business model has resulted in a large number of jobs being created in the services sector.

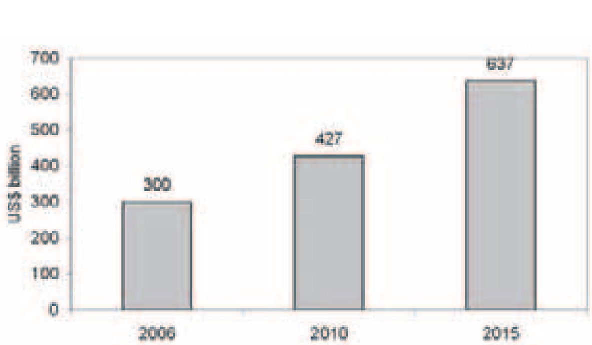
An interesting aspect of India's spending patterns is the proclivity to spend around festivals and weddings. Given the cultural diversity of India, different parts of the country celebrate different festivals and the buying season varies accordingly. The peak buying season in the southern state of Kerala revolves around the festival of Onam, which falls in August; in the eastern state of Bengal it centres around Durga Puja which falls in September; in the north and parts of the west the key festival is Diwali, which may fall in October or November (dates are subject to the lunar calendar). Similarly, the wedding season dictates buying behaviour across categories. The wedding season itself is determined by auspicious dates, which change from year to year. So significant is the impact of wedding dates that a number of retailers of textiles, footwear, luggage and electronics distribute the annual wedding calendar to their retailers to help them plan purchases accordingly.

Market size

The total market size of the retail industry was estimated at $300 billion in 2005/06 and is expected to increase to $637 billion by 2015. With a turnover of $7.5 billion, the organized retail industry currently accounts for a mere 2%–3% of business but is growing at a fast clip of 30%.

A parallel boom in the construction of malls is creating the ground-level infrastructure required to support and fuel the rapid rise of retail. At the end of August 2005 there were 95 operational malls and shopping centres, containing 21.6 million square feet of built-up area. Based on ongoing projects, the built-up mall area is set to increase to approximately 90 million square feet in 2007 with the opening of about another 200 malls.

Figure 3.1: India: size of the retail market, 2006–2015

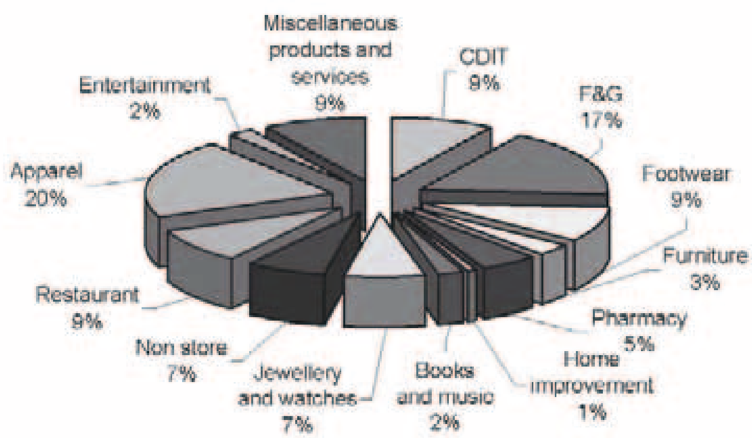


Source: Arvind Singhal, Technopak presentation at TIE Retail Summit 2006, New Delhi.

Size of market across categories

According to the report of a national survey conducted by Technopak Associates, the largest market spend is on apparel and on food and grocery (F&G), which presently account for 37% of the market spend between them. Lifestyle accessories including jewellery, watches and footwear account for a substantial 16% of the market. Spending on computers, durables and information technology (CDIT) is currently at 9% but is seen as a growth area. Home improvement is relatively low at 5%, but with a construction boom under way in the country this is expected to grow substantially in the coming years.

Figure 3.2: India: retail composition by category, 2005



Source: Arvind Singhal, Technopak presentation at TIE Retail Summit 2006, New Delhi.

Foreign direct investment

FDI in retail trading is allowed selectively. In single brand retail, FDI of 51% is allowed, subject to prior government approval. It is allowed up to 100% under the automatic route in cash and carry wholesale trading. FDI in multi-brand retail is still disallowed.

The ban on FDI has not stopped international retailers from entering the country, since wholesale formats and brand license arrangements are permitted. A number of international retailers are using this as a means of entry into the Indian market. Metro, the world's third-largest retailer, has set up a 100%-owned subsidiary and launched its wholesale club format in the country. It set up its first two stores in Bangalore and is now in the process of rolling them out across the country. Metro caters to the needs of small retailers, hotels and institutional buyers, who are required to become members of the wholesale club. Individuals are barred from shopping at Metro for their personal and household requirements.

Wal-Mart, the world's largest retailer, has also entered into a joint venture to enter the Indian market. The arrangement envisages the Indian partner owning and operating the retail spaces, while the joint venture company will provide back-end support in terms of procurement and logistics.

International retailers such as Marks & Spencer and Mothercare have entered the country through licensing arrangements with Indian companies. While the products are imported entirely from the parent company, the retail operations in India are owned by an Indian company.

Products manufactured locally and those supplied from abroad

India has a rich legacy of textiles, especially cotton-based textiles. In addition it has significant garment manufacturing capacity. It is therefore a large exporter of both textiles and ready-made garments. India's textile and apparel exports contribute 4% to its GDP and 17% to its exports, and account for 4% of global textile exports.

The bulk of India's apparel is manufactured within the country. Global sourcing is a small portion of a retailer's business. In the year 2005/06 (April–December) apparel imports accounted for 0.26% of India's imports. A detailed listing by HS coding is given as annex II. A summary break up is as follows.

- Articles of apparel not knitted or crocheted (HS 62): Rs 1169.16 million ($26 million). This is 0.0251% of India's imports.
- Articles of apparel knitted or crocheted (HS 61): Rs 588.02 million ($13 million). This is 0.0113% of India's imports.

Apparel imports into India can be categorized into three types.

- ***Branded imports***. A number of international brands have a presence in India. Brands such as Marks & Spencer, NEXT and Guess import their entire product range from the parent company. Others such as Benetton and Levi's import season-specific collections.
- ***Cheap imports***. Enterprising entrepreneurs import low-priced non-branded products by the container-load and distribute them through retailers. The selection of products normally includes fashion products such as T-shirts, tops and lingerie.
- ***Private label imports***. In recent years retailers (for their private labels) and brands have begun to import product. This includes both purchase of stock lots (manufacturing over-runs, order cancellations) and made-to-order merchandise. Imports are happening across product categories. The focus is on fashion merchandise.

Analysis of the tariff structure of imports by product group

India is a member of WTO and is committed to bringing import tariffs to levels that comply with WTO guidelines.

The tariff structure on imports comprises the basic customs duty and special duties that are added on from time to time. The prevailing custom duty calculation (in September 2006) involves five steps:

- *Assessable value*. The assessable value of the product is arrived at by adding a charge of 1% to the CIF value.
- *Basic customs duty (BCD)*. This is calculated according to the listed import tariffs and is calculated on the assessable value of goods. It is based on the HS number system. BCD may be listed in one of the following forms:
  - Ad valorem, i.e. as a percentage of the assessable value;
  - As a fixed duty;
  - As a combination of the two. In this case, the higher of the two constitutes the applicable tariff. For boys' cotton trousers, for instance, the ad valorem rate is 12.5% and the fixed rate is Rs 135. The higher of the two is

applicable. If the assessable value of the trousers is Rs 1,000, the prevailing tariff rate will be the fixed rate, i.e. Rs 135. On the other hand, if the assessable value of the trousers is Rs 2,000 then the ad valorem rate of 12.5% will be applicable.

In India the ad valorem rate is roughly 12.5% but the fixed rates vary widely. The prevailing basic custom duty tariffs can be found on the website of the Central Board of Excise and Customs, *www.cbec.gov.in*.

- *Countervailing duty (CVD)*. The countervailing duty, which is 8%, is added to the sum of the assessable value + BCD.
- *Additional duty*. Additional duty of 4% is added to the previous total, i.e. assessable value + BCD + CVD.
- *Education cess.* The final element is the education cess (tax) at 2% of BCD, and again at 2% of CVD.

Table 3.2 shows a sample calculation of customs duty.

Boys' cotton trousers
Basic customs duty: 12.5% or Rs 135, whichever is higher

Table 3.2 India: customs duty sample calculation

	Rate	Rs
CIF value		990.0
Assessable value	1%	999.9
BCD	12.5% or Rs 135	135.0
Total		1,134.9
CVD	8%	90.8
Total		1,225.7
Additional duty	4%	49.0
Education cess on BCD	2%	2.7
Education cess on CVD	2%	1.8
GRAND TOTAL		**1,279.2**
Total addition to CIF value		289.2

Preferential agreements

India has signed a number of preferential trade agreements which allow duty waivers and other benefits. Most of these agreements relate to non-apparel categories. The significant agreements relating to apparel are those with Sri Lanka and Nepal, and SAFTA. Details are available on the Ministry of Commerce and Industry website, *www.commerce.nic.in*.

Free trade agreement (FTA) with Sri Lanka

India signed an FTA agreement with Sri Lanka that came into effect in 2000. Following amendments, the FTA currently makes the following provisions.

- Sri Lanka can export into India in any one calendar year 8 million pieces of apparel articles (falling under chapters 61 and 62 of the HS Code) on the payment of preferential import duty.
- The entire quantity of 8 million pieces must be manufactured from fabrics of Indian origin exported from India to Sri Lanka (Customs Notification no.57/2005, June 2005).
- Not more than 2 million pieces should be of any one product category.

- Tariff concessions apply to:
  - Articles of apparel and clothing accessories knitted or crocheted: 100% fixed tariff concession;
  - Articles of apparel and clothing accessories not knitted or crocheted: 75% fixed tariff concession.
- Imports should be made only through the ports of Mumbai, Nhava Sheva, Chennai, Kolkata or Cochin, or the inland container depots of Tuglakabad or Bangalore.
- Trade under the agreement is governed by rules of origin that specify three criteria, namely:
  - Domestic value addition should be 35%;
  - Inputs should undergo substantial transformation at the HS four-digit level;
  - Operations such as simple packing, cutting, assembly, etc. do not qualify as value addition.

Note: Sri Lanka is negotiating with the Government of India to lift the restriction that limits the duty waiver to garments made from textiles of Indian origin. The Government of India is expected to make some concessions in the next round of negotiations.

Trade agreement with Nepal

A trade treaty with Nepal was agreed for a period of five years from 6 March 2002 to 5 March 2007, to be automatically extended for further periods of five years at a time unless either of the parties gives to the other a written notice of its intention to terminate the treaty. The main terms of the treaty are:

1. The Government of India will provide preferential access to the Indian market free of customs duties normally applicable and quantitative restrictions, (with notified exceptions) for all articles manufactured in Nepal, provided they fulfil the qualifying criteria given below:

(a) The articles are manufactured in Nepal wholly from Nepalese materials or Indian materials, or Nepalese and Indian materials; or

(b)(I) The articles involve a manufacturing process in Nepal that brings about a change in classification at the four-digit level of the Harmonized Commodities Description and Coding System;

(b)(ii) From 6 March 2003 onwards, the total value of materials, parts or produce originating from non-contracting parties or of undetermined origin used does not exceed 70% of the ex-factory price of the articles produced, and the final process of manufacturing is performed within the territory of Nepal.

(c) For Nepalese articles not fulfilling the conditions given in subparagraph (b)(I) above, but fulfilling the condition at (b)(ii), preferential access may be given by the Government of India, on a case by case basis, after satisfying itself that such article has undergone a sufficient manufacturing process within Nepal.

2. Import of articles in accordance with paragraph 1 above shall be allowed by the Indian customs authorities on the basis of a certificate of origin to be issued by the agency designated for this purpose by the Government of Nepal.

3. On the basis of a certificate issued by the Government of Nepal, for each consignment of articles, that the relevant conditions applicable to the articles

manufactured in similar small-scale industrial units in India for relief in the levy of applicable excise duty rates are fulfilled for such a parity, Government of India will extend parity in the levy of additional duty on such Nepalese articles equal to the treatment provided in the levy of effective excise duty on similar Indian articles under the Indian Customs and Central Excise Tariff.

4. The additional duty rates equal to the effective Indian excise duty rates applicable to similar Indian products under the Indian Customs and Central Excise Tariff will continue to be levied on imports into India of products manufactured in medium and large-scale units in Nepal.

4.1 In regard to additional duty collected by the Government of India in respect of manufactured articles other than those manufactured in 'small' units: wherever it is established that the cost of production of an article is higher in Nepal than the cost of production in a corresponding unit in India, a sum representing such difference in the cost of production, but not exceeding 25% of the additional duty collected by the Government of India, will be paid to the Government of Nepal provided the Government of Nepal has given assistance to the same extent to the (manufacturers) exporters.

5. Export of consignments from Nepal accompanied by the certificate of origin will normally not be subjected to any detention or delays at the Indian customs border check posts and other places en route. However, in case of reasonable doubt about the authenticity of the certificate of origin, the Indian Customs Authority may seek a clarification from the certifying agency which will furnish the same within a period of 30 days. Meanwhile, the subject consignment will be allowed provisional entry into India against a bond, i.e. a legally binding undertaking as required.

6. Although under international conventions, Nepal being a landlocked country, India is obliged to provide only one transit route to facilitate Nepal's trade with third countries, 15 transit routes have been provided through the Indian territory and more such routes can be added to the list with mutual agreement.

Agreement on South Asian Free Trade Area (SAFTA)

SAFTA is an initiative undertaken by the Governments of the SAARC (South Asian Association for Regional Cooperation) Member States, comprising Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. In pursuit of this initiative, the Agreement on SAARC Preferential Trading Arrangement (SAPTA) was signed in Dhaka on 11 April 1993, providing for the adoption of various instruments of trade liberalization on a preferential basis, such as SAFTA.

The SAFTA initiative is committed to allowing the free movement of goods between countries through the elimination of tariffs and non-tariff restrictions on the movement of goods, while recognizing the special needs of least developed contracting States and adopting concrete preferential measures in their favour on a non-reciprocal basis.

SAFTA will be implemented through the following instruments:

- Trade liberalization programme;
- Rules of origin;
- Institutional arrangements;
- Consultations and dispute settlement procedures;
- Safeguard measures;
- Any other instrument that may be agreed upon.

SAFTA may, inter alia, consist of arrangements relating to:

- Tariffs;
- Para-tariffs;
- Non-tariff measures;
- Direct trade measures.

SAARC Preferential Trading Arrangement (SAPTA)

The trade liberalization programme of SAPTA is detailed as below.

Contracting States have agreed to the following schedule of tariff reductions:

- The tariff reduction by the non-least developed contracting States from existing tariff rates to 20% shall be done within a time frame of two years from the date of coming into force of the agreement. If actual tariff rates after the coming into force of the agreement are below 20%, there shall be an annual reduction on a margin of preference basis of 10% of actual tariff rates for each of the two years.
- The tariff reduction by the least developed contracting States from existing tariff rates will be to 30% within the time frame of two years from the date of coming into force of the agreement. If actual tariff rates on the date of coming into force of the agreement are below 30%, there will be an annual reduction on a margin of preference basis of 5% of actual tariff rates for each of the two years.
- The subsequent tariff reduction by non-least developed contracting States from 20% or below to 0%–5% shall be done within a second time frame of five years, beginning from the third year from the date of coming into force of the agreement. However, the period of subsequent tariff reduction by Sri Lanka shall be six years. Contracting States are encouraged to adopt reductions in equal annual instalments, but not less than 15% annually.
- The subsequent tariff reduction by the least developed contracting States from 30% or below to 0%–5% shall be done within a second time frame of eight years beginning from the third year from the date of coming into force of the agreement. The least developed contracting States are encouraged to adopt reductions in equal annual instalments, not less than 10% annually.

The above schedules of tariff reductions will not prevent contracting States from immediately reducing their tariffs to 0%–5% or from following an accelerated schedule of tariff reduction.

Tariff concessions for textiles and apparel under SAPTA are presently limited in their scope. Details of tariff concession on select product lines may be found on the Department of Revenue website, *www.cbec.gov.in*.

Note that India has offered Bangladesh market access under tariff rate quota for 8 million pieces of garments; 3 million pieces using fabrics from India, an additional 3 million garments using fabrics of either Indian or Bangladeshi origin; and a further 2 million pieces without any condition.

In December 2006, SAPTA was facing problems on two significant counts:

- Non agreement of sensitive lists by the countries. (Contracting States may not apply the trade liberalization programme to the tariff lines included in the sensitive lists, which are to be negotiated and incorporated in the agreement as an integral part.)
- Refusal by Pakistan to offer tariff concessions to India beyond the 773 products under the bilateral positive list. This is unacceptable to India as Pakistan has offered concessions to other SAARC members on more than 4,000 tariff lines.

Special import regulations and customs procedures

Import of textile and textile articles is permitted subject to the condition that they shall not contain any of the hazardous dyes whose handling, production, carriage or use is prohibited by the Government of India.

The Ministry of Environment and Forests has prohibited the handling of benzidine-based dyes. Handling of all the 42 benzidine-based dyes has been banned since 1993. In a notification published in 1997, the ministry further prohibited the handling of 70 azo dyes. Thus, the Ministry of Environment and Forests has prohibited the handling of 112 dyes that are capable of releasing harmful amines.

Import consignments are therefore required to obtain, from notified agencies, a pre-shipment certificate confirming the absence of the banned dyes. In cases where such certificates are not available, the consignment will be cleared only after testing by notified agencies in India.

The banned dyes are listed in annex III. The list can also be found on the Textiles Committee website, *www.textilescommittee.nic.in*.

Customs procedures

India is a vast country. A combination of sea ports and dry ports allows for goods to be shipped as close to the final destination as possible. The customer procedures for imports are described below.

- When the goods arrive at the Indian port, the importer presents the bill of lading and bill of entry to the cargo authority.
- The bill of entry details the CIF value of the eight-digit HS code under which the product is listed.
- The importer is required to give an undertaking that the goods imported are as per the documents submitted.
- The customs appraiser uses these documents to arrive at the assessable value and to calculate the import duty applicable.
- Simultaneously, samples are sent for testing to ensure that they do not contain banned dyes. This can take 2–3 days.
- The customs appraisers do random checks on the merchandise to ascertain the veracity of the documents. Normally 10% of goods are examined.
- Once the assessment is made and the duty is paid, the importer is given charge of the product.
- The total time taken for the completion of import procedures is estimated to be one week, including time taken for testing. If there is a pre-shipment certificate from a notified agency certifying that goods do not contain the banned dyes, the period is shortened to 3–4 days.
- Should the importer fail to take the products within the time frame specified, the goods are sent to the customs warehouse where they attract demurrage charges which are payable by the importer when the goods are cleared.

In order to facilitate the process, the customs authority has instituted a system of licensed customs house agents. Under this system, those interested in becoming agents need to undertake a certified training programme and pass an exam to obtain a licence from the customs authority. The customs house agents work on behalf of the importer and handle all customs procedures. Their fees are approximately 1% of the value of the shipment.

Non-tariff barriers

There are broadly two kinds of non-tariff barriers to trade in India.

The first is in the form of fixed tariffs (which are less transparent than ad valorem tariffs) and additional charges (countervailing duty, special additional duty) that are notified from time to time.

The second is in the form of inconsistent and varying classification and customs valuations, including the right of customs officers to exercise excessive discretion when classifying goods.

Packaging, marketing and labelling requirements

Since India is a tropical country, special care is needed when packing goods for shipment. Damage may be caused by damp, heat, exposure to sun and rain, insects, fungi and moulds.

The customs requirements regarding packaging and labelling are limited. The package must indicate the country or place where the goods were produced, or the name and address of the manufacturer. The details should be in English, and words indicating country of origin should be as large and as prominent as any other English wording on the package.

Packaging for retail sale

There are specific rules under the Weights and Measures Act relating to packaged commodities meant for retail sale. Compliance with these requirements will be ensured before the import consignment is cleared by customs. Specifically, all pre-packed commodities imported into India shall carry:

- The name and address of the importer.
- Generic or common name of the commodity packed.
- Net quantity in terms of standard units of weight and measure. Where the commodity is packaged or sold by number, the accurate number of the commodity contained in the package. Where size of the commodity is relevant, the dimensions thereof shall also be given in the package.
- The retail sales price of the package.
- The month and year in which the commodity was manufactured or packed or imported.

The importer is responsible for making these mandatory declarations in one of the following ways:

- Printed on a label securely affixed to the package; or
- Made on an additional wrapper (the imported package may be kept inside the additional wrapper); or
- Printed on the package itself; or
- Made on a card or tape affixed firmly to the package or container and bearing the required information.

Details are listed in the Standards of Weights and Measures Act 1976 on the website of the Ministry of Consumer Affairs, *www.fcamin.nic.in*. They are also listed in the book *Standards of Weights and Measures (Packaged Commodities) Rules 1977*, which can bought at any book store selling legal books in India. The current version was updated in 2006.

Expected market developments

India has been called a nation of shopkeepers. Indian retail is dominated by small, independently owned stores and characterized by the highest density of outlets for any country (15 million). These stores are typically small in size, ranging from 800–1,500 square feet.

The last decade, however, has seen the entry of organized chain store players who have introduced a number of new chain store formats including department stores, supermarkets and hypermarkets. In the coming years an accelerated expansion in retail activities is expected as a number of these organized domestic retailers have successfully listed on the stock market to support their growth.

According to a research report (The Images-Technopak study, reported in the *Images Yearbook 2006*), the top six cities account for 66% of total organized retailing, but this is beginning to change. In 2006, India had 95 operational shopping centres, covering an area of approximately 22 million square feet; by the end of 2007 it was expected to have over 300 shopping centres or malls containing more than 90 million square feet of quality retail space. In 2006, 50 hypermarkets, 305 large department stores, 1,500 supermarkets and over 10,000 new outlets were under construction.

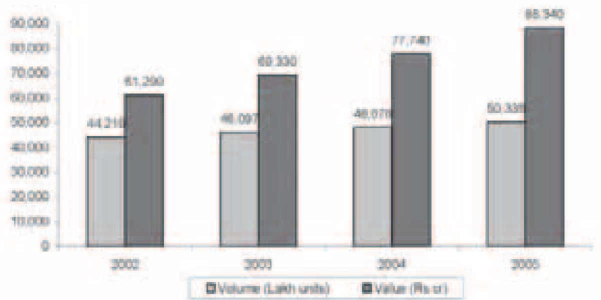
The apparel market

Note: All tables and figures in this section are drawn from the Images-Technopak study, as reported in the *Images Yearbook 2006*. The Images-Technopak study is based on information collected from retailers, brands and information from government data. When studying the following tables note that:

- 1 lakh (lac) = 100,000;
- 1 crore (cr) = 10,000,000 or 10 million.

Because of the organized retail and apparel industry is in its infancy, there are few studies available on the size and growth of the industry. According to the Images-Technopak study, the Indian apparel market in 2005 was approximately Rs 88,000 crores ($20,000 million). The market had grown by 13.6% from 2004, when it was valued at Rs 78,000 crores ($17,000 million).

Figure 3.3: India: apparel market size, 2002–2005



Source: *Images Yearbook 2006.*

While the market is recording double-digit growth rates, it is interesting to note that the shift from tailor-made to ready-to-wear was a phenomenon of the 1990s. Unlike European markets, where tailor-made refers top-of-the-line, bespoke product categories, in India tailor-made refers to low quality manufacture by a local tailoring shop or boutique. Until 10 years ago, the Indian market was marked by the absence of a significant ready-to-wear branded offer. As a result, the market was dominated by tailor-made products. The customer would buy fabric from textile stores, take it to the tailor and dictate the design. Owing to poor quality manufacture, limited design skills and the inconvenience of the whole process, the market took less than a decade to move over to ready-to-wear apparel.

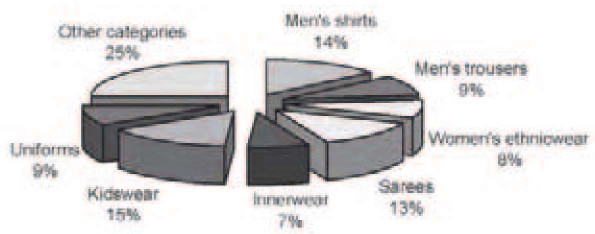
Table 3.3 India: ready-to-wear apparel vs tailor-made in various categories, 2005

Category	Ready-to-wear	Tailor-made
Men	63%	37%
Women	79%	21%
Children	88%	12%
TOTAL	**73%**	**27%**

Source: *Images Yearbook 2006.*

Menswear (37% of the market) and womenswear (32%) account for the bulk of the business in the apparel category. Urban menswear in India is dominated by the Western form of dress characterized by trousers and shirts. Because India is a tropical country, suits and jackets have a limited use. Woollens are restricted to a short winter season in the northern part of the country. Womenswear is a complex category owing to the number of forms of dress. The traditional sari and the salwaar-kameez-dupatta is the dominant dress code. In recent years, however, there has been a shift towards Western wear.

Figure 3.4: India: share of major categories in apparel market, 2005



Source: *Images Yearbook 2006.*

While ready-to-wear has come to be accepted by a large proportion of the urban population, brands have yet to find the same acceptance, largely because there are still relatively few brands. This is especially true in womenswear and childrenswear. Indian women's salwaar-kameez-dupattas, for instance, are largely bought out of 'garage boutiques' (boutiques set up by individual entrepreneurs, often in their garages). Additionally since a majority of the brands that have been launched are in the premium segment, they cater to a limited upper end of the market. The bulk of the market is catered for by unbranded products.

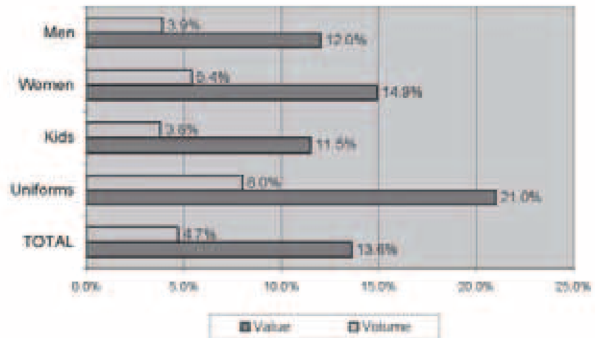
Table 3.4 India: branded apparel vs unbranded in various categories, 2005

Category	Branded	Unbranded
Men	33%	67%
Women	22%	78%
Children	10%	90%

Source: *Images Yearbook 2006.*

In the initial phase of market growth, value growth has been significantly in excess of volume growth, indicating up-trading. As people moved from tailor-made to a branded offer, they paid the premium that went with it. This is expected to change in the coming years, however, as the size of the shopping list increases disproportionally to income. As individuals aspire to own a wide

Figure 3.5: India: growth of the apparel market, 2005



Source: *Images Yearbook 2006.*

spectrum of products ranging from mobile phones to microwaves, computers and cars, it is expected that they will buy cheaper so they can buy more. A recent spate of hypermarket launches is expected to fuel this trend. Figure 3.5 shows category-wise growth.

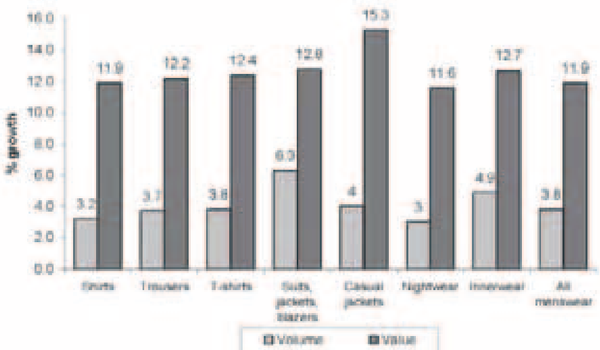
A closer look at the buying behaviour in key categories may be useful for companies wanting to target the Indian market.

Menswear

Menswear is the largest segment in the Indian apparel market. It was valued at Rs 32,590 crore ($7,200 million) in 2005, a value growth of 11.9% over the previous year. In the same period, volumes showed a growth of 3.8%.

Men in India are by and large conservative dressers. They wear mostly shirts and trousers. Because of the tropical climate suits and ties are not favoured, though they are popular for business meetings and family occasions such as weddings. The Indian dress for men is the dhoti and the kurta pyjama. While the dhoti is no longer worn by urban men, the kurta pyjama is resurrecting itself around occasions such as weddings and festivals; so much so that at one point, the French brand Lacoste, in its effort to capture the Indian imagination, launched a range of Lacoste branded knit kurta pyjamas. However, this remains a niche category, with very limited numbers. Shirts are the most significant category, accounting for 37% (Rs 12,010 crore; $2,670 million) of the segment. This is followed by trousers at 26% (Rs 8,378 crore; $1,860 million). T-shirts account for 7% of business (Rs 2,175 crore; $483 million).

Figure 3.6: India: menswear – growth across product categories, 2005



Source: *Images Yearbook 2006.*

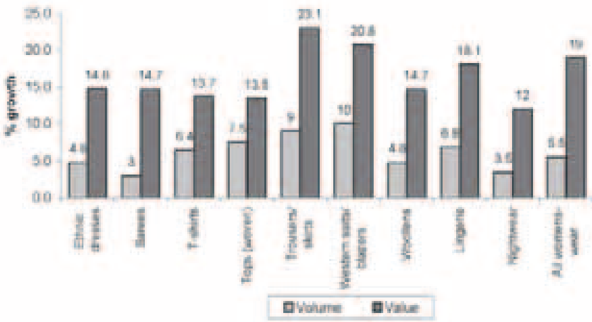
Womenswear

Womenswear is the next largest segment. It was valued at Rs 28,375 crore ($6,300 million) in 2005, a value growth of 15% over the previous year. In this period volumes grew 5.5%.

Because of the large number of forms of dress, the womenswear market has seen few branded players. Additionally, saris and salwaar-kameez-dupattas have peculiar features that have made them difficult to standardize and brand. Saris (because of the enormous variety available), and salwaar-kameez-dupattas (because of their easy-to-stitch nature) have allowed the Indian woman to exercise a very high degree of exclusivity in the way she dresses. A salwaar-kameez-dupatta is generally bought from a neighbourhood boutique and is often customized to suit the preferences of the buyer. The Indian woman is therefore spoilt in that she is used to a customized and exclusive product. Both saris and salwaar-kameez-dupattas are largely unbranded, with consumers owing allegiance to stores or boutiques rather than brands.

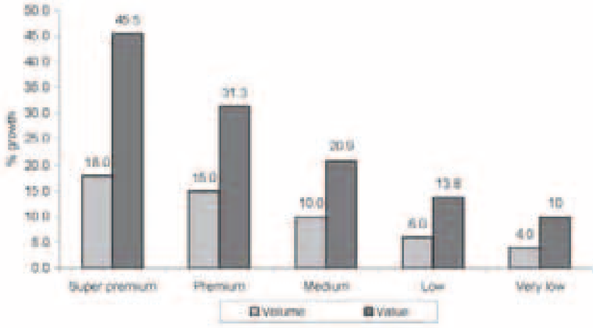
With the advent of chain stores in the last decade this has begun to change. Chain stores carrying private labels and a number of less-known brands are beginning to find favour in the market. Chain stores have also helped to

Figure 3.7: India: womenswear – growth across product categories, 2005



Source: *Images Yearbook 2006.*

Figure 3.8: India: lingerie – growth across price ranges, 2005



Source: *Images Yearbook 2006.*

popularize the concept of 'mix and match'. The salwaar-kameez-dupatta set has been broken into its three constituent parts with each sold as a 'separate'. This allows the buyer to customize how she wants to assemble the outfit.

According to the Images-Technopak report, saris at Rs 11,830 crore ($263 million) contributed 42% of the womenswear market in 2005, while other forms of ethnic wear, at Rs 6,775 crore ($151 million), contributed 24%. Altogether, Indian ethnic wear at Rs 20,895 crore ($464 million) contributed 75% of this segment.

In recent years, as a result of greater global influences, Western wear has shown impressive growth rates, though the base figures are relatively low. At Rs 1,610 crore ($36 million), it contributed 6% of the market in 2005. Since Indian wear is largely about drape and embellishment, the average Indian manufacturer is not trained to deliver the fit and the variety of silhouettes demanded by Western wear. The domestic offer in Western wear is therefore quite dull and lacking in variety and excitement. Branded imports have filled some of this requirement, but prices keep them out of reach of the average customer.

The lingerie market in India is still in its infancy. Because of the limited availability of product and the lack of specialized lingerie retailers, the fashion consciousness and quality awareness of the Indian consumer for intimate apparel has yet to be fully developed. The category has been largely marketed as a commodity and has been price- and margin-driven. Lingerie and nightwear contributed Rs 3,840 crore ($85 million) and Rs 1,365 crore ($30 million) respectively in 2005. This gave them a share of 13.5% and 4.5% of the womenswear market respectively.

Social changes in India are affecting lingerie buying behaviour. The significant changes in this regard are seen as:

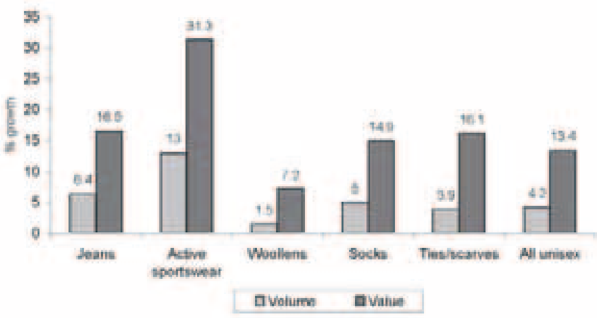
- An increased accent on fitness. More women are reported to be making an effort to tone their bodies. As they become proud of their bodies they are inclined to be more self-indulgent, and therefore there is a role for good lingerie.
- Exposure to Western media has taken away some of the coyness of Indian woman in relation to lingerie.
- Increasing prosperity and job security, the credit card culture and easy loans are increasing disposable income, allowing women to spend more on themselves.

In recent years there have been new entrants at both at the premium and the popular levels. International labels Triumph and Lovable have set up manufacturing bases in India and launched in the mid-priced to premium segment, while direct imports from Europe are beginning to occupy the upper niches. Cheap imports from China and Southeast Asia add variety to the local offer. The overall offer is still limited, however, and the market is thus open for new entrants.

Unisex apparel

The Images-Technopak study documented unisex apparel as a separate and growing segment. Unisex apparel is defined as comprising jeans and denim wear, woollen sweaters and cardigans, active sportswear, socks, and scarves – items that are common to both men's and women's categories.

Figure 3.9: India: unisex apparel – growth across product categories, 2005



Source: *Images Yearbook 2006.*

The total size of the unisex apparel market in 2005 stood at Rs 6,615 crore ($1,470 million), which was a growth of 13.4% over 2004. Jeans was the top performing category at Rs 2,225 crore ($49 million), contributing 34% of the segment.

An interesting feature of the Indian market is that most of India does not have distinct climatic seasons. While the north and the Himalayan ranges in the east have a distinct winter, the rest of the country enjoys temperate climates throughout the year. In the north, winter is a short, sharp season spread over two to three months starting in December. Sales of woollens largely depend on the severity of the winter.

Childrenswear

The childrenswear market in India is estimated at Rs 13.085 crore ($2,900 million), which is about 15% of the total apparel market in value terms.

Rising consumer affluence has brought about increased spending on categories such as childrenswear, infantwear and maternity wear. What makes the children's segment especially attractive is the current low brand penetration rate in the market. The market for childrenswear is dominated by regional players, single store operations (e.g. City Look and Petals in Delhi, Kapsons in Chandigarh) and by department stores.

Figure 3.10: India: childrenswear – growth, 2005

Source: *Images Yearbook 2006.*

The domestic market: a micro view

The retail industry

The current decade (2000 onwards) has seen the retail industry undergo rapid changes with the advent of organized chain stores. The first to enter were the speciality stores and department stores. In recent years, supermarkets and hypermarkets have shown rapid growth. New specialty formats such as electronics, telecommunications, health and beauty, and home decoration are beginning to emerge. Most of the chain stores have 20–30 stores operational presently. With 200 malls in the pipeline, these retailers are looking to scale up rapidly in the next two to three years.

A feature to note about department stores and hypermarkets in India is that they are much smaller in size than those found in Europe. The average size of the Indian stores is 50,000 square feet. This is because real estate in the urban centres is scarce and expensive.

Key domestic retail players

There are five key domestic players in this category: Future Group, Trent, Shopper's Stop, Lifestyle International and Reliance.

The Future Group

The Future Group (until recently Pantaloon (Retail) India Ltd) is the largest organized retail chain, with a number of retail formats. The company is promoted by first-generation entrepreneur Kishore Biyani.

The Future Group started as a manufacturer of low-end trousers (Pantaloons), shirts (John Miller) and Jeans (Bare). Aggressive pricing, distribution and advertising saw it achieve initial success. In the early 1990s, it changed its model from manufacturing to retail with the setting-up of the first Pantaloons store in Calcutta. Since then the company has grown rapidly and now owns various retail formats in the country.

The Future Company is a public limited company. Its head office is in Mumbai. It has, in recent times, been listed as one of India's top 100 companies in terms of market capitalization (ET 500 – a listing of India's top corporates published by *The Economic Times*). The significant store formats under its umbrella are described below.

Pantaloons. Pantaloons is a chain of private label department stores catering to menswear, womenswear and childrenswear. Originally positioned as a family store, in 2005 Pantaloons repositioned itself as a fashion store targeted at young people. The focus is on affordable fashion wear. The average store occupies 20,000 square feet. There are currently 32 Pantaloons stores across India.

The Future Group has a manufacturing presence in textile and in apparel. A portion of the merchandise for Pantaloons is manufactured by the company. The balance is outsourced from third party manufacturers. The company has a design cell which generates new designs for the season. It also depends on supplier factories for design.

Big Bazaar. Big Bazaar is based on the hypermarket format. It caters to basic needs in the apparel and home category. The focus is on functionality and affordability. The target group is middle and upper-middle income households who come here looking for value deals. The store sales are driven by discounts on bulk purchases. Prices on some of the brands in categories such as irons and refrigerators are lower than other stores. Because of volume buying, Big Bazaar can command better prices from vendors and thereby charges lower prices from consumers.

There are currently 36 Big Bazaars across India, with an average space of approximately 40,000 square feet per store. The main product categories at Big Bazaar are textiles, apparel, and footwear for men, women and children, cosmetics, crockery, electrical appliances, electronics, toys, home decor and textiles, household plastics, utensils and utilities, hardware, luggage and stationery.

Central. Central has been positioned as a 'seamless mall'. The store looks like a department store but operates like a mall in terms of the arrangements with brands. The entire space is leased out, with each concession paying a minimum rental or a percentage of turnover, whichever is higher. Staffing, administration and promotion is looked after by Central.

The Future Group currently operates three Central stores in Hyderabad, Bangalore and Pune. The current space for each Central is approximately 125,000 square feet. The store has a strong multi-brand offer and is targeted at the upper-middle income groups. The categories included in Central are apparel, toys, books, music, lifestyle accessories, entertainment and restaurants.

Food Bazaar. Food Bazaar is Future Group's supermarket offer. The average store size of a Food Bazaar is approximately 10,000 square feet. There are currently 62 Food Bazaars across the country. The company has recently launched an aggressive private label programme with its own brands of tea, salt, spices, pulses, jams, ketchups, etc.

Mergers and acquisitions. Besides its own stores, the Future Group has in the last few years bought equity in other brands and retailers: Bangalore-based Indus League, which owns three menswear brands; Jealous jeans, a Mumbai-based jeans brand; and Planet Sports, a licensee of international brads (Marks & Spencer, Guess, Debenhams, etc.). The process of introducing new formats across categories and further joint ventures, mergers and acquisitions is continuing unabated as the company continues on a rapid expansion path.

Trent

Established in 1998, Trent is the Tata Group's venture into the organized retail segment. The company runs a department store chain named Westside as well as a hypermarket store, Star India Bazaar. Tata is one of India's best known and most respected companies, with interests in automobiles, steel, telecommunications, software, etc. The Trent head office is located in Mumbai.

Westside. Tata entered the retail market with Westside in the late 1990s. Westside is a private label retailer. The store targets youth and middle income customers aged 15–45 yrs. The bulk of the merchandise at the store, except cosmetics and perfumes, is under the Westside label. It is known for its aggressive pricing.

There are currently 22 Westside stores across the country. The average store size varies from 20,000–35,000 square feet. The various departments at Westside are menswear, womenswear, lingerie, childrenswear, footwear, household accessories, cosmetics and perfumes. Complementing the shopping ambience is a coffee shop, Café West, managed by the Taj Group of Hotels (also a Tata company).

The Westside chain of stores outsources its entire production. It does not have a design cell and depends on its suppliers for design development. Suppliers include factories catering to the domestic market and export factories. The buyers work closely with suppliers in developing a product line for the season. A factory's ability to generate design is therefore a critical factor in Westside's supplier selection process. When working with export factories it often modifies the factory's current or previous season's production to meet its requirements.

Star India Bazaar. Trent entered the hypermarket format by opening its first hypermarket in Ahmedabad in October 2004. This is a 54,000 square foot discount store that offers customers products in discount deals and schemes. The model offers a large assortment of products under one roof at prices below maximum retail price. The main offerings are staples, food, perishables, beverages, cleaning aids, health and beauty, houseware, consumer durables and apparel, with about 25,000 stock keeping units.

Star India Bazaar was launched to help Trent address the lower and middle-income section. Besides offering a 5%–7% discount off the retail price for most brands that it stocks, the store is expected to also make available its own private line of products, where prices will be well below the discounted prices of its branded products. Trent is currently in the process of rolling out the format to other cities.

Shopper's Stop

Shopper's Stop Ltd, promoted by Raheja Corp. (a leading construction company), was the first significant, large-format retail offer made by the organized sector. The company was established in 1991 with its head office is located in Mumbai. It listed on the stock exchange with its first initial public offering in 2005, which was very well received. The retail formats owned by Shopper's Stop Ltd are described below.

Shopper's Stop. Shopper's Stop is a department store with a varied offer in the apparel and lifestyle categories. Shopper's Stop's core customers fall in the age range of 16–35 years. The store offers a bouquet of national brands and has a strong private label offer. The product offer includes menswear, womenswear, home, cosmetics and accessories, and childrenswear. Shopper's Stop currently has 20 department stores.

The major offer at Shopper's Stop is national brands. These are bought directly from the brand manufacturer or through agents appointed by the manufacturer. In recent years Shopper Stop has started sourcing private label product from overseas manufacturers, located in China and Southeast Asia. It has a design team that gives design direction to the private label offer. It also depends on factories for design development.

Home Stop. Home Stop is Shopper's Stop's first exclusive 'home dressing' outlet. As well as the entire range of home needs including furniture, soft furnishings, kitchen appliances, crockery, lighting accessories, health equipment, Home Stop offers customers advanced retail experiences such as interior designers assisting in home design and creating virtual homes on the Shopper's Stop website. The first store, 30,000 square feet in size, was launched in Bangalore in 2005. Shopper's Stop has been slow to expand the format, but in 2007 was expected to see this concept being rolled out to other cities.

HyperCity. Shopper's Stop has a 51% stake in HyperCity Retail, a company floated by its promoters, Raheja Corp., for setting up hypermarkets in India. The first store opened in mid 2006 and notched over a million walk-ins in the first three months of operation. Its main offerings are staples, food, perishables, beverages, cleaning aids, health and beauty, houseware, consumer durables and apparel.

Mothercare. Shopper's Stop has entered into an exclusive franchise agreement with Mothercare of the United Kingdom to open Mothercare stores in India. Under this agreement, Shopper's Stop plans to open over 40 stores, comprising shops in department stores as well as standalone high street and mall stores across the country in the next five years.

Lifestyle International Pvt. Ltd

Launched in 1999 in Chennai, Lifestyle International is a part of the Landmark Group. The Landmark Group began 27 years ago, with a single children's store in Bahrain. Currently it has 170 outlets throughout the Gulf, the sub-continent and the Middle East. The group is headquartered in Dubai. Landmark Stores operate around five ‘concepts’. These are Baby Shop, Splash, Shoe Mart, Home Centre and Lifestyle. In the Gulf, the Landmark Group has stand-alone retail stores for each of these five concepts. The Landmark stores that exist in India are described below.

Lifestyle. Lifestyle is a department store chain. The first store was set up in Chennai, spread over an area of 30,000 square feet. The group now owns seven stores across India. Lifestyle is planning to double this number in the next three years. The Lifestyle stores in India carry a range of menswear, womenswear, childrenswear, home products and cosmetics, perfumes and accessories. The head office is in Bangalore.

Like Shopper’s Stop, the major offer at Lifestyle comprises national brands that are bought directly from the brand manufacturer or through agents appointed by the manufacturer. The private label merchandise is sourced through third party manufacturers. Lifestyle has a design cell that shares design forecasts with suppliers. It also selects from lines developed independently by the supplier.

Max. The Landmark Group plans to tap the lower-middle income segment through its value-based offer Max. Landmark plans to roll out 50 Max stores in India over a period of 5 years. The stores are to be located in malls in four metro areas across the country at approximately 18,000 square feet per store.

The Max offer comprises sharply priced apparel under its private label. The Max design cell is based in Dubai. The design collections are prepared in Dubai and presented to the Indian team. The design team in India modifies the collection to suit Indian requirements and the collection is then developed through third-party manufacturers.

Home Centre. Lifestyle launched its first stand-alone home solutions store in September 2005. The 17,000 square foot store stocks a wide array of products including home decor and furniture for the home. The collection ranges from soft furnishings, crockery, cutlery and kitchen utensils to bath products, wicker products, and CD and magazine racks.

Licences. The Landmark group has taken the licence for international apparel brands Bossini and Kappa. Both the brands are available through exclusive brand stores as well as through the chain of Lifestyle department stores.

Reliance

Reliance India Ltd was founded as a textile company. Today it is one of India’s largest diversified groups of companies, with interests in polymers, chemicals, fibre intermediates and petroleum. Reliance is in the process of entering the retail market with multiple formats. The Reliance Retail blueprint envisages nation-wide chains of hypermarkets, supermarkets, discount stores, department stores, convenience stores and speciality stores, in about 800 cities and towns across the length and breadth of India. Reliance has announced the initial phase of the retail foray at an estimated cost of Rs 3,350 crore ($750 million) and has committed to spending Rs 25,000 crore ($5,500 million) to set up the different formats.

The first retail format, a chain of grocery stores under the name Reliance Fresh, was launched in 2006. By the end of March 2007, 135 Reliance Fresh Stores had been opened. In April 2007 the first Reliance Digital store was opened. This is Reliance’s offer in consumer electronics. A number of additional formats were expected to be launched in 2007.

Other retailers expected to enter the market

In addition to the five players listed above, other large players are expected to enter the market shortly. Wal-Mart has entered into a joint venture with

Bharti, a leading telecommunications service provider. This joint venture plans to launch the Wal-Mart retail format in India. Since FDI is not allowed, the arrangement will see Bharti owing the retail front end and Wal-Mart supporting the back end. Tesco and Carrefour are similarly reported to be looking for partners in India.

Brands in the Indian market

Brands in India are a phenomenon of the 1990s. The initial brand offers focused on menswear owing to a higher level of uniformity in men's clothing. This was followed by denim and sportswear brands, with Benetton as the only significant casual fashion brand in the market. The offer was, and continues to be, largely focused on Western wear. Presently there are few brands in most categories other than menswear. Therefore opportunities abound.

A number of new brands have plans to enter the country. Better-known brands such as Nautica, NEXT, Esprit and Marks & Spencer are coming in with license arrangements. Less-known brands are tying up with retail chains and are available exclusively at these chains, e.g. Austin Reed at Shopper's Stop.

Menswear

The menswear category is dominated by Western wear and catered for by three sources: the exclusive menswear brands; unisex casual wear brands (including jeans brands); and store private labels. This category has the highest number of established brands, both Indian and international. A few large companies dominate the category, each of them with an impressive portfolio of brands. The turnover of the brands themselves is relatively limited, with a number of them reporting sales turnover in the vicinity of Rs 100 crore ($22 million).

There are no significant brands in the Indian wear category. This is catered for by store private labels and by independent boutiques.

Significant menswear companies include Madura Garments, Arvind Mills, Raymond and Wills Lifestyle.

Madura garments. Madura Garments is part of the Aditya Birla Group, a leading industrial group with diversified interests in India and overseas. The company holds perpetual licences for several international menswear brands including Louis Philippe, Van Heusen, Allen Solly, Peter England and Byford. It also plays a significant role as a global supplier for international brands such as Marks & Spencer, Tommy Hilfiger, Polo and Ralph Lauren.

Production for all the brands is outsourced, the bulk of it through captive production units based in India. Madura does not own production facilities. As business grows it is open to looking overseas for additional production capacity, provided the costs can be managed. It has a strong textile sourcing division which sources textiles, trims and interlinings from India and overseas.

Madura brands reach the customer through a network of exclusive brand stores, multi-brand stores and department stores. The stores may be company-run or franchised. The company has a sales team that manages the exclusive brand outlets. For distribution in multi-brand outlets it works with agents for the premium brands and distributors for Peter England. There are four agents in the country, one each for north, south, east and west. The agents work on commission on sales. The distributors, on the other hand, have smaller territories – a city or a state depending on the potential of the area. The distributors buy stock from Madura and then sell it on.

The Madura Garments head office is located in Bangalore.

Arvind Mills. Arvind Mills is a well-known manufacturer of denim fabric. It has a number of group companies that have launched brands in the domestic market. The brands include Excalibur, a men's formal wear brand, and denim wear brands such as Flying Machine, Newport, and Ruf & Tuf. Apart from these owned brands, the company has licences for the Indian market from reputed international brands such as Nautica, Arrow, Lee and Wrangler. While Nautica product is largely imported, the other brands are manufactured and marketed by Arvind. The company also has a joint venture with the Murjani group for launching and managing the Tommy Hilfiger brand.

Production for Arvind's own brands and licensed brands is done both in its own manufacturing units and outsourced from third-party manufacturers in India. For licensed brands such as Nautica and Tommy Hilfiger the product is largely imported from overseas.

Arvind brands are sold through a combination of exclusive brand outlets, department stores and multi-brand outlets. The stores may be company-run or franchised. Arvind's domestic brands are also sold through a network of distributors. The Arvind Brands head office is located in Bangalore.

Raymond. The Raymond Group of companies has interests in textiles, ready-made garments, engineering files and tools. Incorporated in 1925, Raymond is India's leading producer of worsted suiting fabric, with a reported market share of over 50%. Raymond textile products are sold through exclusive outlets and through multi-brand stores. It has 310 exclusive stores in India and 18 stores overseas. The outlets are mostly franchised. Raymond stores are serviced directly by the company and the multi-brand stores are serviced through a network of distributors. The company owns a portfolio of menswear brands including Raymond, Park Avenue, Parx and Manzoni. A few years ago it acquired Color Plus, a popular menswear brand. It has ventured into the childrenswear business with the launch of Zapp, a childrenswear brand. Raymond's head office is located in Mumbai. It has recently established a large menswear factory in Bangalore. This is expected to take care of the bulk of its menswear manufacturing requirements.

Wills Lifestyle. Wills Lifestyle is a chain of premium branded stores owned by ITC Ltd, a company that has diversified interests ranging from cigarettes to hospitality. The Wills Lifestyle product offering includes three brands: Wills Sport – relaxed wear; Wills Classic – formal wear; and Wills Clublife – evening wear. The company has also launched a mass brand called John Players. Wills Lifestyle products are available mainly through its own branded exclusive outlets. It has approximately 35 stores across the country, which may be company-owned or franchised. It also sells through a number of department stores, such as Shopper's Stop and Lifestyle, which are serviced by the company directly. John Players is sold through distributors.

The company sources the bulk of its production from within the country. It also works with factories in Bangladesh. The Wills Lifestyle head office is located on the outskirts of Delhi.

Sportswear

The sportswear market is covered by significant brand players. Most of them are international brands operating through licensing companies in India. Apparel as a product category has become a significant seller among sportswear companies. Three of the key players in the market are Adidas, Reebok and Nike.

Adidas. Adidas India Marketing Pvt. Ltd is a joint venture company of Adidas India Pvt. Ltd, the Indian subsidiary of Adidas Salomon AG, and Magnum International Trading Company Ltd. In addition to footwear and apparel, Adidas India retails accessories. Adidas apparel and accessories are sourced entirely from local manufacturers, and close to 60% of its footwear is manufactured locally. Apparel samples are selected from the international range and given to Indian third-party manufacturers who source the fabrics and deliver the finished product. Selected specialty textiles are sourced directly by Adidas and provided to the manufacturers for conversion to garments.

Adidas products are available through the exclusive Adidas outlets, various department stores such as Shopper's Stop and Lifestyle, and through multi-brand outlets.

Reebok. Reebok in India is owned by Reebok India Company Ltd, a subsidiary of Reebok International. The brand has an overwhelming presence in India compared to its status against competitors Nike and Adidas in countries abroad. It has succeeded in its lifestyle 'athleisure' category, which includes casual apparel and sports accessories such as bags and socks.

Reebok sources its products through third-party manufacturers in India and Sri Lanka. It also imports specialty fabrics and some finished garments that cannot be manufactured in India.

The products are available through exclusive Reebok outlets, various department stores such as Shopper's Stop and Lifestyle, and through multi-brand outlets.

Nike. Sierra Industrial Enterprises Pvt. Ltd was appointed by Nike as its licensee for India in 1995. Subsequently Nike has set up an Indian subsidiary and is ramping up its presence in the country. The product range includes apparel (T-shirts, shorts, track pants, sweat shirts etc.), shoes and other sports equipment. The company has a wide distribution network with over 700 Nike stores and franchisee shops across the country.

Womenswear

The market for womenswear is divided into Indian wear and Western wear.

Indian wear

A few chains are emerging in the Indian ready-to-wear category, but the bulk of the market is catered for by independent stores and boutiques. Private label and other less-known labels that are sold through department chain stores are beginning to make their presence known.

Fabindia. Fabindia is a craft-based retailer specializing in home furnishings and apparel. Its head office is located in Delhi. It currently has over 50 stores across the country. The Fabindia brand has built up through usage, clear product identity and sharp pricing. Its advertising is limited to announcements of exhibitions at the store. The apparel product range comprises a mix-and-match range of salwaar-kameez-dupattas, saris and a Western offer made out of Indian fabrics. The textile base is largely cotton and other natural materials. The product offer is outsourced directly through individual artisans, artisan groups and third-party manufacturers.

Western wear

Western wear, which is a nascent but growing market, has a very limited offer. The bulk of the offer comprises ranges offered by store private labels and less-known labels sold through multi-brand stores. Casual wear brands such as Benetton, Esprit and Wills Lifestyle lead the premium and branded offers. Most of these brands, however, are male focused. The women's offer is a smaller portion of the offer. Leading brands and retailers in the women's category include Benetton, Wills Lifestyle and Allen Solly.

Benetton. Benetton in India has a range that extends across menswear, womenswear and childrenswear. It is recognized as a fashionable and trendy brand. It works with a mix of imported styles and locally made product. The bulk of the knitwear range is made in its own factories while the woven range is entirely outsourced.

Wills Lifestyle. Wills Lifestyle is a chain of branded apparel stores targeted at the upwardly mobile professional. Though it has a greater focus on menswear, its womenswear offer is popular among working women. Styling is smart and not too experimental. The brand also offers accessories such as sunglasses, bags and perfumes. The product offer is a combination of made in India and imported products. The imported ranges focus on fabrics not available in India such as value-added polyester blends and wool blends.

Allen Solly. Allen Solly was launched as a menswear brand in the mid 1990s and was extended to womenswear in 2002. Allen Solly's clothes target women who wear Western outfits to work once or twice a week. The target age group is 22–40 years. The brand uses fabrics such as cotton, cotton blends, tencel, polynosics, Lycra, rayon blends and soft acrylic. The textiles may be Indian or imported. The production is dominantly sourced from Indian factories.

Childrenswear

The childrenswear category is catered for by brands, private label, other less-known labels, independent stores and boutiques. The market is fragmented, with few national-level players. Childrenswear presents a large opportunity gap.

A phenomenon that has gained popularity recently is that of licensing international childrenswear brands. International cartoon characters such as Disney Kids, Toon World and Garfield are well-known brands owing to their media presence (cartoon network). A number of domestic Indian companies have taken licences to market garments and products under their names. For example, Pantaloons has launched Popeye, and Gini & Jony has launched Garfield. These brands have been launched as sub-brands under the umbrella brand. Key players in the childrenswear category include Gini & Jony, Ruff Kids and Benetton Kids.

Gini & Jony. Gini & Jony is an Indian brand that caters for ages 6 months to 16 years. The product offer includes both knits and wovens. The brand also sells a range of accessories such as footwear, eyewear, belts and other coordinates. The brand has its own design studio in Mumbai and takes inputs from both domestic and international markets when deciding on styles. The brand operates through franchisees, shop-in-shops, and multi-brand stores. It does have its own production. The bulk of the production is sourced from Indian factories.

Ruff Kids. Ruff Kids, also an Indian brand, caters to age groups 1–3 years and 4–16 years. It has two brands: Ruff Baby and Ruff Kids. The company offers apparel and a range of accessories. Currently the brand is retailed through multi-brand retailers and two exclusive outlets in Mumbai, and nine outlets in Saudi Arabia. Fabrics such as denim, 100% cotton, cotton blends with polyester, viscose and rayon are sourced from India as well as imported from the Republic of Korea, Taiwan Province of China and Japan.

Benetton Kids. Benetton in India has babywear, girlswear and boyswear. The infants' line includes infant and maternity wear, educational toys, strollers and car seats, and fashion clothing for mothers-to-be and newborns. Childrenswear contributes one-third of Benetton's turnover in India. The product is largely sourced from Indian factories.

Denim wear

The denim wear market in India has been segmented into four categories.

- In the premium (Rs 1,500+) bracket are foreign brands like Levi's, Lee and Pepe. Indian origin brands such as Killer have also established a strong presence on the basis of a fashion-forward offer.
- In the sub-premium range, there are Indian origin brands such as Numero Uno that are priced between Rs 750 and Rs 1,000.
- In the economy range, there are brands such as Newport, which are priced between Rs 500 and Rs 750.
- The budget category is dominated mostly by unbranded players.

Pepe Jeans. Pepe Jeans was established in India in 1989. It is a jeans and casual wear brand offering everything from cotton shirts, denim shirts, fashion jeans, T-shirts and jackets to accessories such as fragrances, bags, wallets and caps.

The product line is manufactured in India through job workers. Apparel samples are selected from the international range by the Indian design team. The fabrics are sourced from Indian mills and delivered to the job workers who convert them to finished garments. Buttons, labels and trim may be imported.

Levi's. Levi's was launched in India in 1995. The Levi's retail network spans more than 70 cities and 400 outlets. It sells through exclusive brand outlets, and shop-in-shops in department stores and multi-brand outlets. In India, 65% of the Levi's business comes from denim. The two main denim brands are Red Tab and Red Loop. For Red Loop, which is a premium jeans brand, the fabric is imported from Europe and Japan and given to captive job workers for conversion. For Red Tab, which is the entry level brand, fabrics are sourced from Indian mills and similarly given to job workers. For Red Tab the company is now looking at working with factories outside the country, specifically in Turkey.

Killer. Launched in 1989, Killer is the flagship brand of Kewal Kiran Clothing Ltd. The brand's product line includes jeans, shirts and jackets that are youthful, trendy and vibrant. The focus of the brand is the 16–25 years age group. The brand is available through a network of 17 distributors, nearly 30 K-Lounge stores and over 800 multi-brand outlets and chain stores. The company has its own manufacturing units which provide the bulk of its requirements.

Newport. The Newport Jeans line of ready-made garments arrived in 1993, riding on the slogan, 'good jeans for less'. It is the budget denim brand from Arvind. It offers denim fashion at easily affordable prices, starting at Rs 545. The brand is retailed through a strong distribution network of company-run outlets in addition to multi-brand retail outlets.

Apparel procurement practices in the market

The Indian market is currently dominated by small independent retailers, making distribution a challenge. Retailers in India work with apparel manufacturers through multiple channels.

Directly with the manufacturer. Large, organized retail chains prefer to work directly with the manufacturer since doing so allows them to save margin that would otherwise be taken by intermediaries. A number of the better-known brands also prefer to work directly with retailers for the same reason. To achieve this they have in place key account managers and regional sales teams.

Private label retailers work on outright purchase arrangements. They expect a margin on retail varying from 50%–55% on retail prices. Department store retailers may work with suppliers either on consignment terms or on outright terms. Even in the case of outright sales they often negotiate an exchange clause which allows them to exchange unsold merchandise of up to 10% of purchases within a specified time period. These retailers expect a margin on retail varying from 40%–45% for branded apparel product.

Purchases are almost always on credit, with credit periods varying from 30–60 days. Letters of credit are not used in the domestic market. Most manufacturers offer the retailer a cash discount of 3%–4% on bill value for payments within 7–15 days.

Through agents. Given the geographical spread of India, in order to reach distant markets most manufacturers, in addition to having their own sales teams, work with agents.

An agent normally represents more than one manufacturer and employs a sales team that book orders from far-flung retailers. The agent makes no investment in stock. It is only responsible for taking orders and collecting payments. The goods are shipped by the manufacturers to the retailer directly and payment is made in the name of the manufacturer. For the services rendered the agent takes a commission of 5%–7% on the wholesale price of the product.

Agents in India are small, owner-driven companies with regional strengths. There are no national-level agencies representing major brands and manufacturers. Agents are normally appointed for the territory where they have a reach. They are popular with premium brands that want to control product distribution. Since the company bills the retailer directly it is able to keep track of all the retail counters that carry their products.

Through wholesalers and distributors. For mass distribution brands, where the aim is to maximize retail presence, manufacturers prefer to work with wholesalers. The wholesaler buys stock from the manufacturer and sells it on. The wholesaler employs a sales team that book orders in the market. The billing is done directly by the wholesaler and the retailer payments are made in the wholesaler's name. If there is stock left over at the end of the season, it is to the wholesaler's account. Because of the increased risk that wholesalers undertake, they get a higher commission of 10%–15% on the wholesale price. Like agents, the wholesalers in the apparel trade are normally small, individual-driven enterprises working in restricted territories.

A new breed of wholesalers has started sourcing products from overseas. Sensing the opportunity to buy low-value product from Southeast Asian countries, entrepreneurs have started importing product and redistributing it in India. The retailer gets a landed-duty-paid product without heavy investment in stock, and is therefore happy to work with the intermediary. The range of apparel products being imported presently is restricted to lingerie and fashion wear (mostly knits) for men and women. There are inefficiencies in this method in that the sizes are limited and normally follow a one-size-fits-all convention. They have a limited popularity with chain stores but are widely distributed among the independent stores.

Brand marketing and manufacturing companies may use more than one route to reach retailers. For instance, Madura Garments works directly with large multi-brand chain store retailers like Lifestyle. It uses agents to sell its premium menswear brands to smaller multi-brand retailers. For this it has agents in the north, south, east and west regions. Each agent is responsible for sales of the brands to multi-brand retailers within its territory. For Madura's mass market brands, on the other hand, it uses the services of wholesalers. The job of the Madura Garments sales team is to coordinate with the agents and wholesalers to ensure sales targets are met.

Arvind Brands and Levi's have set up key account managers and regional sales teams for their premium brands. The key account managers manage the retail chains while the regional sales teams promote sales directly with independent retailers. Arvind brands also uses the services of agents for specific territories.

Consumer preferences for specific types of fibres and blends

Being hot for at least 9–10 months a year, India has always seen a preference for natural fabrics, especially pure cottons. In the last few decades the market for cotton blends has developed owing to the easy-care properties and better drape of cotton blends. Linen and ramie are popular at the premium end of the market. Linen blends have attracted an urban audience in the last few years since they provide a linen look at lower prices. Silk is popular among women for family weddings, festivals and formal occasions. Flowing fabrics such as crêpes, georgettes and chiffons are popular for women's Indian wear.

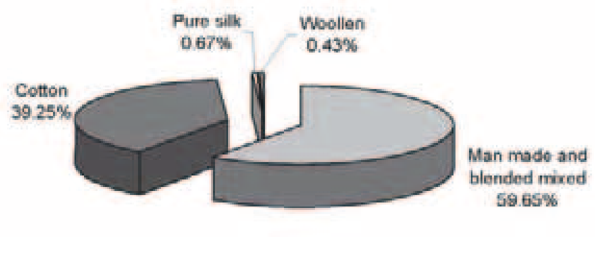
The market for polyesters exists at two levels: at the premium end, where international developments in polyester and polyester blends are in fashion; and at the bottom end, where pure polyester is preferred for its easy-care properties and long life (e.g. polyester saris).

Winter is restricted to the north of India and the Himalayas. It is a short, sharp season during which temperatures may drop to 0° centigrade or below. For two months, therefore, the wardrobe of northern Indians undergoes a radical change, incorporating woollens including sweaters and shawls. For the rest of the country, winter shopping happens mainly for people travelling to the north or going overseas at this time.

The share of fibres in total textile consumption is shown in figure 3.11.

One of the most significant influences on people's buying behaviour is the festivals, most of which happen in the second half of the year. Festivals are an occasion to buy new clothes and for giving gifts. Festivity is normally associated with colour. Indians as buyers are partial to bright colours throughout the year but especially in the festive season.

Figure 3.11: India: share of fibres in total textile consumption, 2005



Source: National Household Survey 2005, Textiles Committee, Government of India.

Fashion trends in India are an amalgamation of international trends and Indian preferences. There are no trend forecasting bodies in India, so manufacturers use a combination of previous sales data and international forecasts to determine the season's range. A number of manufacturers travel to markets in neighbouring countries such as Singapore and Hong Kong SAR to pick samples for design direction.

Synopsis of trade interviews

Retailer: Shopper's Stop
Person spoken to: Jayakar Shettigar
Designation: Trading Manager

Shopper's Stop traditionally sourced product from the domestic market except for the foreign brands that it stocks, such as Austin Reed in the case of apparel. This is because its quantities were small and the domestic market was in a position to meet its needs. Since it is now much larger, it is looking at overseas suppliers to help it differentiate its product from that offered by other retailers in the domestic market.

When looking for new suppliers in the domestic market it looks for production capacity and quality. It recognizes that this is a function of relevant machinery. In addition, since it is expanding rapidly, it looks for the supplier's ability and willingness to invest and grow, and the financial capacity to achieve the growth. For the apparel category, it prefers to work with Indian exporters since these factories have state-of-the-art infrastructure. For private label products it buys the goods outright, but for brands in India it works on varying strategies including outright purchase, goods on consignment and concessions.

From overseas markets Shopper's Stop looks either for good brands that it can bring into the country as is, or for manufacturers to supply to its private label. Of their private label, 40% comes from overseas, especially fashion items. These may be imported as finished garments or in the form of textiles that are then tailored in India. Though quantities are small at 400 pieces per style, it is looking for long-term relationships and not for surplus capacity or stock over-runs of overseas factories.

When looking at imports it looks for a unique product, such as polyamide knits or poly viscose knits with Lycra. It currently gets these from China since these blends are not available in India. It is also looking for good worked-on-denims like those made by brands such as Replay and Diesel, since these are not available in India. Shopper's Stop also finds that good bottom wear, such as cargo trousers, is difficult to find with the required detailing. The basics, it considers, are well catered to in India. Although import tariffs do push prices up substantially, on fashion items which are not easily available in India Shopper's Stop is able to command a higher price from the customer.

The list of products Shopper's Stop is currently looking to source from overseas markets is largely fashion driven. It includes:

- Womenswear knits:
  - Polyamides with Lycra in top wear;
  - Viscose Lycra top wear;
  - Soft acrylic knit tops in different styling;
  - Woven top wear with fashion styling and value addition in fashion and casual segments;
  - Jeans with embroidery and work value addition in casual and fashion segments;
  - Cargo trousers in fashion and casual segments;
  - Poly cotton yarn dyed stripes with lycra and value addition in fashion segments;
  - Cotton top with value addition in fashion segments.

- Menswear:
  - Men's jeans;
  - Men's cargo trousers.

In addition it is looking for men's and women's accessories such as bags, belts and fashion jewellery, and for textiles.

- Textiles for womenswear:
  - Poly cotton yarn-dyed stripes with Lycra;
  - Cotton Lycra in solid colours;
  - Poly viscose Lycra T-shirt fabrics;
  - 100% cotton bottom-wear fabric with micro sand finish.
- Textiles for menswear:
  - Terry rayon bottom wear fabric for formal trousers;
  - 100% cotton structure fabric for casual bottom wear.

Shopper's Stop is familiar with the offer of neighbouring countries and some Southeast Asian countries. It is not aware of what other LDCs have to offer. Its view on the offer of the neighbouring States is as follows.

Bangladesh. The scale involved is large but the quality produced is an issue of concern.

Nepal. Shopper's Stop has worked with Nepal. It found a lack of consistency. Political problems led to delayed deliveries. It has therefore discontinued working with Nepal.

Sri Lanka. Shopper's Stop has not tried working with Sri Lanka. It has an impression that Sri Lanka caters largely to the United States market and works on relatively larger numbers.

China. Shopper's Stop is happy to work with China. It finds Chinese products unique in terms of design and detailing, and the prices competitive. It has been working with China for three or four years, and finds it sufficiently quality conscious.

It looks for factories catering to European buyers since these factories have both a sense of style and a commitment to quality. It feels that suppliers to American buyers do not emphasize quality sufficiently. Its criteria for selection include:

- Other brands the factory is supplying to;
- Design resources available within the factory;
- Machinery, quality;
- Costs (landed costs in India).

It is happy to meet with factories that are interested in supplying the Indian market. This can be done if the factory visits India or when Shopper's Stop managers are travelling overseas.

Current system of buying overseas

When buying overseas, Shopper's Stop designates senior managers to first survey the market, catalogue capacity and capability of factories, and negotiate terms. Recently the Shopper's Stop CEO and Jayakar went to China, Hong Kong SAR, Thailand and Taiwan Province of China to check factories.

It is currently working with two Hong Kong-based exporters. The buying team visits the factories, shortlists and modifies existing samples, and adds trims. It often add quantities to existing fabric orders so it is not constrained by minimum order quantities.

The final product shortlist is made on the basis of samples or sketches. Orders are finalized after Shopper's Stop receives the made-up samples. Once the production fabric comes in it expects to be sent test reports on washing, rubbing, shrinkage and pilling (where relevant). After orders are confirmed and production starts, it waits for the commercial samples to come in.

For labels, if the quantities are large, the factory orders them from Shopper's Stop's nominated suppliers. For smaller quantities, Shopper's Stop sends the labels. The barcodes are downloaded by the factories directly and goods are sent to Shopper's Stop with the bar code labels put on.

Retailer: Westside (Trent Ltd)
Person spoken to: Gaurav Mahajan
Designation: General Manager, Buying

Westside currently buys 8 million–10 million units a year. The Westside focus is on width of offer. Its quantities per style vary. On basics it currently buys 1,000–1,200 pieces per colour. On fashion styles it picks up 400–500 pieces per style. Given its expansion plans, by 2010 these quantities are expected to triple. It is able to buy fabric minimums since fabric depths are spread across styles.

Its production of apparel is entirely outsourced from India. It did buy hard goods (home accessories) from China previously. It is keen to explore overseas sourcing options and has recently appointed a buying agent based in Sri Lanka. Trial orders have been placed for men's, women's and children's apparel.

Westside sees overseas buys as complementing the Indian offer. Specifically it is looking for:

- Value-added products in bottom wear;
- Lingerie;
- Products in synthetic blends – essentially fabrics that are not available in India.

It is happy to meet suppliers from anywhere and explore possibilities, though it is concerned about the impact of duties since it is essentially a value offer. It would look for factories supplying to Marks & Spencer, Gap, Next and Victoria's Secret, for example, since these factories are likely to have quality standards and processes already in place. When looking for suppliers it looks for factories that can deliver design and style as well as a certain manufacturing standard.

Its familiarity with the capacity of LDC countries is limited. Its impressions of various exporting nations are as follows.

Bangladesh. Work with 'astronomical depth'. The product is basic product with low value-addition. Prices are good, but its 'not for us'.

Nepal. It has heard that Nepal has some good factories, but given the uncertainty of the political situation it has not looked at Nepal seriously.

Cambodia. No idea about what Cambodia has to offer. Besides, it is too far and duties are likely to be a road block.

Madagascar. Westside has heard good things about Madagascar but does not have any personal experience. Besides, it is physically too far to be relevant.

Turkey. Westside is keen to visit Turkey. Impressed by the design capability and the denims, washes and knitwear coming out of there.

China. See a lot of scope in getting goods from China since China seems to have everything to fit any requirement.

Possible niche markets and product groups to be targeted

The Indian market is at an embryonic stage when it comes to importing apparel. As the Indian economy grows, retail expands and consumerism flourishes, the Indian market presents opportunities for overseas factories to participate. The competition is likely to be intense given India's inherent strengths in the textile and apparel trade. Strengths and weaknesses of India's factories in relation to the Indian market are listed as below.

- Strengths of Indian manufacturing
  - Availability of a strong textile base, especially in cotton textiles (knits and wovens).
  - Understanding of the popular aesthetic for women's Indian wear. The sari comprises 5 yards of textiles that are woven on a handloom, and the salwaar-kameez-dupatta is a dress form that focuses less on fit and styling and more on surface ornamentation. Much of this ornamentation is inspired by crafts of India. It is therefore difficult for this market to be addressed through imports.
  - Indian factories have the ability to deliver a price advantage. Since India has always been a value-conscious market, Indian factories are accustomed to delivering good prices.
  - India has a strong manufacturing base for apparel exports. In recent years these factories have begun to divert capacity to the domestic market. These factories are accustomed to catering to popular European and American brands. They are therefore able to deliver price, quality, consistency and volume in a timely manner.
- Weaknesses of Indian manufacturing
  - Lack of textile strength in new age fabrics, most of which are polyester-based. As a result a number of the new developments, especially in polyester blends, are absent.
  - No design strength in women's Western wear. Western wear emphasizes fit and style, which domestic manufacturers are unaccustomed to. Given the recentness of this trend, Indian designers are unable to provide the kind of design skill and understanding required to match the international offer.
  - Even for menswear and teenage wear, fashion products such as washed garments, embellished denims and value-added bottom wear such as cargo trousers are difficult to manufacture because of the greater investment in design, research and development, and the more sophisticated needles required.
  - Indian factories have no strengths in the lingerie category, especially bras.
  - Most of the factories are relatively small scale. This affects productivity, allowing larger, more efficient factories such as those in China to better them on costs across a number of product categories.

In summary, Indian manufacturers are strong on basics and weak on fashion. Retailers and brands are therefore looking outside the country for sources of supply in this area. Given the diversity of the Indian market LDC exporters are faced with a number of options for market access. These are listed as below.

Private label suppliers

The Indian market has a number of dedicated private label retail formats. Additionally, all department store formats have a strong private label offer. This is largely fashion driven. The hypermarkets also have a significant private label offer. This is dominantly price-driven.

Private label retail is driving the need for international outsourcing since it gives the retailer an exclusive product and higher margins. The offer these retailers are seeking centres on:

- Women's and men's Western fashion. This is in demand by premium brands and department stores. The retailer will look to the factory for both design and manufacture. This includes both textiles and ready-made garments.
- Value-added apparel requiring special washes or higher product detailing, e.g. cargo trousers, and denim wear with embellishment.
- Fashion textiles including spandex blends and polyester blends.
- Categories with a poor manufacturing base in India, especially lingerie.
- Aggressive price offers. This is especially true for the hypermarket category, which is constantly looking for the cheapest source of product.

Note: When selecting a factory Indian retailers look for:

- A certain minimum standard of factory and machinery.
- The capacity to generate design.
- The physical and financial ability of the factory to deliver.
- Brands and retailers the factory is presently supplying to. Factories that are currently supplying to well-known brands in Europe and America are likely to have a credibility advantage.
- Willingness to work with smaller runs. This could vary from 1,500 pieces for a fashion style (across three colours) to 3,500 pieces for a basic style (again in colours). In the next three to five years these figures are expected to double.

Suppliers to well-known brands

Over the last decade India has established a number of strong brands in the menswear category. These brands have set up strong distribution networks. A number of them work with outsourced manufacturing facilities within the country. However, given rapid expansion schedules, some of them are already working with selected factories in Bangladesh and Sri Lanka. A preliminary discussion with the key brand owners has revealed willingness and an interest in understanding the advantages of working with overseas markets. The interest varies from getting additional volumes to looking at design value and special washes or treatments. Specific brand owners that have expressed interest include:

- Madura Garments: men's T-shirts, shirts, trousers;
- Arvind Brands: denim jeans with special washes and cargo trousers;
- Wills Lifestyle: shirts and trousers.

Sell through wholesalers

A number of wholesalers in India buy overseas product by the container-load and distribute it in India. Tying up with these wholesalers gives manufacturers market entry in select categories that are not available in India, such as lingerie and fashion products for men and women. Since the wholesalers sell through a number of small and medium-sized stores across the country they favour a lower-priced product offer.

Existing national support schemes for LDC exporters to penetrate this market

The preferential trade agreements are the primary support schemes for LDC exporters to penetrate the Indian market. Countries in ASEAN need to follow developments on SAFTA to maximize opportunities posed by further reductions in tariff duties for markets within the ASEAN.

Integration of LDC textile and clothing exporters into the overall value chain

India's inherent strengths in the textile and apparel sector are related to cotton-based products. Even within these, R&D investments are limited. India therefore looks overseas for new textile developments, especially in the areas of:

- Polyester blends and wool blends;
- Fashion fabrics;
- Bottom-weight fabrics.

Indian manufacturers are already sourcing fabrics from Sri Lanka, Thailand, Japan and other Southeast Asian countries besides some European countries.

In addition, India works extensively with imported trims. These range from basics such as zips, buttons and garment labels, to fashion trims such as ribbons. These are required by both the domestic industry and export manufacturers. A number of international companies that supply these products have representative offices in India.

Recommendations to clothing exporters on penetrating the target market

As the Indian market grows, retailers and brands will look outside the country for newness, differentiation and additional capacity. Factories from LDCs can adopt one of the following routes to enter the market.

- **Participate in trade fairs.** There are presently few trade fairs targeting the domestic market. In September 2007 the Retailers Association of India launched what is expected to be a significant trade event, the India International Retail Convention (*www.rai-iirc.com*). This is being designed as an annual event and invites participation from exhibitors wanting to access the retail industry. As well as the Retailers Association, the Images Multimedia Group, a privately owned organization, holds a series of industry seminars and trade events. The most prominent of these is the Images Fashion Forum (*www.imagesfashionforum.com*).

- **Use the services of industry and trade associations** such as the Retailers Association of India or the Confederation of Indian Industry to establish contact with Indian retailers and brand marketers. To ensure the highest chance of success, the LDC manufacturer may consider the following steps:
  - Identify potential retailers, brands or wholesalers and send them a company profile that includes details of current clients serviced, production capacity and specialized machinery available.
  - Prior to meeting with retailers, wholesalers or brands, visit and understand the Indian offer in terms of styling, fabrics, colours, and prices.
  - At the time of the visit, get a representative sample range. Since the Indian market is looking for fashion products with value addition (washes, embellishments, detailing), the representative range must be developed on the lines of the international fashion styling popular at the time. This can be shown to the retailers for initial feedback and an understanding of pricing.
  - If the range is of interest to the retailer, brand or wholesaler, there is a good chance that the buyers will be willing to visit the factory and take discussions further.
- Use the services of a consultant to identify gaps in the market and set up meetings with retailers and brands. For smaller manufacturers this can be best achieved as a delegation. This would help optimize costs and attract greater retailer interest.

In August 2006, under the auspices of an International Trade Centre (ITC) project, a group of five factories from Sri Lanka visited the Indian market. The services of the author were retained to help the factories understand the requirements of the local market and to arrange meetings with significant retailers. The visit was successful in whetting the appetite of Indian retailers and was followed immediately with a visit to Sri Lanka by Westside buyers and merchandisers as a follow up to the visit. At the time of writing this chapter, Westside had appointed a buying agent in Sri Lanka and had placed an initial round of orders with four factories, and Reliance had placed a trial order with one factory.

Annex I

India: useful contacts and addresses

GOVERNMENT DEPARTMENTS

Central Board of Excise and Customs
www.cbec.gov.in

Directorate General of Foreign Trade
www.dgft.delhi.nic.in

Ministry of Commerce and Industry, Department of Commerce
www.commerce.nic.in

Standards of Weights and Measures, Ministry of Consumer Affairs
www.fcamin.nic.in

Textiles Committee
www.textilescommittee.nic.in

Indian Customs and Excise Gateway
www.icegate.gov.in

KEY RETAILERS

Future Group
Pantaloon Retail (India) Ltd
Knowledge House, Shyam Nagar
Off Jogeshwari-Vikhroli Link Road, Jogeshwari (East), Mumbai 400 060
Tel: 91 22 66442200
E-mail: rakesh.biyani@ho.pantaloon.com
Website: *www.pantaloon.com*
Contact person: Rakesh Biyani, Director

Lifestyle
Lifestyle International P. Ltd
Sigma Softech park, 7th & 8th Floor
Delta Tower, No 7, Whitefield Main Road
Bangalore 560 066
Tel: 91 80 41796401,41796565
E-mail: kabir@lifestylestores.com
Contact person: Kabir Lumba, Executive Director

Westside
Enterprise Centre, 2nd Floor, 17/5,
C.S.T.,55 OFF Nehru Road
Besides Orchid Hotel, Vile Parle (E)
Mumbai 400 099
Tel: 91 22 56767521, 56767575
E-mail: gaurav.mahajan@trent-tata.com
Website: *www.tata.com*
Contact person: Gaurav Mahajan, General Manager-Buying

Shopper's Stop
Eureka Towers
9th Floor, C-Wing, Plot No 504
Link Road, Malad (W)
Mumbai 400 064
Tel: 91 22 28809898, 28447337
E-mail: govinds@shoppersstop.com
Website: *www.shoppersstop.com*
Contact person: Govind Shrikhande, CEO

Reliance
Reliance Industries Ltd (Retail Division)
No. 62/2, 5th Floor
Richmond Road
Bangalore 560 025
Tel: 91 80 41497182, 41470086
E-mail: sriram.srinivasan@ril.com
Contact person: Sriram Srinivasan, CEO

BRAND MARKETING COMPANIES

Madura Garments
Madura Garments
MG House, No. 110, 4th cross
5th Block, Koramangala
Bangalore 560 095
Tel: 91 80 080- 66915000
Website: *www.maduragarments.com*
Contact person: Hemu Zaveri, President

Arvind Brands
Arvind Brands
Du Parc Trinity, 8th Floor
17, M.G. Road
Bangalore 560 001
Karnataka
Tel: 91 80 22973131
Fax: 91 80 25594384
E-mail: darshan.mehta@arvindbrands.com
Contact person: Darshan Mehta, President

Raymond
Raymond Ltd
Mahindra Towers, 2nd Floor, B Wing
Pandurang Budhkar Marg
Worli, Mumbai 400 018
Tel: 91 22 4034 9999, 40367000
Website: *www.raymondindia.com*
Contact person: Shreyas Joshi, President

Wills Lifestyle
86, Udyog Vihar, Phase I
Gurgaon 122 016
Tel: 91 11 4588200
E-mail: chitranjan.dar@itc.in
Website: *www.willslifetsyle.com*
Contact person: Chittranjan Dar, CEO

Fab India
Fabindia Overseas Pvt. Ltd
B-26, Okhla Industrial Area, Phase I
New Delhi 110 020
Tel: 91 11 41751405-07, 26811047
Contact person: William Bissell, CEO

Gini & Jony
118, Arihant Ind. Estate, Off Saki Vihar Road
Saki Naka, Andheri (East)
Mumbai 400 072
Tel: 91 22 28472692-97
E-mail: jay.lakhani@giniandjony.com
Website: *www.giniandjony.com*
Contact person: Jay Lakhani, Director

RETAIL CONSULTANTS

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Tel: 91 124 4141111, 2881111
Fax: 91 124 4141112, 2881112
E-mail: arvind.singhal@technopak.com
Website: *www.technopak.com*
Contact person: Arvind Singhal

Simran Singh & Associates
V-26, Green Park Main
New Delhi 110 016
Tel: 91 11 26534260, 26535995
Fax: 91 11 26520995
E-mail: simran@ssaconsulting.in
Contact person: Simran Singh

CUSTOMS HOUSE AGENTS

Bombay Custom House Agents Association
73, ‘C’, 7th floor, Mittal Tower, Nariman Point
Mumbai 400 021
Tel: 91 22 22824618, 22833474
E-mail: bchaa@mtnl.net.in
Website: *www.bchaa.com*

Calcutta Custom House Agents Association
23, Sir R.N. Mukherji Road
Kolkata 700 001
Tel: 91 33 22482951
Website: *www.cchaakolkata.org*

Chennai Custom House Agents Association
40, Moore Street, 2nd Floor
Parry’s, Chennai 600 001
Tel: 91 44 25224005
Website: *www.chennaicha.org*

Travel Planners Pvt. Ltd
A 244 Mahipalpur Extension
National Highway 8, Street No. 6
New Delhi 110 037
Tel: 91 11 30616000, 26787040
E-mail: vipul.jain@travelplannersindia.com
Contact person: Vipul Jain

Intercont
Regd office: 46 Nehru Place
Dohil Chambers, New Delhi
Contact person: G.S. Nanda

Correspondence office: D.33 South Extension part 2
New Delhi 110 019
Tel: 91 11 41643253/4/5
Fax: 91 11 41643251
Mobile: 9810114069
E-mail: gsnanda@intercont.com

Gateway Clearing Agency
C-1, Room No; 105-106
Kiran Smarak Sadan, Naraina Ring Road
New Delhi 110 028
Tel: 91 11 25770339,25777689
Fax: 91 11 25779104
Mobile: 9810050461, 9810335975
E-mail: gca7591@hotmail.com
Contact person: Anil Dhingra

S.D. Pathak & Company
VPO, Nangal Devat
Opp IGIA Cargo Terminal, Behind Coffee Home
New Delhi 110 037
Tel: 91 11 25652345, 25653850, 25654111, 25655533
Fax: 91 11 25653882, 25654683
Mobile: 9810139821
E-mail: shonak.pathak@sdp.in
Contact person: S.D. Pathak

INDUSTRY ASSOCIATIONS

Retailers Association of India (RAI)
112/112 Ascot Center
Sahar Road, Sahar, Andheri (E)
Mumbai 400 090
Tel +91 22 28269527/ 28
Fax: +91 22 28269536
Website: *www.rai.net.in*
Executive Director: Gibson Vedamani

Confederation of Indian Industry (CII)
23, Institutional Area, Lodhi Road
New Delhi 110 003
Tel: 91 11 24629994/5/6/7
Fax: 91 11 24626149, 24623168
Website: *www.ciionline.org*
Senior Director: Chandarjit Banerjee

ACADEMIC INSTITUTIONS

National Institute of Fashion Technology
NIFT Campus, Hauz Khas
Near Gulmohar Park
New Delhi 110 016
Tel: 91 11 26542000, 26542100
Website: *www.niftindia.com*
Director General (as of 2006): Gauri Kumar

RETAIL WEBSITES

RVG Communication Ltd
B1, Gitanjali Enclave
New Delhi
Tel: 91 11 32998001, 41759263
Mobile: 9810071714
Website: *www.rvgonline.com*
Chairperson: Vinod Kaul

TRADE SHOW ORGANIZERS

Indian Trade Promotion Organization
Pragati Bhavan
Pragati Maidan
New Delhi
Tel: 91 11 23371782, 23371740
Websites: *www.indiatradepromotion.org*, *www.indiatradefair.com*

Images Multimedia Group
S-21, Okhla Phase II
New Delhi 110 020
Tel: 91 11 40525000
Websites: *www.imagesfashionforum.com*, *www.imagesretail.com*

TESTING LABORATORIES

For a comprehensive listing, visit *www.textilescommittee.nic.in*.

Textiles Committee: Mumbai
P Balu Road
Off Veer Savarkar Marg
Prabhadevi chowk, Prabhadevi
Mumbai 400 025
Tel: 91 22 66527507

Textiles Committee: New Delhi
41, Community Centre
Phase I, Naraina Industrial Area
New Delhi 110 028
Tel: 91 1 25199455, 25195549

SOURCES

Global Retail and Consumer Study from Beijing to Budapest (2004-05), Pricewaterhouse Coopers.

Images Yearbook 2006.

Market for Textiles and Clothing (National Household Survey 2005), Textiles Committee.

Singhal, Arvind, Technopak presentation at TIE Retail Summit 2006, New Delhi.

Websites of Government departments

Central Board of Excise and Customs
www.cbec.gov.in

Directorate General of Foreign Trade
www.dgft.delhi.nic.in

Ministry of Commerce and Industry
Department of Commerce
www.commerce.nic.in

Standards of Weights and Measures
Ministry of Consumer Affairs
www.fcamin.nic.in

Textiles Committee
www.textilescommittee.nic.in

Annex II

India: apparel imports by commodity

Department of Commerce
Export Import Data Bank
Import: Commodity-wise
Dated: 26 August 2006
Values in 100,000 rupees
Sorted on HS Code

HS Code	Commodity	2004/05	% share	2005/06 (April–Dec.)	% share
6101	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted	151.86	0.0003	76.21	0.0002
6102	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets, etc., knitted or crocheted	4.66	0.0000	13.11	0.0000
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc. (other than swimwear), knitted or crocheted	254.68	0.0005	254.96	0.0005
6104	Women's or girls' suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, etc., knitted or crocheted	227.02	0.0005	343.43	0.0007
6105	Men's or boys' shirts, knitted or crocheted	322.43	0.0006	397.84	0.0009
6106	Women's or girls' blouses, shirts and shirts-blouses, knitted or crocheted	173.53	0.0003	324.36	0.0007
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, etc., knitted or crocheted	74.54	0.0001	178.48	0.0004
6108	Women's or girls' slips, petticoats, briefs, panties, nightdress, pyjamas, negligees, bathrobes, dressing gowns, etc., knitted or crocheted	165.41	0.0003	110.34	0.0002
6109	T-shirts, singlets and other vests, knitted or crocheted	1 008.84	0.0020	970.46	0.0021
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	670.50	0.0013	1,005.96	0.0022
6111	Babies' garments and clothing accessories, knitted or crocheted	132.19	0.0003	175.90	0.0004
6112	Track suits, ski suits and swimwear, knitted and crocheted	384.13	0.0008	168.22	0.0004
6113	Garments, made up of knitted or crocheted fabrics of heading nos. 5903, 5906 or 5907	0.31	0.0000	4.03	0.0000
6114	Other garments, knitted or crocheted	117.90	0.0002	82.72	0.0002
6115	Pantyhose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	492.37	0.0010	335.48	0.0007
6116	Gloves, mittens and mitts, knitted or crocheted	208.93	0.0004	205.88	0.0004
6117	Other made-up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	458.07	0.0009	632.84	0.0014
6201	Men's or boys' overcoats, car-coats, capes (including ski-jackets), wind-cheaters, wind-jackets, and similar articles, other than those of heading no. 6203	356.51	0.0007	230.10	0.0005
6202	Women's or girls' overcoats, car-coats capes (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading no. 6204	49.91	0.0001	112.62	0.0002

HS Code	Commodity	2004/05	% share	2005/06 (April–Dec.)	% share
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	1 930.80	0.0039	2 482.17	0.0053
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, trousers, bib and brace overalls, breeches and shorts, etc. (except swimwear)	1 125.31	0.0022	1 737.68	0.0037
6205	Men's or boy's shirts	2 145.46	0.0043	1 846.92	0.0040
6206	Women's or girls' blouses, shirts and shirt-blouses	261.17	0.0005	457.11	0.0010
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles	136.73	0.0003	99.48	0.0002
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, negligees, bathrobes, etc. and similar articles	112.94	0.0002	125.78	0.0003
6209	Babies' garments and clothing accessories	322.48	0.0006	266.24	0.0006
6210	Garments made up of fabrics of heading nos. 5602, 5603, 5903, 5906 or 5907	404.91	0.0008	252.92	0.0005
6211	Track suits, ski suits and swimwear, other garments	211.09	0.0004	105.19	0.0002
6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	476.55	0.0010	238.94	0.0005
6213	Handkerchiefs	8.43	0.0000	30.82	0.0001
6214	Shawls, scarves, mufflers, mantillas, veils and the like	488.02	0.0010	1 107.16	0.0024
6215	Ties, bow ties and cravats	309.57	0.0006	352.60	0.0008
6216	Gloves, mittens and mitts	36.97	0.0001	31.04	0.0001
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 6212	1 730.54	0.0035	2 214.82	0.0048
	India's total imports	**50 106 456**		**46 591 360**	

Source: Directorate General of Foreign Trade website, *http://dgft.delhi.nic.in*.

Annex III

India: list of banned dyes

List of 42 benzidine-based dyes prohibited from 1993

Colour Index (CI) generic name		CI Constitution. No.
1.	Acid orange 45	22195
2.	Acid red 85	22245
3.	Acid black 29	-
4.	Acid black 94	30336
5.	Azoic diazo compo. 112	37225
6.	Direct yellow 1	22250
7.	Direct yellow 24	22010
8.	Direct orange 1	22370
9.	Direct orange 8	22130
10.	Direct red 1	22310
11.	Direct red 10	22145
12.	Direct red 13	22153
13.	Direct red 17	22150
14.	Direct red 28	22120
15.	Direct red 37	22240
16.	Direct red 44	22500
17.	Direct violet 1	22570
18.	Direct violet 12	22550
19.	Direct violet 22	22480
20.	Direct blue 2	22590
21.	Direct blue 6	22610
22	Direct green 1	30280
23.	Direct green 6	30295
24.	Direct green 8	30315
25.	Direct green 8:1	--
26.	Direct brown 1	30045
27.	Direct brown 1:2	30110
28.	Direct brown 2	22311
29.	Direct brown 6	30140
30.	Direct brown 25	36030
31.	Direct brown 27	31725
32.	Direct brown 31	35660
33.	Direct brown 33	35520
34.	Direct brown 51	31710
35.	Direct brown 59	22345
36.	Direct brown 79	30056
37.	Direct brown 95	30145
38.	Direct brown 101	31740
39.	Direct brown 154	30120
40.	Direct black 4	30245
41.	Direct black 29	22580
42.	Direct black 38	30235

List of 70 azo dyes prohibited from June 1997

Colour Index (CI) generic name		CI Constitution. No.
1.	Acid red 4	14710
2.	Acid red 5	14905
3.	Acid red 24	16140
4.	Acid red 26	16150
5.	Acid red 73	27290
6.	Acid red 114	23635
7.	Acid red 115	27200
8.	Acid red 116	26660
9.	Acid red 128	24125
10.	Acid red 148	26665
11.	Acid red 150	27190
12.	Acid red 158	20530
13.	Acid red 167	--
14.	Acid red 264	18133
15.	Acid red 265	18129
16.	Acid red 420	--
17.	Acid violet 12	18075
18.	Acid brown 415	--
19.	Acid black 131	--
20.	Acid black 132	--
21.	Acid black 209	--
22.	Basic red 111	--
23.	Basic red 42	--
24.	Basic brown 4	21010
25.	Developer 14 = oxidation base 20	76035
26.	Direct yellow 48	23660
27.	Direct orange 6	23375
28.	Direct orange 7	23380
29.	Direct orange 10	23370
30.	Direct orange 108	29173
31.	Direct red 2	23500
32.	Direct red 7	24100
33.	Direct red 21	23560
34.	Direct red 22	23565
35.	Direct red 24	29185
36.	Direct red 26	29190
37.	Direct red 39	23630
38.	Direct red 46	23050
39.	Direct red 62	29175
40.	Direct red 67	23505
41.	Direct red 72	29200
42.	Direct violet 21	23520

List of 70 azo dyes prohibited from June 1997 (cont'd)

43.	Direct blue 1	24410
44.	Direct blue 3	23705
45.	Direct blue 8	24140
46.	Direct blue 9	24155
47.	Direct blue 10	24340
48.	Direct blue 14	23850
49.	Direct blue 15	24400
50.	Direct blue 22	24280
51.	Direct blue 25	23790
52.	Direct blue 35	24145
53.	Direct blue 53	23860
54.	Direct blue 76	24411
55.	Direct blue 151	24175
56.	Direct blue 160	--
57.	Direct blue 173	--
58.	Direct blue 192	--
59.	Direct blue 201	--
60.	Direct blue 215	24115
61.	Direct blue 295	23820
62.	Direct green 85	30387
63.	Direct blue 222	30368
64.	Direct black 91	30400
65.	Direct black 154	--
66.	Disperse yellow 7	26090
67.	Disperse yellow 23	26070
68.	Disperse yellow 56	--
69.	Disperse orange 149	--
70.	Disperse red 151	26130

Source: Textiles Committee, *www.textilescommittee.nic.in*.

Annex IV

India: statistics on the apparel market

1. Total market size

INDIA'S APPAREL MARKET SIZE

	2002		2003		2004		2005	
	Volume ('000 units)	Value (Rs crore)	Volume ('000 units)	Value (Rs crore)	Volume ('000 units)	Value (Rs crore)	Volume ('000 units)	Value (Rs crore)
Menswear	1 254 370	23 335	1 297 220	26 090	1 342 140	29 135	1 393 639	32 590
Womenswear	1 236 880	19 130	1 300 610	21 730	1 368 310	24 680	1 443 113	28 375
Unisex	417 810	4 215	434 340	5 240	452 020	5 835	470 978	6 615
Kidswear	1 139 870	9 950	1 180 290	10 810	1 222 280	11 745	1 268 933	13 085
Uniforms	372 960	4 660	397 210	5 460	423 020	6 345	456 862	7 675
TOTAL	**4 421 890**	**61 290**	**4 609 670**	**69 330**	**4 807 770**	**77 740**	**5 033 524**	**88 340**

Source: *Images Yearbook 2006.*

2. Market size – menswear

INDIA'S MENSWEAR MARKET SIZE

Category	2004			2005		
	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)
MEN'S SHIRTS						
Super premium	850	130	1 520	978	160	1 642
Medium	27 000	1 865	690	28 350	2 055	725
Premium	8 580	935	1 090	9 181	1 060	1 155
Economy	66 700	2 535	380	70 702	2 820	399
Low	219 670	5 270	240	224 063	5 915	264
Total	**322 790**	**10 735**		**333 274**	**12 010**	
MEN'S SUITS, JACKETS, BLAZERS						
Super premium	30	35	12 100	36	47	13 068
Premium	240	180	7 580	269	220	8 186
Medium	160	90	5 450	182	106	5 886
Economy	180	55	3 030	205	67	3 242
Low	12 360	2 175	1 760	13 102	2 420	1 848
Total	**12 980**	**2 535**		**13 794**	**2 860**	
MEN'S TROUSERS						
Super premium	510	100	1 940	612	128	2 095
Premium	6 840	910	1 330	7 866	1 130	1 436
Medium	11 240	1 045	930	12 589	1 255	995
Economy	13 860	640	460	15 246	750	492
Low	159 180	4 775	300	162 364	5 115	315
Total	**191 630**	**7 470**		**198 676**	**8 378**	
MEN'S T-SHIRTS						
Super premium	370	45	1 190	444	58	1 309
Premium	4 790	395	820	5 269	467	886
Middle	10 650	510	480	11 396	600	528
Economy	31 010	680	220	31 785	735	231
Low	36 280	305	80	37 368	315	84
Total	**83 100**	**1 935**		**86 262**	**2 175**	
CASUAL JACKETS including LEATHER						
Super premium	50	20	3 620	61	25	4 125
Premium	390	80	2 060	437	98	2 245
Middle	1 870	220	1 170	2 020	255	1 264
Economy	4 130	195	470	4 337	219	503
Low	7 570	145	190	7 721	155	200
Total	**14 010**	**655**		**14 575**	**752**	
MEN'S NIGHTWEAR (including Kurta-Pyjama)						
Super premium	10	2	1 510	12	2	1 737
Premium	90	10	1 090	99	12	1 232
Medium	2 400	183	760	2 640	221	836
Low	11 200	375	330	11 984	435	363
Very low	65 200	720	110	66 504	770	116
Total	**78 900**	**1 290**		**81 239**	**1 440**	
MEN'S UNDERGARMENTS						
Super premium	4 360	50	120	5 014	67	134
Premium	35 940	360	100	41 331	463	112
Middle	69 460	485	70	73 628	545	74
Economy	179 980	720	40	187 179	770	41
Low	106 120	320	30	108 242	335	31
Total	**395 860**	**1 935**		**415 394**	**2 180**	
MEN'S WOOLLENS – SHAWLS/WRAP-ONS						
Total	**13 400**	**285**	**210**	**14 070**	**315**	**225**
LUNGIS/DHOTIS & other forms of men's apparel						
Total	**229 470**	**2 295**	**100**	**236 354**	**2 480**	**105**
TOTAL MENSWEAR	**1 342 140**	**29 135**		**1 393 639**	**32 590**	

Source: *Images Yearbook 2006.*

Note: Average MRP refers to the average maximum retail price, which is the price at which the product is sold.

3. Market size – womenswear

INDIA'S WOMENSWEAR MARKET SIZE

Category	2004			2005		
	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)
WOMEN'S INDIAN ETHNIC DRESSES						
Super premium	150	45	3 010	180	61	3 371
Premium	1 200	220	1 830	1 344	270	2 013
Middle	10 080	940	930	10 886	1 105	1 014
Economy	57 580	2 590	450	61 611	3 050	495
Low	96 160	2 115	220	99 045	2 289	231
Total	**165 170**	**5 910**		**173 066**	**6 775**	
SAREES						
Super premium	470	250	5 290	588	365	6 242
Premium	3 400	995	2 920	3 944	1 325	3 358
Medium	14 700	2 105	1 430	15 876	2 495	1 573
Economy	69 460	3 405	490	72 933	3 825	524
Low	254 690	3 565	140	259 784	3 820	147
Total	**342 720**	**10 320**		**353 124**	**11 830**	
PETTICOATS						
Total	**95 280**	**670**	**70**	**101 950**	**750**	**74**
BLOUSES						
Total	**192 940**	**1 350**	**70**	**207 411**	**1 540**	**74**
WOMEN'S T-SHIRTS						
Super premium	80	5	730	91	7	788
Premium	700	35	510	784	43	546
Medium	1 470	60	420	1 617	72	445
Economy	4 340	75	170	4 687	84	180
Low	11 020	80	70	11 571	84	73
Total	**17 630**	**255**		**18 750**	**290**	
TOPS (WOVEN)						
Super premium	110	10	930	127	13	1 004
Premium	980	55	580	1 098	67	615
Medium	1 340	60	440	1 501	70	462
Economy	3 290	65	190	3 553	70	200
Low	8 350	70	80	8 851	75	83
Total	**14 080**	**260**		**15 129**	**295**	
WOMEN'S WESTERN SUITS/COATS/BLAZERS						
Total	**650**	**120**	**1 820**	**715**	**145**	**2 038**
WOMEN'S TROUSERS/SKIRTS						
Total	**10 650**	**715**	**670**	**11 609**	**880**	**757**
LINGERIE						
Super premium	1 220	55	450	1 440	80	549
Premium	10 950	240	220	12 593	315	251
Medium	101 160	1 315	130	111 276	1 590	143
Low	192 330	1 345	70	203 870	1 525	75
Very low	100 110	300	30	104 114	330	32
Total	**405 770**	**3 255**		**433 292**	**3 840**	
WOMEN'S WOOLLENS – SHAWLS/WRAP-ONS						
Total	**26 470**	**580**	**220**	**27 741**	**665**	**240**
WOMEN'S NIGHTWEAR						
Super premium	10	1	1 450	12	2	1 624
Premium	100	10	950	112	12	1 036
Medium	2 700	125	460	2 970	145	492
Low	12 930	300	230	13 577	336	248
Very low	81 220	809	100	83 657	870	104
Total	**96 950**	**1 245**		**100 327**	**1 365**	
TOTAL WOMENSWEAR	**1 368 310**	**24 680**		**1 443 113**	**28 375**	

Source: *Images Yearbook 2006.*

Note: Average MRP refers to the average maximum retail price, which is the price at which the product is sold.

4. Market size – unisex apparel

INDIA'S UNISEX APPAREL MARKET SIZE

Category	2004			2005		
	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)	Volume ('000 units)	Value (Rs crore)	Average MRP (Rs)
JEANS						
Super premium	60	20	3 400	78	27	3 468
Premium	1 900	285	1 500	2 280	360	1 575
Middle	8 100	610	750	8 748	709	810
Economy	16 600	665	400	17 928	774	432
Low	16 400	330	200	16 794	355	212
Total	**43 060**	**1 910**		**45 828**	**2 225**	
WOOLLENS - SWEATERS/CARDIGANS						
Super premium	420	65	1 590	441	74	1 685
Premium	3 800	340	900	3 990	376	945
Medium	11 670	480	410	12 020	515	426
Low	31 480	695	220	32 110	735	229
Very low	95 820	860	90	96 778	915	95
Total	**143 190**	**2 440**		**145 339**	**2 615**	
ACTIVE SPORTSWEAR						
Total	**13 310**	**400**	**300**	**15 040**	**525**	**348**
SOCKS						
Super premium	890	15	180	1 015	21	207
Premium	7 590	85	110	8 501	105	123
Middle	30 610	185	60	34 283	226	66
Economy	71 460	285	40	75 748	325	43
Low	116 730	235	20	119 065	248	21
Total	**227 280**	**805**		**238 611**	**925**	
TIES/SCARVES						
Super premium	160	15	1 060	176	21	1 219
Premium	1 390	65	460	1 501	77	515
Middle	3 950	85	210	4 227	100	231
Economy	9 170	75	80	9 537	82	86
Low	10 510	40	40	10 720	45	42
Total	**25 180**	**280**		**26 161**	**325**	
TOTAL UNISEX	**452 020**	**5 835**		**470 978**	**6 615**	

Source: *Images Yearbook 2006.*

Note: Average MRP refers to the average maximum retail price, which is the price at which the product is sold.

Chapter 4

Malaysia

Executive summary

Introduction

Cosmopolitan Malaysia, with its unique multicultural heritage, is a fusion of tradition and modernity. 'Malaysia, truly Asia,' the country's promotional slogan, underscores its diverse geographical, ethnic and cultural roots, all necessary to the understanding and appreciation of its progressive market. Its political history is intertwined with that of Singapore. It has a multiracial, multi-religious, multicultural population of ethnic Malays, ethnic Chinese and ethnic Indians.

Estimated at 27 million, Malaysia's population grew at an average rate of 2.1% between 2001 and 2005. The country's policies favours the bumiputras or ethnic Malays which make up the larger part of the population. Malay privileges were dismantled and de-emphasized during the Asian financial crisis. However, in July 2005, the ruling party UMNO (United Malays National Organization) voted to revive the bumiputra policies to increase the participation of the ethnic group in economic development.

The mean monthly gross household income swung up from RM 2,472 or US$ 650 in 1999 to US$ 792 in 2002, an average growth of 6.8% a year, according to official data. The mean monthly income of Malay households expanded by 6.2% annually during this period to reach RM 2,376 in 2002; that of Chinese households rose by 7.4% a year to RM 4,279; and that of Indian households increased by 4.1% a year to RM 3,044. The mean household income of urban households grew by 0.2% to RM 1,729.

The Government places great emphasis on education and aims to provide a 'world-class quality education system.' Malaysia has a literacy rate of 93%.

It has a more integrated, efficient and reliable transportation system. A low-fare airline, Air Asia, started domestic flights in 2001.

TeleKom Malaysia is the dominant provider of fixed-line services and an important operator of cellular services. These services grew rapidly between 2000 and 2005. Tariff liberalization boosted the number of mobile-phone users from 5.1 million in 2000 to an estimated 16.5 million by mid-2005, 14 million of whom use pre-paid services.

The Government wants to position Malaysia as a regional and even a global hub for information and communications technology (ICT) and multi-media. ICT is considered crucial to achieving a competitive knowledge-based economy. But ICT usage remains low by international standards: 4.2 million personal computers were to have been installed by 2003. The number of internet subscribers increased from 1.7 million to 3.6 million by mid-2005, with an estimated 10.7 million users.

The intermediate service sector has expanded rapidly in recent years. The sector benefited from the fast growth of mobile phone and internet services, the strong demand for financial services, and the increasing trans-shipment activities in local ports, promoted as alternatives to the Port of Singapore.

Over 30 years, Malaysia has industrialized rapidly, transforming itself from an economy that relied primarily on the production of mineral and agricultural export commodities – palm oil, natural rubber, tropical timber and other minor mineral and agricultural products – into one dominated by manufacturing and services. In 2004, manufacturing accounted for 31.4% of nominal GDP, and services contributed 47.1%. Malaysia aims to become fully developed nation by 2020. Vision 2020, launched in 1991, sketches a 30-year path to developed-nation status and provides an overall focus.

Table 4.1 Malaysia and Singapore: comparative economic indicators, 2004

	Malaysia	Singapore
GDP (US$ billion)	117.8	106.8
GDP per head (US$)	4 630	25 170
GDP per head (US$ at PPP [a/])	10 690	31 200
Consumer price inflation (average; %)	1.5	1.6
Current account balance (US$ billion)	14.8	30.3
Current account balance (% of GDP)	12.5	28.4
Exports of goods FOB (US$ billion)	126.6	200.5
Imports of goods FOB (US$ billion)	99.6	168.9
External debt (US$ billion)	52.3	23.6
Debt-service ratio, paid (%)	5.9	1.6

Source: Economist Intelligence Unit, *Country Data*.

a/ Purchasing power parity.

In 2004, the Government implemented large cuts in development spending to initiate the process of fiscal consolidation and revise a trend in budget deficits. To improve tax collection and provide a stable source of revenue, the Government was to have introduced a goods and services tax (GST) – the equivalent of a comprehensive value-added tax – by early 2007; however, implementation has been postponed 'to a date to be announced later'. Corporate and individual income tax rates were to have been cut at the same time.

Malaysia's growth in recent decades has been financed and sustained by high domestic saving and large inflows of foreign direct investment (FDI), attracted by Malaysia's well-developed infrastructure, capable administration and well-educated workforce. The country continues to benefit from the trend among companies in developed countries to relocate some of their operations to lower-cost areas. A large part of the FDI inflows is channelled into manufacturing, but a growing share is going to the services sector. In recent years, competition from China has made it difficult to attract foreign manufacturing investment to Malaysia, stronger initiatives and reduced restrictions, notwithstanding.

Growth in 2004 was supported by an 8.1% year-on-year increase in the production of utilities and a strong performance from the wholesale and retail trade, and from the hotel and restaurant sector.

Role of tourism

Tourism has become Malaysia's most successful service sector, and continues to increase in importance as a source of economic growth. The Government regards the tourism industry as a means for diversifying and broadening the country's economic structure and is actively promoting tourism by hosting international conventions and sporting events.

Players in the travel industry are forging a powerful alliance with Singapore and Indonesia in the face of growing competition from the region's rising retail hubs such as Hong Kong SAR, Bangkok and Dubai.

Of the 16.4 million tourists who visited Malaysia in 2004, 9.5 million visitors or 58% came from Singapore. Singaporeans are pumping billions into the Malaysian economy, spending as much as RM 16.8 billion (S$ 7.3 billion) in 2004, up from RM 11 billion in 2003.

China is Malaysia's biggest source of tourists outside of Southeast Asia. The tourism industry contributed more than RM 30 billion (S$13 billion) in revenue to the country in 2005. Tourism is the second-biggest revenue earner after the manufacturing industry.

Retailing

Malaysia is a premium shopping destination in Southeast Asia. Shops, bazaars and huge shopping malls offer a variety of branded clothing, footwear, accessories, home appliances and furnishings. The exemption from duty of a range of items has resulted in more competitive pricing and makes shopping in Malaysia attractive.

Sophisticated shopping malls, where everything is designed for the shopper's convenience, contain banks, foreign currency exchange counters, restaurants, supermarkets and hundreds of shops offering variety – with Kuala Lumpur setting the trend. Asia's mall scene is thriving and indications are that retail real estate developments will continue to rise in Malaysia and throughout the region. Malaysia's developers and mall managers see suburban malls as lucrative investments.

Recent years have seen the emergence of 'creative megamalls'. The following are the more popular malls in Malaysia:

- Suria KLCC. The 88-floor Petronas Twin Towers, the world's tallest twin structures, is home to the world-class Kuala Lumpur Convention, Suria Shopping Centre and Petronas Philharmonic Hall.
- Time's Square Mall. This provides fun shopping with roller coasters operating between some floors.
- Mid-Valley. A million square feet are to be added to the existing 2.5 million.
- Berjaya Times Square. This has 3 million sq ft of mall and other space.
- One Utama. This has concept stores housed in 2 million sq ft of floor space.
- Mines Shopping Fair. The Fair has 1.7 million sq ft of floor space.
- Pavilion. The 1.3 million sq ft Pavilion was constructed in line with the shopping boom taking place in Kuala Lumpur and elsewhere in the country.

For light, casual shopping, there are roadside stalls, bazaars, night markets in towns throughout the country. A major attraction is the colourful *pasar malam* which stocks a variety of products including clothing, accessories and foodstuff, and where bargaining is acceptable.

In 2005, retailing in Malaysia posted a slightly slower growth rate of 6.4% because of the economic slowdown that resulted from the bird flu outbreaks and the negative impact these had on the tourism industry. Malaysians had to live with the increased cost of living (rising petrol prices and road tolls, unfavourable foreign exchange rates which raised the cost of imported goods). In addition, the Malaysian Government did not introduce any major incentive to stimulate consumer spending at that time.

Table 4.2 Malaysia and Singapore: retail sales[a/] compared, 1999–2005

	1999	2000	2001	2002	2003	2004	2005
Malaysia (RM million)	41 312	44 592	44 729	46 632.9	47 310.9	50 561.9	53 823.1
% growth		7.9	0.30	4.3	1.5	6.9	6.4
Singapore (S$ million)	17 062.20	17 515.2	18 008.5	18 644.5	19 449.5	20 279.8	21 275.9
% growth		2.6	2.8	3.5	4.3	4.3	4.9

Source: Retail Asia (April 2006).

a/ Exclusive of sales tax.

Retailing in both Malaysia and Singapore, separated only by a bridge, will grow in tandem with the rising affluence of their residents, on the back of an expanding economy and tourist arrivals in both countries.

The Malays who make up the majority of Malaysia's population are generally known to be house-proud and spend a substantial amount on home furniture and furnishings. In addition, there is a rising affluence and growing sophistication among Malaysian consumers who spend on non-essentials such as luxury clothing and accessories.

By the end of 2004, the number of superstores grew with the inception of hypermarts, which have everything under one roof. This introduced Malaysians to a new level of convenience – buying everything they need in bulk and in one trip. The bigger and more impressive shopping malls, such as KLCC, Mid-Valley and One Utama, raise consumer expectations to new levels, and consumers now expect entertainment, comfort and convenience.

The major retailers remained optimistic and planned large expansions in various provinces; among those who did so were Aeon's Jusco Department Store, Dairy Farm's Giant and Makro. The retail market was expected to expand further in 2007 with increasing visitor arrivals. The YTL Group has renovated its Starhill outlet and renamed it Starhill Gallery in keeping with the upmarket international brands it carries. Subang Square has also been recently refurbished; Digital One is one of its main tenants.

Historical information: the textile and clothing industry

From its beginnings as a cottage industry, the textile and apparel industry of Malaysia rose to become the country's fourth largest export earner in 2001, bringing in just under RM 2.7 billion in earnings. With its workforce of 150,000 employees, it is the second largest employer in the country.

The industry covers the entire value chain. It starts with fibre processing, yarn spinning, fabric production, dyeing and printing and goes on to the manufacture of garments and fabric accessories, and other textile products.

The major export markets for Malaysia's apparel industry are the United States, Europe and Canada. Earlier on, the bulk of its exports consisted of low-end commodity apparel or items manufactured under contract. In order to compete with countries with lower labour costs (such as China, Indonesia, Thailand and Viet Nam), Malaysia needed to shift to apparel with higher value-added and into speciality markets. The relatively high cost of labour, the tight labour market, the shortage of workers skilled in textile science and technology, as well as in fashion design and marketing, the lack of research and development, and outdated dyeing, printing and finishing processes became the more pressing problems of manufacturers.

The industry's weakness in design and product planning has increased its dependence on contract manufacturing. It produces garments for major brand names such as Adidas, Arnold Palmer, Active Wear, BUM Equipment, Calvin Klein, Christian Dior, Gucci, Guess, Donna Karan, YSL, Levi's, Nike, Polo Ralph Lauren, Slazenger, Pierre Cardin, Camel, Mijuno, Montagut, to name a few.

By increasing efficiency and productivity, Malaysia intends to maintain its position as an international producer of premium quality and reasonably priced goods. Home-grown brands such as Anakku, PDI, Seed, Donna Knits, Sub Zero, Somerset Bay and East India Company are attempting to capture the domestic middle-class market as a prelude to venturing overseas. Local brands like John Masters, British India and Padini have successfully penetrated overseas markets (such as West Asia) by focusing on superior quality and designs.

In 2005, the textiles and apparel industry continued to register increases in domestic sales, exports and productivity. Malaysia's exports of textiles and clothing remained resilient despite the removal of quotas under the Agreement on Textiles and Clothing in January 2005. Exports increased by 6.2% to RM 10.3 billion, accounting for 2.5% of all exports of manufactures. Sales of textiles and apparel increased by 2.9% to RM 5.3 billion; productivity, measured in terms of sales per employee, rose by 8.8%.

Also in 2005, approved investments in the textiles and apparel industry amounted to RM 373.9 million (down from RM 823 million in 2004). Domestic investments totalled RM 227.7 or 60.9% of the total approved investment.

The domestic market for textiles and clothing: a macro view

Malaysia developed its export-oriented manufacturing capacity with the aid of inward foreign direct investment in the 1970s and was highly successful. The export-oriented manufacturing industry is located mainly in Penang and Klang Valley, the central industrial belt to the west of the capital, Kuala Lumpur. The government policy of dispersing manufacturing has resulted in 200 industrial estates and 14 free industrial zones (FIZs) throughout the country. FIZ are export-processing zones, where companies are allowed duty-free imports of raw materials, components, and parts and equipment.

Textiles

Malaysian textile manufacturers have an excellent reputation for quality, reliability and prompt delivery, making their products a favoured choice in competitive markets such as Hong Kong SAR and Japan. Malaysia's diverse textile products include the following:

- Fibres;
- Yarns: cotton yarn, CVC yarn, polyester/cotton yarn, polyester/rayon yarn, spun polyester yarn, texturized nylon yarn, polyester filament yarn, acrylic yarn, acrylic/wool blended yarn, woolen yarn, cotton coarse yarn;

- Woven cotton fabrics;
- Fabrics woven of man-made textile materials;
- Knitted or crocheted fabrics;
- Tulle, lace, embroidery, ribbons, trimmings, and other small wear;
- Special yarns, textile fabrics and related products;
- Floor coverings such as carpets and rugs;
- Home textiles such as bed linen, table linen, towels;
- Industrial textiles such as ropes, cords, car seat fabrics, geotextiles, press felt and other fabrics.

Apparel

Malaysia's premium apparel and textile accessories are increasingly popular in markets such as Singapore, Hong Kong SAR and Japan. These items include:

- Jackets;
- Overcoats;
- Skirts;
- T-shirts;
- Blouses;
- Pants;
- Undergarments;
- Scarves;
- Handkerchiefs;
- Headgear such as caps and hats;
- Textile accessories such as zippers, buttons, sewing thread, industrial thread, embroidery thread, drawstrings, labels, laces, embroidered articles, collars, cuffs, hooks and eyes, tape, polyester padding, interlining, Velcro tape, cotton tape, and narrow fabric.

Malaysian apparel producers differentiate themselves from competitors by stressing their commitment to worker's safety, employee welfare, reliability and quality. They also use automation and computerization to increase productivity.

Foreign trade

Data on Malaysia's import and export trade in yarn, textiles and apparel are presented in the tables below.

For imported apparel, China, Hong Kong SAR, Viet Nam and India are Malaysia's main sources.

Malaysia's active garment manufacturing industry has been importing increasing quantities of textiles (see table 4.3 for figures for 2003–2005. The country imports more woven than knitted textiles to complement its domestic supplies. It is capable of manufacturing basic knitted textiles but does not have technology as good as China's for woven fabrics.

There are no available figures on quantities by HS code, and hence no data on import prices for specific textiles.

Table 4.3 Malaysia: imports of yarn, textiles and apparel, by value, 2003–2005 (in millions of United States dollars)

HS chapter	Description	January-December		
		2003	2004	2005
50	Silk	4.952	8.207	11.801
51	Wool, fine or coarse animal hair etc.	29.363	36.204	40.743
52	Cotton	246.632	311.944	282.143
53	Other vegetable textile fibres	2.118	2.765	3.799
54	Man-made filaments	144.907	179.531	177.898
55	Man-made staple fibres	144.92	182.572	184.032
56	Wadding, felt and nonwovens; twine, etc.	57.201	63.423	69.725
57	Carpets and other textile floor coverings	24.998	26.074	29.135
58	Special woven fabrics	30.302	38.268	38.058
59	Impregnated, coated, covered textile fabrics	69.575	75.024	88.37
60	Knitted or crocheted fabrics	164.921	169.151	174.52
	Subtotal (textiles)	**919.889**	**1 093.163**	**1 100.224**
	% increase		*19*	*1*
61	Articles of apparel and clothing accessories, knitted or crocheted	58.544	88.001	100.72
62	Articles of apparel and clothing accessories, not knitted or crocheted	81.952	130.515	144.335
63	Other made up textile articles, sets; etc.	86.032	104.409	124.659
	Subtotal (apparel)	**226.528**	**322.925**	**369.714**
	% increase		*43*	*14*

Source: Department of Statistics, Malaysia.

Table 4.4 Malaysia: exports of yarn, textiles and fabrics, by value, 2003–2005 (in millions of United States dollars)

HS chapter	Description	January-December		
		2003	2004	2005
50	Silk	1.221	1.075	1.453
51	Wool, fine or coarse animal hair etc.	39.291	36.335	38.775
52	Cotton	131.172	135.86	126.206
53	Other vegetable textile fibres	0.355	0.849	1.26
54	Man-made filaments	467.194	620.577	709.581
55	Man-made staple fibres	170.024	189.932	214.884
56	Wadding, felt and nonwovens; twine, etc.	46.92	89.37	95.359
57	Carpets and other textile floor coverings	14.449	13.883	25.259
58	Special woven fabrics	20.525	17.521	17.979
59	Impregnated, coated, covered textile fabrics	21.373	23.921	29.01
60	Knitted or crocheted fabrics	98.7	102.766	107.038
	Subtotal (textile)	**1 011.224**	**1 232.089**	**1 366.804**
	% increase		***22***	***11***
61	Articles of apparel and clothing accessories, knitted or crocheted	707.428	751.074	767.428
62	Articles of apparel and clothing accessories, not knitted or crocheted	396.068	449.633	456.231
63	Other made up textile articles, sets; etc.	60.887	61.888	72.673
	Subtotal (apparel)	**1 164.383**	**1 262.595**	**1 296.332**
	% increase		***8***	***3***

Source: Department of Statistics Malaysia.

The influx of new foreign brands, including Chinese brands, the expansion of local brands through a wider retail network, the introduction of new fashion lines following the latest fashion trends, affordable pricing, and improved shop environment all contributed to higher sales in women's outerwear.

Malaysia is the United States' sixth fastest-growing export market for all textile and apparel goods, and the third fastest-growing export market for United States fabrics.

Malaysia supplied a substantial amount of textiles and clothing for its domestic market requirements. It exported more textiles and clothing than it imported. It imported more textiles (for the domestic production of garments) than apparel from 2003 to 2005.

Malaysian textile and apparel manufacturers are adopting aggressive productivity measures. In addition, they are developing indigenous brands such Passages, British India and East India in order to increase their global competitiveness. These brands form part of an effort to establish a Malaysian 'brand' and distinguish the country's products from those made in China or India in an increasingly competitive international market. With this market positioning, several local designers are making headway in both local and overseas markets. They are: Melinda Looi, Khun Hooi, Zhang Toi, Bernard Chandran, Carven Ong and Allen Chan, to name a few.

Market forecasts

Retailing

Total retail sales will register an increase. However, this will occur at a slower rate in view mainly of the rising cost of living in Malaysia among other factors.

Growth in Malaysia will be led by its most dynamic sectors, wholesale and retail sales and restaurants, which will be bolstered by household spending and rising tourist arrivals. This was the hope particularly for 2007, when a record number of tourists were expected for the country's year-long celebration of 50 years of nationhood. The tourist inflow was to have been fuelled by Malaysia's Air-Asia and its associates, Thai Air-Asia and Indonesia Air-Asia, the only operators at its newly opened low-cost terminal.

Table 4.5 Malaysia: retail sales,[a/] by value, 2006 and forecasts for 2007–2010 (in millions of RM)

	2006	2007	2008	2009	2010
Retail sales	57 051.1	60 383.4	63 128	65 708.8	68 173.8
% growth	*6*	*6*	*5*	*4*	*4*

Source: Retail Asia, April 2006.

a/ Retail sales prices exclusive of sales tax.

Retail sales of clothing

Retail sales of clothing are expected to reach RM 4.5 billion in 2009, up from RM 3 billion in 2004. Overall sales of clothing and footwear are expected to grow by 57.8% between 2004 and 2009.

Demand will be fuelled by the entry of new brands, diversity in product ranges and their affordability. The fashion retail scene in Malaysia is influenced by trends originating from world fashion leaders such as Europe and Japan. The entry of new Spanish brands, such as Zara, MNG, and Massimo Dutti, spurred by the opening of new shopping centres, is expected to increase brand exposure and drive consumer interest.

Growth will also be driven by home-grown brands such as Padini, British India, Bonia, SODA, Voir, which follow the latest fashion trends and have an affordable pricing structure. Branding will be key to the future growth of both international and local brands. The emergence of concept stores – consolidating various brands and product ranges under one roof – have attracted a broader customer base. They encourage 'cross-sales' of stronger brands with less established brands.

The higher sales in outerwear in recent years was due to the new foreign brand entrants, including Chinese brands, the expansion of local brands through a wider retail network, the introduction of new fashion lines encompassing the latest fashion trends, affordable pricing, and an improved shopping environment.

The non-branded fashion industry is found primarily in secondary shopping complexes operated by independent store operators. These generally sell cheap clothing imports from China.

Many home-grown brands have started expanding to regional markets through joint ventures and franchising operations in preparation for trade liberalization and the establishment of the ASEAN Free Trade Area (AFTA).

Import tariffs

Import duties and taxes

Import duties on textiles and apparel range between 0% and 30%. The ad valorem duties are based on CIF (cost, insurance and freight) values. Table 4.6 shows MFN rates on imports of textiles and apparel as of February 2006.

Table 4.6 Malaysia: import tariffs on yarn, textiles and apparel as of February 2006

Item	HS chapter/ subheading	Tariff rate range (% of CIF values)
Yarn		
Silk	5003-5006	0%
Wool	5105-5110	0%
Cotton	5203-5207	0 - 15%
Other vegetable fibre	5306-5308	0%
Man-made fibre	5401-5406/5501-5511	0 - 30%
Woven fabric		
Silk	5007	0 - 10%
Wool	5111-5113	0%
Cotton	5208-5212	10%
Other vegetable fibre	5309-5311	0%
Man-made fibre	5407-5408/5512-5516	10%
Knit fabric	60	15%
Non-woven fabric	5603	20%
Industrial fabric	59	0 - 30%
Apparel	61-62	0 - 20%
Home furnishings including: bed, bath, kitchen linens, etc.	63	0 - 30%
Carpet	57	0 - 25%

Source: Royal Malaysian Customs.

Most imported goods are subject to a 10% sales tax applied on the CIF + duty value. Raw materials, machinery, and equipment used to manufacture goods may be exempt from the sales tax.

Additional information on local customs rules and regulations can be obtained from the following:

Royal Malaysian Customs
Address: Ibu Pejabat, Blok 2G1B, Kompleks Kementerian Kewangan, Presint 2, Pusat Pentadbiran Kerajaan Persekutuan 62596 Putrajaya
Telephone: 603-8882 2100/2300/2500
Fax: 603-8889 5899/5901
E-mail: kastam@customs.gov.my
Website: *www.customs.gov.my*

Also: *www.gov.my/MyGov/BI/Directory/Business/BusinessByLifeCycle/ManageBusiness/Taxation/RoyalMalaysianCustoms/*

Ministry of International Trade and Industry (MITI)
Address: Blok 10, Kompleks Pejabat Kerajaan, Jalan Duta, 50622 Kuala Lumpur
Telephone: 603-6203 3022
Fax: 603-6203 2337
E-mail: webmiti@miti.gov.my;mohamadnor@miti.gov.my
Website: *www.miti.gov.my*

Federal Ministry of Finance
Address: Kompleks Kementerian Kewangan, Presint 2, Pusat Pentadbiran Kerajaan Persekutuan, 62592 Putrajaya
Telephone: 603-8882 3000
Fax: 603-8882 3893 / 94
E-mail: pertanyaan@treasury.gov.my
Website: *www.treasury.gov.my*

Royal Customs Department of Malaysia
Address: Ibu Pejabat, Blok 2G1B, Kompleks Kementerian Kewangan, Presint 2, Pusat Pentadbiran Kerajaan Persekutuan 62596 Putrajaya
Telephone: 603-8882 2100/2300/2500
Fax: 603-8889 5899/5901
E-mail: kastam@customs.gov.my
Website: *www.customs.gov.my*

The *Business Times* reported on 18 August 2006 that tariffs for most of the electronic products traded between the six original ASEAN members were to be abolished by January 2007 as the region was seeking a competitive edge against other emerging markets. The agreement to cut the tariffs three years ahead of schedule was made by Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand and Singapore; as a result, 85% of the products are now bearing zero tariffs, crossing borders freely, thereby lowering costs and making them more competitive. Electronic and electrical goods form the bulk of the manufactured exports of Malaysia and Singapore and account for half of intra-ASEAN trade.

The Malaysian trade official said that speeding up the programme was part of the road map towards the creation of an ASEAN Economic Community (AEC), with electronics being one of 11 sectors earmarked by ASEAN as priority areas in its framework agreement for the creation of an AEC. Agro-products, wood and rubber-based products, textiles and apparel, automotive products, air travel, fisheries, healthcare, tourism and logistics were the other priority areas.

International agreements[34]

Malaysia has pursued bilateral and regional free trade arrangements (FTAs) to complement its active participation in the World Trade Organization. Malaysia's specific objective in concluding FTAs is to maintain the country's competitive position vis-à-vis its neighbours. Malaysia requires the FTAs it negotiates to include elements of trade and investment cooperation which will allow its industry to build capacity through technical cooperation and collaboration.

Malaysia signed a Trade and Investment Framework Agreement (TIFA) with the United States in May 2004. The TIFA established a Trade and Investment Council (TIC) which meets several times a year to discuss ways to improve the bilateral trading relationship. Malaysia is also a member of the Asia-Pacific Economic Cooperation (APEC).

Malaysia is a member of the ASEAN Free Trade Area (AFTA), which aims to reduce trade barriers among the member countries over a 15-year period. A key AFTA objective is for the six original ASEAN members (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) to reduce import duties to 5% or less by 2010, with newer members (Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam) to do the same by 2015.

By 2003, 99.26% of the Malaysian goods included in the AFTA Common Effective Preferential Tariff (CEPT) scheme were subject to duties of less than 5%; of these products, 60.4% were subject to zero tariffs.

As a member of ASEAN, Malaysia is currently negotiating free trade agreements (sometimes referred to as economic partnership arrangements) with China, India and Japan. An ASEAN-Republic of Korea FTA is under consideration. In general, a two-track process is envisaged for these FTA negotiations: bilateral FTAs between China, India and Japan with selected ASEAN countries with a common set of rules of origin, followed by a region-wide CEPT to be implemented by 2012.

The United States remained Malaysia's largest trading partner in 2004, with a share of 16.8% of total trade (17.7% in 2003). Singapore was second in the rankings, with 13.2%, and Japan third, with 12.7%. Malaysia's main trade policies aim to improve market access for exports of primary commodities and manufactured products; develop and promote exports of higher value-added manufactures and resource-based products; expand trade with major trading countries; diversify trade into non-traditional markets, particularly developing countries; strengthen regional trade and economic cooperation within ASEAN; and expand trade and investment links within the larger East Asian region and with the 55 fellow Muslim member States of the Organization of the Islamic Conference.

Malaysia enjoys Generalized System of Preferences (GSP) privileges in the European Union (under rules introduced in January 2002), Australia, Belarus, Bulgaria, Canada, Japan, New Zealand, Norway, the Russian Federation and Switzerland. On 8 May 2003, the European Union reinstated Malaysia's GSP privileges for clothing, cereals, malt and starches, retroactive to 1 January 2003. The United States withdrew Malaysia's trading benefits under GSP in 1997 when it judged that income levels no longer qualified the country to be considered a developing nation.

34 **Source:** *Malaysia Country Commercial Guide FY 2005* (United States and Foreign Commercial Service, United States Department of State).

Malaysia uses the widely employed Harmonized System in its customs tariff nomenclature. It agreed at the Uruguay Round of the General Agreement on Tariffs and Trade (now the World Trade Organization) that about 37% of imports would be bound (that is, not alterable without a renegotiation of the trade pact) at 5%. It also charges a surtax as part of customs duties and on certain imports.

The United States Trade Representative estimated that the average applied tariff rate was 8.56% in 2004, but noted that duties for tariff lines where there was significant local production were often higher. The average applied rate was 9.29% in 2003. Malaysia's tariff protection is generally lower for raw materials and increases in accordance with the product category and value-added content.

Non-tariff market requirements

Labelling

All imported consumer goods must identify the importing agent, typically accomplished by affixing a label after goods have cleared Customs.

Licensing

Malaysia has an export licensing system. For some products, such as textiles, export licences are used to ensure compliance with bilateral export restraint agreements. Export duties range from 5% to 15%.

Malaysia is not party to the plurilateral WTO Government Procurement Agreement. As a result foreign companies do not have the same opportunity that some local companies have to compete for contracts, and in most cases are required to take on a local partner before their bids can be considered.

Expected market developments

Economic growth in ASEAN member countries is forecast to expand by an annual average of 5.4% in 2006–2010. China continues to attract much of the FDI that used to flow to the ASEAN economies, making it more difficult for the region to improve its competitiveness and maintain its share in global markets in the face of Chinese competition. However, it is poised to tap into China's soaring import demand.

The outlook from 2006 to 2010 for Malaysia and its neighbour Singapore is fair. Malaysia will enjoy more rapid growth by a small margin – with the Malaysian GDP expanding by an annual average of 5.5% in the forecast period, compared with 4.5% for Singapore.

A continued migration of manufacturing capacity from Malaysia (probably to China) is expected; at the time of the writing of this chapter, the Government had so far failed to make significant inroads into developing the services sector to offset this.

Over the short term, Malaysia's (and Singapore's) exports of goods and services will rise steadily on the back of continuing growth in global demand for information technology products. Growth was expected to have quickened slightly in 2006, boosted by rising commodity prices and relatively strong domestic demand.

Table 4.7 Malaysia: outlook for economic growth in 2006–2007, by GDP expenditure (in RM billion at constant 1987 prices)

GDP expenditure	2004	2005	2006
Private consumption	120.2	131.3	138.7
% growth over previous year	*10.5*	*9.2*	*5.7*
Public consumption	36.6	38.7	40.4
% growth over previous year	*6.0*	*5.9*	*4.4*
Gross fixed investment	67.0	70.2	73.7
% growth over previous year	*3.1*	*4.8*	*5.0*
Final domestic demand	223.7	240.2	252.8
% growth over previous year	*7.5*	*7.3*	*5.3*
Stockbuilding	5.5	-1.7	0.5
% growth over previous year	*2.9*	*-2.9*	*0.8*
Total domestic demand	**229.2**	**238.5**	**253.3**
% growth over previous year	*10.8*	*4.0*	*6.2*
Export of goods and services	292.5	316.9	345.8
% growth over previous year	*16.3*	*8.4*	*9.1*
Imports of goods and services	272.7	293.4	322.3
% growth over previous year	*20.7*	*7.6*	*9.8*
Trade balance	**19.8**	**23.5**	**23.5**
% growth over previous year	*-2.5*	*1.5*	*0.0*
GDP	249.0	262.0	276.8
% growth over previous year	*7.1*	*5.3*	*5.6*

Table 4.8 Malaysia and Singapore: retail sales[a/] forecasts compared, 2006–2010

	2006	2007	2008	2009	2010
Malaysia (RM million)	57 051.1	60 383.4	63 128	65 708.8	68 173.8
% growth	*6*	*6*	*5*	*4*	*4*
Singapore (S$ million)	22 014.8	22 876.7	23 843.3	24 899	26 071
% growth	*3*	*4*	*4*	*4*	*5*

Source: Retail Asia (April 2006).

a/ Retail sales price exclusive of sales tax.

Malaysia and Singapore will experience growth in retailing in the years to 2010 as both countries establish themselves as important fashion hubs in Asia. Both Governments aggressively support the industry as they are aware of its contribution to their overall economies. Growth will result in trade surpluses, rising corporate profits which in turn will bring increases in incomes and thus stimulate spending. This trend will be prevalent in the major capitals in the region and trade within the ASEAN promises better economic prospects for all.

Malaysia has managed a multilateral trading network in spite of the competitive price wars that have pervaded retailing in recent years. This has resulted in more efficient store management and a heightened orientation towards customer service.

At the end of 2004, there were a total of 40 hypermarkets and 120 supermarkets across Malaysia. As has been mentioned earlier, the introduction of this type of stores brought a new level of convenience to Malaysian consumers, enabling them to buy everything in bulk in one trip. The establishment of bigger and architecturally impressive malls followed, providing consumers entertainment, comfort and convenience. While this development has put pressure on small and medium-sized retailers, the tourists are flocking to Malaysia in droves.

The number of shopping centres in Klang Valley alone has shot up from 51 to 108 in a short span of time. The Valley is an area comprising Kuala Lumpur and its suburbs, and adjoining cities and towns in the State of Selangor. Kuching, the capital city of Sarawak and a suburban area, is gearing up for its first modern regional mall, The Spring. Similar developments are coming up in other areas.

Non-store retailing, with its small base, is expected to spearhead growth over the 2006–2010 period. This is attributable to the aggressive expansion of direct sellers in particular.

The domestic market

Shopping has become a national pastime in Malaysia. Annual private consumption per head increased by an estimated 30% between 2000 and 2005.

The retail sector is fragmented, with small and medium-sized stores dominating. However, Malaysia also has some of the largest shopping complexes in Asia, and these are gaining market share.

Table 4.9 Malaysia: top retailers, their brands or stores, and annual sales, 2003–2005 (in millions of United States dollars)

Retailing company	Brand/store	Type	2003	2004	2005
Dairy Farm International Holdings	Giant, Cold Storage	Hypermart	239	379	644
Aeon Co. (M)	Jaya Jusco	Department store	400	468	510
Magnificent Diagraph	Carrefour	Hypermart	229	251	290
Tesco Stores (M)	Tesco	Hypermart	170	146	262
Dairy Farm International Holdings	Guardian Pharmacy	Health and beauty	120	220	236
Parkson Corp.	Parkson Grand, Ria	Department store	141	169	232
Watson's Personal Care	Watson	Health and beauty	63	79	158
Convenience Shopping	7-Eleven	C-store [a/]	75	96	158
Courts Mammoth	Courts	Hardline [b/]	68	140	138
The Store Corp.	Pacific, The Store	Various	152	76	125
Poh Kong Holdings	Poh Kong	Other	77	90	95
Sen Heng Electric	Sen Heng, SenQ	Hardline [b/]	79	74	92
Isetan Departmental Store	Isetan	Department store	75	84	90
Bata (Malaysia)	Bata	CFA	51	79	83
Parkson Corp.	Xtra Supercentre	Hypermart	60	72	77
Sui Wah Corp.	Lai Lai, Sui Wah, Sunshine	Department store	65	68	74
Padini Holdings	Padini, Vincci, P&Co, Seed	CFA	50	55	72
Royal Sporting House	Royal Sporting House	Sports goods		66	69
England Optical Group	England Optical Group	Other	53	58	67
Georgetown Holdings	Georgetown Chemist	Health and beauty	53	60	61
Metrojaya Berhad	Metrojaya	Department store	75	49	52
Ikano Corp.	IKEA	Hardline [b/]	19	47	51
The Store Corp.	Pacific	Hypermart	34	44	48
Kamdar	Kamdar	CFA	22	48	47
Hock Sin Leong Group	HSL	Hardline [b/]	73	49	43

Source: Retail Asia (August 2006).

a/ Convenience store.
b/ Retailer of appliances, electronics, furniture, sporting goods and the like.

The five largest retail players in terms of revenues are: Dairy Farm Giant (Hong Kong), Jaya Jusco/Aeon (Japan), The Store (Malaysia), Carrefour (France) and Makro (Netherlands).

Major retail players

Clothing specialists

Independent clothing retailers continued to account for 57% of retail sales in 2003. This channel is significant because there are no shopping malls in the smaller towns. The specialist channel or chain stores have become more popular in recent years and have taken over a larger slice of retail sales. This reflects consumer preference for merchandise with a brand identity to suit individual personalities.

The expansion of clothing specialists as a key distribution channel started in the last decade with single brand outlets appearing throughout the country inside shopping malls, but particularly in Klang Valley. Department stores used to be a popular retail distribution channel but their significance has fallen in recent years, with shares in total sales of clothing by value dropping from 14% in 1998 to 10% by 2003. The failing influence of department store is largely attributable to the rise in specialist channels as well as to a general shift in shopping trends.

Brand owners

Padini Holdings Berhad

One of the leading apparel companies in Malaysia with many home-grown brands is Padini Holdings Berhad. It is the brand owner of Seed, Padini Miki Kids, Padini, Vincci, P. Authentics, PDI and Co. Padini distributes and retails its own fashion labels through 150 free-standing stores and in-house outlets. It also exports its garments to Brunei Darussalam, Singapore, Thailand and West Asia. Padini Holdings achieved significant growth between 1999 and 2003, with revenue doubling from RM 93 million in 1999 to RM 188 million in 2003. The substantial improvement was largely attributed to the growth of its vast retail network locally as well as overseas.

BTC Clothier Sdn Bhd (British India)

Established in 1994, British India draws inspiration for a wide range of clothes for both sexes from the British India era of the 1980s, and focuses its attention on the styles and fabrics for the fashion-conscious middle class. With revenues growing by 20%–30% annually in its earlier years, British India had more than 50 outlets in Malaysia by 2004. In that year, it had a 16,000 sq ft flagship store in Kuala Lumpur, as well as outlets in Singapore, Thailand, Brunei Darussalam, the Philippines, the Middle East and Australia. Its outlets are managed by BTC Clothier Sdn Bhd.[35] It obtains its supplies from China, India and Thailand.

Department stores

Parkson Corporation Sdn Bhd[36]

Established in 1987, Parkson Corporation Sdn Bhd is the retail arm of the Lion Group. Parkson is one of the leading retail chains in Malaysia, providing innovative shopping programmes and customer services.

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35 **Source:** *www.malaysia-innovation.com/awards/awa_cpin2004.htm.*
36 Additional source of information: *www.parkson.com.my*.

Spurred by its rapid local expansion, Parkson has also expanded to China, where it now has 36 branded Parkson department stores and two Xtra branded supercentres in 26 of China's major cities. In 2005, Parkson opened Parkson Saigontourist Plaza in Ho Chi Minh City, Viet Nam. The Plaza was billed as 'the first truly international department store' in that city.

In Malaysia, Parkson has strategically tiered its stores to cater to the needs of different market segments and locations. Its premium store is Parkson Suria KLCC. The Parkson Grand Department Stores are positioned as fashionable family stores. These large city stores cater to discerning urbanites in the middle and upper income levels. The Parkson Ria outlets are the people's general merchandise stores. To date, Parkson has 29 Parkson stores nationwide.

The other interests of the Parkson Retail Group include the development and marketing of fashion apparel lines and boutique chains such as Weekenders, as well as fashion and family footwear shoe stores. It has also developed a series of exclusive private labels for women, men and children.

MJ Department Stores Sdn Bhd

A subsidiary of Metrojaya Bhd, MJ Department Stores continues to operate some of Malaysia's upmarket department stores, catering to the requirements of the middle- to high-income groups. It has five department stores to its name.

In 2006 it opened MJ, a concept store filling the niche between boutique stores and department stores. MJ, located at The Curve in Mutiara Damansara, Petaling Jaya, is a one-stop fashion concept and lifestyle store that offers the latest in young fashion, accessories and international cosmetics and fragrances, along with the personal customer service for which Metrojaya is renowned. Two other concept stores have opened, one in Penang and the latest (established in 2007) in Kuala Lumpur.

Isetan

Isetan, part of the Japanese retailer chain, is one of the more successful department stores in Malaysia. With only two branches in 2005, its turnover rose from US$ 75 million in 2003 to US$ 90 million in 2005, an increase of 20% over the period. It carries several international brands and local brands which appeal to Malaysians.

Hypermarts

Hypermarts expanded aggressively throughout Malaysia's suburban cities so that by 2004 there were 40 hypermarts and 120 supermarkets in the country. These outlets encourage Malaysians to buy in bulk as this gives them better value for money and great convenience. The competition has led to price wars among these outlets, to the benefit of consumers.

In 2007, the company Giant, owned by Dairy Farm International, reported that it had 26 hypermarts, 46 supermarkets and 11 superstores.

Procurement practices

Procurement practices vary with the retailer type and are similar to Singapore's trading arrangements. These include:

- *Concessionaires.* These handle mainly international or local brands for which vendors operate shop-in-shop concepts in-store and provide sales promoters to man the counters. Sales are calculated at month-end and are paid for 30–45 days later.

- *Outright purchases (returnable).* For these, official purchase orders are issued by the retailer to a local vendor; orders are payable within 60–90 days. Items that are not saleable are returned and recorded as negative sales.
- *Indent.* Under this arrangement, retailers issue official purchase orders for merchandise that will be exclusive to their stores and are therefore non-returnable. Vendors are required to give retailers attractive net prices.
- *Consignments.* The procedures for consignments are similar to those applied by concessionaires, but the consignees do not necessarily require vendors to provide sales promoters. Goods sold on consignment are usually paid within 30–45 days.

E-commerce[37]

The e-commerce bubble in Malaysia deflated in 2000. Companies whose business plans relied completely on online operations have found it difficult to survive, especially in the business-to-consumer (B2C) area. For the most part, B2C was abandoned as a near-term source of profits, and resources were shifted to other areas. Some large firms went after market share by acquiring ailing dotcoms, business-to-business (B2B) portals and application service providers (ASPs). Companies based in traditional brick-and-mortar industries also began using the internet to extend market presence.

Despite the setbacks to e-businesses since 2000, the Malaysian Government continues to be a major promoter of the internet and is taking specific measures to build a knowledge-based economy. It launched its knowledge-economy master plan in early 2001 to guide Malaysia's transition from a labour-intensive economy to one with higher value-added. The Government created several agencies in 1998 to regulate and advance the use of the internet. It wanted all public services to allow customers to pay bills online by January 2006, and it planned to increase the number of rural internet centres from 42 in October 2004 to 200 by end-2008. Official support measures for companies introduced in recent years include several venture-capital funds, tax incentives for venture capital for technology firms and other high-risk investments, implementation of the technology-oriented Multimedia Super Corridor (now known as MSC Malaysia), and a slate of laws to protect intellectual property.

Consumer preferences for fibre types and blending

As can be expected in a country with a warm climate throughout the year, consumers generally prefer to wear cotton, or a cotton mix with more cotton than polyester. However, the more trendy consumers (particularly among the ethnic Chinese population) wear clothing made from fabrics with a higher polyester or spandex content in order to follow fashion trends. Most ethnic Malays wear their traditional Malay costume for formal gatherings.

Case studies of large national retailers and clothing importers

Several companies considered representative of the retail trade in Malaysia were interviewed for this study. A summary of the key findings is given below. Excerpts from the interviews are presented further down.

- The bulk of the retailers' supplies is obtained from local agents and distributors. A small percentage is supplied through the retailers' buying agents by overseas suppliers, mainly in China, Japan and Europe.

37 Source: Economist Intelligence Unit, *Country Forecast, Malaysia 2005.*

- An estimated 90% of the supplies provided by the local agents originates from China. They source the balance from Bangladesh, India, Thailand and Sri Lanka.
- Most of those interviewed are aware of a few LDCs as sources of supply. The most 'popular' are Bangladesh, Cambodia, the Maldives and Myanmar. The interviewees tend to be more familiar with Asian LDCs.
- Most of the merchandise sourced from the LDCs are overruns or basic merchandise, and usually from factories that are closely monitored by international brand holders in the United States. A fashion consultant interviewed who had diverse experience in sourcing from these countries had the following comments:
  - In general work done in LDCs were poorly finished;
  - LDC factories used outdated techniques;
  - Either the designs were too complex, which was not suitable for the Malaysian market; or
  - Were too simple.
- When looking for a vendor, the interviewees consider the following attributes to be the most important:
  - Firstly, competitive pricing, good quality (workmanship);
  - Secondly, timely delivery;
  - Thirdly, variety of offerings (design capabilities).
- Some suggest that LDCs should offer basic tees or bottoms (as these are not too difficult to make and LDCs will be better able to manage quality standards) while others state that LDCs should be able to offer a design advantage unique to individual countries. Among the examples given are products from India, which have good ethnic handiwork, beadwork and that 'authentic Indian' smell. Thailand is known for its silk garments and the intricate embroidery peculiar to the country. China is famous for its good fabrication and styling. LDCs must find niche qualities that will be equally marketable.
- Items of 100% cotton are generally preferred. However, blends of cotton and polyester such as CVC (or Chief Value Cotton, a 50–50 cotton-polyester blend) and TC (65/35 polyester and cotton) are also acceptable.
- Quantities per style range from 120 pieces to 10,000 pieces depending on the retailer. Department stores generally order 120 pieces per style while hypermarkets require 3,000 pieces per style.
- LDCs could offer any type of product from basic products (tees and bottoms) to more fashionable items with distinct looks. The pricing should be competitive and quality should be at least satisfactory.
- It is generally preferable for LDCs to work with local agents/distributors who can supervise product development, coordinate orders and ensure timely deliveries.

The questionnaire used for the interviews is presented in an annex to the chapter on Singapore, where similar interviews were conducted.

Hypermarts

GCH Retail (Malaysia) Sdn Bhd

Type of business: Hypermart
Name of interviewee: Ms Christine Chang
Designation: Senior Category Manager – Clothing & Footwear
Date of interview: 11 September 2006

Giant is part of the Dairy Farm International Holdings, and operates numerous hypermarts, supermarkets, super stores and Cold Storage supermarkets in Malaysia. Giant stores promise ‘satisfaction guaranteed’, and offer low prices and an exchange policy within 3–7 days of purchase.

Clothing and footwear account for an estimated 10% of Giant’s total turnover. In 2005, it was the largest retailer in all of Malaysia, with sales amounting to US$ 644 million.

Giant imports both knitted and woven apparel. Working with local agents and distributors, it obtains an estimated 70% of its merchandise from China and 20% from Thailand; only 10% of its supplies is locally produced. Smaller stock lot quantities are also sourced from Brunei Darussalam. At the time of the interview, Giant had just started to obtain supplies from Viet Nam.

Comparing the prices of locally made goods with those of goods purchased from China, Ms Chang maintains that it is expensive to manufacture in Malaysia. For a store like Giant which promises low prices, the cost of merchandise must be competitive. Retail prices cannot exceed RM 40.00 per piece. Giant concentrates mainly on basic tees, casual denims and basic bottoms.

Most of its products are supplied by local agents and distributors. Most buyers go with the local agents to China to select goods from various sources.

Supplies from local vendors are obtained mainly on direct purchase arrangements. Only 10%–20% are on consignment terms because Giant secures higher margins from direct purchases. Most of its products are exclusive to Giant, resulting in price orderliness in the market. Local vendors give Giant credit terms for all purchases.

In choosing vendors, Giant considers competitive pricing, saleability, workmanship of utmost importance.

Ms Chang knows most of the LDCs. However, she is aware only of Bangladesh and Myanmar as possible sources of clothing; she was introduced to these countries by local suppliers. In her experience, products from Bangladesh are of a satisfactory quality and price level. Bangladesh is able to supply casual and basic knits. She has also purchased stock lots from Myanmar, consisting mainly of overruns of good brand labels from the United States.

She is open to meeting new suppliers from LDCs.

Ms Chang says that a potential LDC supplier should offer good prices, timely deliveries and merchandise of quality. In addition, it should have a skilled workforce, a good fabric selection and design capabilities.

She would like a prospective supplier to present its products first to her merchandising department. If the products are saleable from the point of view of Giant’s merchandising criteria, she could decide to make direct purchases from the supplier concerned. However, if she finds that the products require additional quality control, she will redirect the supplier to a local agent or vendor who could provide Giant with quality control and liaison services.

Basic wear, casual childrenswear, menswear and womenswear could be offered to Giant. Undergarments can also be considered. If the products are competitively priced, Giant is able to order the following quantities:

- Tees: from 1,000 pieces per colour in 3 colours, up to a maximum of 10,000 pieces in total;
- Denims: from 240 pieces to 360 pieces per colour, in 3 colours.

Since pricing is the main purchasing consideration, 100% cotton fabrication is not necessary. Giant can accept products made from CVC and TC fabrics.

Ms Chang's customers have the following profile: 25% Chinese (who have more modern tastes); 55% Malay Muslims (conservative); 5% Indian (modern) and 5% others (Portuguese, Eurasian).

Magnificient Diagraph Sdn Bhd (Carrefour)

Type of business: Hypermart
Name of interviewee: Mr Michael Wong
Designation: Textile Manager
Date of interview: 20 September 2006
Interviewing style: Written responses to the questionnaire

Carrefour, a renowned French hypermarket, is taking Asia by storm with its aggressive distribution and merchandising. It does not import direct from any overseas suppliers but sources all its merchandise through local agents and distributors. Most of the garments sold at Carrefour are imported from China, India and Thailand. Its preferred sources are suppliers with a competitive edge in specific categories of products, which include clothing, accessories and home furnishings.

Mr Wong is familiar with China, India, Pakistan as suppliers of textiles and clothing. He has no comments to make on each country's capabilities; each country, he believes, has its own strengths and areas of specialization.

In the past, new suppliers from various countries have approached Carrefour directly, sometimes with the assistance of these countries' embassies in Malaysia.

Department stores

Aeon Co. (M) Bhd (Jaya Jusco Department Store)

Type of business: General merchandise store (softline, hardline, food products)
Name of interviewee: Mr Kazumori Wakayama
Designation: Senior Manager – New Business Development
Date of interview: 20 September 2006

Jaya Jusco Department Store, the leading department store in Malaysia, had 14 outlets in September 2006 and was to open two more outlets in December of that year. Under the umbrella of Aeon Co. Japan, it has branches in China, Hong Kong SAR, Taiwan Province of China and Thailand.

It is positioned as a family store, with product offerings for 'the mother, the father, and the kids,' says Mr Wakayama. Because of this it prefers fabrics with a predominantly cotton content, or 100% cotton. It has a larger Malay consumer base and its customers generally look for more basic merchandise. However, some stores with more Chinese customers prefer trendier styles. The customer profile of each of Jusco's stores varies with their location.

Jusco itself does not import textiles or clothing. Its supplies are provided mainly by local vendors which import products on Jusco's behalf. It has no letter of credit facilities for indent orders. Less than 10% of its supplies originate from Malaysia; 80%–90% come largely from China.

Mr Wakayama is familiar only with the following LDCs: Angola, Bangladesh, Cambodia, Haiti, Madagascar and Myanmar. The only LDC he has experience in dealing with is Cambodia, and he is satisfied with the workmanship of that country's products.

Jaya Jusco's buying office in Japan sources fabrics from Hirota, the largest Japanese supplier of textiles. In the past, these fabrics were imported into Penang and re-exported to Cambodia to be manufactured into garments. Jusco has also sourced women's suits from Viet Nam, and has found these products satisfactory.

In evaluating new suppliers, Mr Wakayama says that quality is paramount, followed by timely delivery, and then by price considerations.

He suggests that any LDC supplier wanting to enter the Malaysian market should get an agent to represent it. The agent will facilitate product development and help the supplier to produce items that are commercially acceptable in Malaysia. He finds dealing with prospective suppliers time-consuming. While direct importation would give Jusco a price advantage, it did not have facilities for doing that at the time of the interview.

Jusco usually orders between 3,000 and 5,000 pieces per style. Most of these are in four colourways.

Mr Wakayama suggests that new LDC suppliers should introduce themselves to the Malaysian market with attractively priced basic commodities or styles in any product category (childrenswear, menswear, womenswear). However, they could also try jackets or suits in woven fabrics.

MJ Department Stores Sdn Bhd

Type of business: Department store
Name of interviewee: Ms Rosalind Tan
Name of company: MJ Department Stores Sdn Bhd
Position: Children's Department – Merchandising Manager
Date of interview: 13 September 2006

At the time of the interview, Metrojaya Department Stores had six branches in the following localities: Bukit Bintang Plaza, Mid-Valley, Penang, Johor Bahru (Pelangi), The Curve and Time Square.

About 60% of the company's purchases is made on an outright basis. The balance of 40% is obtained on consignment, on concession, or as indented stock (private labels).

Metrojaya has several in-house brands which its merchandisers create together with suppliers. These include Emanuel (contemporary fashion), Cape Cod (nautical), Freego (teens), Zona (evening wear), Passages (East-West fusion), Somerset Bay (feminine), East India (similar to British India). It employs fashion consultants who provide concepts and directions as well as suggest colours for the season.

Metrojaya imports most of its clothing, fashioned from both knitted and woven fabrics, from China and Hong Kong SAR (60% of its overall supplies), India (10%), Thailand and Viet Nam (5%); the balance (25%) is sourced locally. Local vendors offer it credit terms and attractive trade discounts. Sometimes it purchases direct from vendors who visit its head office in Kuala Lumpur.

The bulk of its purchases from local agents are made in China, because China has everything it wants and it is just a few hours away from Kuala Lumpur. Company buyers go to China together with the agents at least once a year to make the selection.

Ms Tan is familiar with most of the Asian LDCs as well as the following LDCs in Africa: Angola, Burundi, Ethiopia, Madagascar, Malawi, Mauritania, Mozambique, Senegal, Sierra Leone and Somalia. Among these LDCs, she is aware only of three countries that can supply textiles and clothing: Bangladesh (known for overruns), Cambodia (but she has no experience with its products) and Myanmar. She believes that suppliers in these countries can supply only 'run-of-the-mill' and basic merchandise.

For her, the most important attributes of a potential supplier are the following: quality of production, timeliness of delivery, management flexibility, access to advance technology. The offer of a good price and access to a good fabric selection come in second.

Should LDCs decide to sell to Malaysia, she recommends that they present the full sample collection to the Metrojaya buyers first and subsequently appoint a local agent or distributor to represent them in Malaysia. She does not recommend trade fairs as she thinks they are not effective means of making contacts in Kuala Lumpur.

She claims that buying houses are no longer useful to Metrojaya because of the open global trading conditions. Anyone can go to any factory in China at any time to purchase goods. Chinese factories readily entertain anyone and everyone. She said that buying houses are useful only to hypermarts who need to keep on sourcing new merchandise at competitive prices to serve their merchandising needs.

Metrojaya's orders are mostly in two colourways and total between 120 and 240 pieces per style. Childrenswear, menswear and womenswear are ordered in these quantities.

Parkson Corporation

Type of business: Department store
Name of interviewees: Ms Hema Vadivelu (Divisional Merchandising Manager – Ladies) and Mr Raymond Teo (General Merchandising Manager); Kerry Yee (buyer for childrenswear)
Date of interview: 14 September 2006

At the time of the interview, Parkson Corporation had a total of 29 outlets divided into A,B,C categories. They had one high-end store named Parkson KLCC; 21 Parkson Grand department stores for the middle market; and 7 Parkson Ria stores for the mass market.

Parkson generally obtains goods on consignment, and this is particularly so for fashion merchandise (men's and womenswear). A smaller proportion, mainly childrenswear, is bought outright. Hardline goods are also bought outright.

In 1997, Parkson sold its supermarket business to supermarket operators, now owned by Giant, to concentrate on the department store aspect of its business. Parkson ranks sixth as a retailer in Malaysia.

The bulk of its supplies is obtained through local agents and distributors who provide it with credit terms of 60–120 days.

Its stores are spread throughout the country. About 30% of sales is made in Johor Bahru and 20% in Melacca; these sales are attributed to Singaporeans and tourists coming through the causeway.

The children's department imports textiles for production into garments domestically. Imports from Japan consist of cotton fabrics, organdie, piqué, seersucker and yarn-dyed material.

Of the ready-made products for children, denims (with good wash properties and finishing), panties and briefs, paint dresses and school uniforms are imported from China; embroidered dresses come from India. Cacharel items are imported from France. Special-occasion and fashion dresses are also obtained from the United States.

Parkson also buys imported clothing of all types (knits and woven) from local vendors for its women's and men's departments.

Around 60% of Parkson's merchandise comes from China, 10%–15% from India, 15% from Malaysia, and the balance from Japan. Several local manufacturers have closed down their factories in Malaysia and opened production units in China, while others have established joint venture arrangements with Chinese factories. Still others work with traders who source from Malaysia.

Parkson selects vendors on the basis of the company's strength (i.e. variety of product offerings) and the quality of its merchandise. Some of Parkson's merchandisers have purchased goods from Bangladesh, Cambodia, the Lao People's Democratic Republic and Nepal, and have found their products acceptable (good). They believe that some leading fashion brands are made in Bangladesh, Cambodia, Maldives, which to them indicates that quality control is at a high level.

They came to meet new vendors through local agents as well as in trade fairs.

Mr Teo and Ms Vadivelu are familiar with most of the Asian LDCs and more than half of the African LDCs. However, they are aware only of the following countries as manufacturers of textile and clothing products: Bangladesh, Cambodia, Ethiopia, the Lao People's Democratic Republic, Maldives and Nepal.

When deciding to work with a new supplier, they look at the following factors first: price, timeliness of delivery, quality of merchandise, access to a good fabric selection, use of a skilled workforce. Design capabilities and the use of advance technology rank second as selection criteria.

They are open to meeting suppliers from LDCs. These should first present their samples to Parkson's merchandisers. On the basis of that contact, the company will decide whether to deal with them direct or to ask them to appoint an agent and distributor in Malaysia who will provide them with favourable trading terms.

In terms of product type, they are open to any type of merchandise, provided this originates from a dependable manufacturer and are competitively priced. They cautioned that new product offerings should have a differentiating advantage over what was currently available locally or from China. 'People look for a specific ethnic look from India, Indonesia, Thailand or Viet Nam. This variety would appeal to shoppers looking for an ethnic, Oriental look.'

For the children's department, they required the following at the time of the interview:

- Accessories: brocades, embroidered items;
- Clothing for the age group 8–16 years, and fashion accessories for the tweens;
- Special occasion dresses and smocked dresses.

Quantities were generally about 180 pieces per colour, in two or three colourways. Each collection consisted of 30 styles.

Clothing specialists/retailers

MJ Reject Shop (2002) Sdn Berhad

Type of business: Discount speciality clothing store
Name of interviewee: Ms Jenny Lim
Position: General Manager, Merchandising
Date of interview: 13 September 2006

The company, a discount clothing speciality retailer, is a subsidiary of Metrojaya Department Stores Sdn Bhd. It is a chain of stores specializing in stock overruns purchased from various Asian countries and retailed at very competitive prices. It imports both knit and woven clothing on a 50:50 ratio.

At the time of the interview, Ms Jenny Lim had been with the Metrojaya and Reject Shop for nearly 30 years. She was managing 15 Reject Shop outlets.

The greater proportion of Ms Lim's merchandise is purchased from India and is made of cotton knits and woven cottons. Around 30%, mainly knits, comes from local manufacturers or vendors in Malaysia. Imports from China and Hong Kong SAR make up the balance of 20%. According to Ms Lim, merchandise controlled by a Hong Kong office is of better quality.

She sources fashion knits from China. Her requirements for other basic knits are obtained elsewhere, including Sri Lanka and Bangladesh, with the latter providing about 10% of supplies.

She says that the larger export factories in Malaysia have generally moved to China or Cambodia in order to be more price competitive. The medium-sized factories have remained in Malaysia, supplying local needs. The smaller domestic factories offer 'cut and sew' services and import selected fabrics on behalf of buyers. Most of the factories in Malaysia use knitted fabrics. The CMT (cut, make and trim) procedure for woven products is considered more expensive.

Reject Shop is considering sourcing from Thailand and Viet Nam in the future. Proximity to Malaysia is an important criterion for its choice of new vendor countries.

It obtains its supplies through a buying office which has worldwide connections. In addition, it deals with a substantial number of local vendors which develop products to meet its needs. Overseas suppliers occasionally come to Kuala Lumpur to present their products.

Ms Lim states that the majority of the supplies found in Malaysia come from China. At the time of the interview, Reject was looking for suppliers which could provide it with something different from what was already available in the country. Perhaps, medium-sized companies would be the most suitable for this type of demand, as these would not insist on large orders.

She is familiar with only a few of the LDCs: Bangladesh, Cambodia, Myanmar, Nepal and Guinea. She is aware that Bangladesh and Cambodia are capable of supplying textiles and clothing. So far, she says that the prices offered are good, products are basic, and the designs come from the European Union or the United States. Feedback from Myanmar has been negative; Nepal supplies towels. She is not aware of any other textile and clothing capabilities in the rest of the LDCs.

She is open to meeting suppliers from Asian LDCs, as proximity to Kuala Lumpur is important to her supply chain.

Price is the most important attribute since Ms Lim looks after a discount speciality chain store. The other attributes of a supplier that she considers important are: timeliness of deliveries, quality of merchandise, design capabilities and access to a good fabric selection. She would prefer a vertically integrated supplier, but this is not an essential requirement.

Her preferred way of sourcing is direct importation. Potential suppliers go direct to her, and present a full sample collection of the products they can offer. She is also willing to travel to their factories to view the stock lots of overruns available.

She claims that LDCs could approach them on any product category (womenswear, menswear and childrenswear), as long as there is some differentiation between their product and what can be sourced from China.

With 30 outlets, the company can easily purchase quantities in the range of 800 pieces per product or 5,000 to 10,000 pieces per collection.

Reject Shops need more knitted products than woven articles. Since their business is not dictated by season or fashion trends, any product category for an all-year spring or summer collection would be suitable for the Shops as long as the price is right.

Padini Holdings Berhad

Type of business: Clothing speciality store, brand owner
Name of interviewee: Mr C. Y. Cheong
Name of company: Padini Holdings Berhad
Designation: Creative Director
Date of interview: 12 September 2006

A decade earlier, Padini Holdings had a sales turnover of RM 60 million. At the time of the interview, its annual turnover amounted to RM 295 million. This came from 150 outlets ranging from shop-in-shop concept stores to free-standing boutiques. Padini has 60 designers and merchandisers to create its annual collections. Apart from selling its home-grown brands in Malaysia, it exports its Padini labels to Saudi Arabia, Singapore and Thailand. It also sends its Vincci labels to Australia, Cambodia, Indonesia and the Philippines.

The following are the brands that the company has created over the years: Padini, Padini Authentics, Vincci, VNC, Seed, P&Co, Miki, Padini Concept Store, Seed Café, PDI. Its product ranges cover both genders and all ages, and cater to the markets for children, teens, young adults, executives and the mature population.

Padini Holdings, a public-listed company, imports most of its products, which consist of all types of knitted and woven items. About 60% of these come from China. Similar products are sourced from Hong Kong SAR; woven cottons are obtained from India, shirtings from Thailand, and bottoms from Indonesia.

Padini has a large pool of suppliers. Contacts are made through buying offices or local agents/importers, through direct imports as well as during trade fairs. A good balance of quality and cost, timeliness of deliveries, and up-to-date skills and designs are important criteria for selecting a supplier.

Voir Group of Companies

Type of business: Manufacturer, agent and distributor, chain retailer
Name of interviewee: Mr Paul Cheong
Designation: Consultant
Date of interview: 11 September 2006

The company is the brand owner of Voir Clothing, Voir Exchange, VJeans, Voir Accessories, Voir Shoez, Voir Inner wear, SODA Exchange, POP, SODA, SODA Menswear, SODA, Applemints, S.C.S. (South China Sea), G&H, Diadora, Chiemsee, and Noir Lifestyle products. It is a licensee for the brand name Elle.

Before he joined Voir, Mr Paul Cheong was a fashion consultant to Metrojaya Berhad. Raised and educated in Hong Kong, he moved to Malaysia and worked among retailers and agents. His creative flair earned him his position with Voir, as consultant, developing all products for the Elle brand for the whole of Malaysia. At the time of the interview he was also creating a new 'Asian lifestyle' concept under the Noir label, with coordinated products ranging from apparel to household and home furnishings for the discerning urban customer.

The Voir Group of Companies is a vertically integrated company, manufacturing mainly cotton knits. For the wide range of mass brands it owns, creates and develops, it covers all genders and ages, i.e. menswear, womenswear and childrenswear. The bulk of its clothing merchandise is imported, and consists of 50% knits and 50% woven.

About 90% of its merchandise is obtained from China. The knits consist mainly of T-shirts made of cotton, TC (terylene cotton) or CVC (chief value cotton). Woven products are mainly made of cotton, silk or linen. Voir also imports woven cottons (voile and organdie) from India and Thai silk from Thailand. These account for 10% of its total imports.

Voir has a wide range of home furnishings, décor and other household goods imported from Indonesia and Thailand. In addition, it imports natural accessories, table linens and beddings from the Philippines.

Products sourced from China are obtained through its buying office in China. Voir is a joint venture partner of most of the factories it works with in that country.

Contacts with the suppliers that the company had dealings with in Indonesia and Thailand at the time of the interview had been made at trade fairs.

Of LDCs, Mr Cheong knew of Afghanistan, Angola, Bhutan, Bangladesh, Cambodia, Ethiopia, Guinea, the Lao People's Democratic Republic, Madagascar, Maldives, Mozambique, Myanmar, Nepal, Senegal, Somalia, Uganda and the United Republic of Tanzania. However, he was only aware of Bangladesh and Cambodia and a few other LDCs as suppliers of apparel. He had met some suppliers from these countries during trade fairs but did not find them interesting enough because he thought they had outdated manufacturing techniques and poor product finishing. Moreover the designs were either too complex (which is not suitable for the Malaysian market) or too simple and straightforward for a fashion buyer looking for something different.

While some of these suppliers offered low prices, their minimum orders were of a size intended for volume purchases from large markets such as the European Union and the United States. Hence, they were generally not interested in working with Malaysian buyers.

When asked which attributes a supplier should have to work with Voir, Mr Cheong said that quality of merchandise, a skilled workforce, use of advanced technology and vertical integration were very important. Price would be a secondary consideration.

Mr Cheong said that about 10 years back, imported merchandise had a cachet with the Malaysian consumer. At the time of the interview and particularly among the junior crowd, however, the fact that something was imported no longer mattered. Some local brands were catching the young Malaysians' fancy. For price-driven customers, Giordano was a favourite for basic merchandise like T-shirts.

Impulse shoppers among the working class looked for more fashionable merchandise that suited their lifestyle. Their preference was for 100% cotton, or materials with natural fibres. The finishing was considered very important as the fabrics must breathe. Synthetic fibres were frowned upon, particularly those with obvious 'hair' which balled up after being laundered.

Malaysian factories basically manufacture T-shirts and woven shirts. About 60% consists of menswear and 40% is for women.

Generally, when importing T-shirts, Voir orders 400 pieces per colour, with 2–3 colours per style. For woven shirts, it normally orders 280 pieces per colour.

At the time of the interview, the Malaysian market was saturated with products from China. Mr Cheong suggests that LDCs should offer branded 'fresh' products adapted from ethnic designs, that they should sell a line of merchandise rather than merely a product, that they should be more of creators rather than merely suppliers, and that they should present a 'colour story'.

LDC suppliers, particularly those requiring assistance in product development, could also produce garments utilizing Malaysian ideas or concepts.

At the time of the interview, Mr Cheon was also sourcing 'Indonesian batik' and 'cheongsam' dresses from Cambodia and Thailand. This indicated that LDCs could try offering commercial products with ethnic motifs for niche markets.

He suggests that 'beach resort lines' or 'urban resort wear' would be marketable.

He believes that LDCs could play an important role for hypermarts which, at the time of the interview, were centralizing their supply chains, a development which would enable them to purchase in bulk. This will benefit LDC factories geared for volume orders of basic merchandise. However, certain AFTA trade issues need to be resolved before advantage can be taken of the restructuring in the hypermarts' supply chains.

F.J. Benjamin (M) Sdn Bhd

Type of business: Clothing speciality store, agent and distributor
Name of interviewee: Ms Yip Tien Tien
Designation: General Manager
Date of interview: 15 September 2006

F.J. Benjamin (M) Sdn Bhd is wholly-owned by F.J. Benjamin Singapore, one of Singapore's leading fashion retailers. At the time of the interview, it had recently been appointed agent and distributor for Gap and Banana Republic and was a distributor for Guess, Sheridan, La Senza, Raoul, to name a few of the internationally known brands it handles. Its Malaysian office imports all its requirements from its Singapore office and is not involved in any produce development or in manufacturing. It sells all types of knitted and woven apparel.

Ms Yip says that the Malaysian consumer is of two basic types. One is price-conscious, pays less attention to fabrication but likes trendy stuff (in effect, a customer who 'buys and throws'). The other is typified by the young, urban customer who is more discerning about his/her apparel and has money to spend.

Ms Yip observes that Singaporean consumers pay more attention to looking good and 'change handbags' each season. Malaysians have simpler and more conservative tastes. The number of Malaysian consumers with fashion savvy is smaller than that in Singapore. She points out that there is also a large disparity in income levels in the two countries, the Singapore consumers being the more affluent.

She mentions that locally manufactured brands such as Padini, Bonia and Soda have up-to-date styles and are reasonably priced. The Padini group, which has several in-house brands, keeps abreast with the latest fashion and introduces new styles every two to four weeks.

New entrants into the market such as Coach help stimulate demand for luxury brands.

She has not heard much of the LDCs except for apparel sourced from Cambodia where the workmanship is satisfactory.

Manufacturer/distributor

The Utmost Apparel Sdn Bhd

Type of business: Fashion consultant, garment supplier
Name of interviewee: Ms Brenda Fong
Designation: General Manager
Date of Interview: 12 September 2006

At the time of the interview, Utmost Apparel was a major supplier of department stores like Metrojaya, Gamut Trading's Island Shops and factory outlets, to name a few of its customers. It exports merchandise to Singapore and the Middle East. As a fashion consultant, the company employs designers and merchandisers to provide designs and sample collections to the buyers of various types of retailers in Malaysia, mainly in Kuala Lumpur. It imports both knitted and woven clothing.

About 80% of its imports, mainly of cotton and lycra, come from China. An estimated 15% originates from India, and 5% from countries like Sri Lanka and Thailand. Most of the company's suppliers are in China; company representatives make regular buying visits to that country. Suppliers from other countries are dealt with through their representatives in Malaysia.

China is the preferred source because 'they have everything!' The company believes that the presence of European, Japanese and United States investors in China keeps the country abreast of the latest fashion trends in fabrics, accessories, finishing and use of technology. Prices are lower, too.

India is another important source because of the demand for apparel with an oriental feel made of natural fibres. India offers good hand work, treatment and finishing. 'They have things clients require,' says Ms Fong. Thai suppliers are known for 'their hand-painting abilities, and they are basically artists.' Prices are equally competitive in Thailand. When it requires soft cotton, linen or silk, the company goes to China. Apparel made of raw and stiff linen or silk is obtained from Thailand.

The company is aware of most of the Asian LDCs, but knows of only Niger in Africa. It is familiar with Bangladesh and Cambodia as sources of lower-priced apparel with satisfactory quality standards; in its view this is particularly true of companies run by expatriates from Europe or the United States. Myanmar and Nepal are known to the company for their knitted, sporty product offerings at good prices, but it realizes that these countries require large orders. Nepal is recognized for its hand-embroidered products, particularly cushion covers.

The company thinks that the following aspects could pose problems in dealings with suppliers in LDCs:

- Communication;
- Garment-producing techniques and fashion sense;

- Managerial skills in the different factory units;
- Factory capacities. Malaysians may not be able to absorb the large minimum quantities LDC factories usually produce for buyers in Europe and the United States.

However, opportunities may exist for supplies of overruns or stock lots for sales promotion events.

In choosing suppliers, Utmost Apparel looks primarily for good prices, good product quality, timeliness of deliveries and the ability to communicate in English. A skilled workforce, design capabilities, and managerial flexibility rank second among its selection criteria.

It believes that LDCs should be present at trade fairs to establish initial contacts with prospective buyers. Thereafter, they should appoint agents to represent them in the countries they wish to penetrate. Or, they could send e-mails to prospective buyers with their company profile. They could narrow down their list of prospective buyers by contacting trade councils first or by reviewing listings provided by local agents in particular countries.

With its supplies coming mostly from China, what Utmost Apparel needs now is low-cost labour for hand-made items and beadwork. Such product offerings differ from the articles it obtains from China.

As regards product category, Utmost Apparels recommends penetrating the market for childrenswear first as Malaysian parents spend more on apparel for their children than they do on themselves. The lucrative market for womenswear would come in second. Order quantities range from 120 to 1,000 pieces per design. Orders for casuals, basic knits or denims could reach up to 2,000 pieces per style.

Possible niche markets and product groups to be targeted

Most buying offices are located in Kuala Lumpur and it is a small city. It is therefore important that factories seeking to approach Malaysian buyers should have worked with international brands. This should have resulted in some transfer of technical and managerial skills and should lessen the teething problems that are bound to happen to inexperienced suppliers. Prospective suppliers should determine what their manufacturing capabilities are and match these with the right contact or retailer in Malaysia.

Prospective suppliers should work with those responsible for the women's and childrenswear sections of department stores because these sections are involved in product development. Factories with good skills should be able to handle demand for womenswear, while those with lesser skills may be able to deal with the requirements for basic casual or smart casual wear for children. Depending on styling specifications, girls' dresses may be a good product category to target. The market for men's shirting is large but the prospective supplier must have sources of good fabrics.

Local buyers are looking for attractively priced alternatives for products from China. LDC factories must be able to offer distinctive designs with hand work or bead work differentiating them from products offered by traditional sources. This is the main reason for the successful entry of products from India, Thailand and Viet Nam.

Offering overruns seems to be an acceptable proposition because retailers look for different promotional items throughout the year.

The success of India, Thailand, Viet Nam and even Bangladesh and Cambodia, can be emulated by supplying products that are unique. Distinctive accessories such as buttons, trims, fashion accessories and handbags LDCs could also be sold to Malaysia.

Sportswear and casual wear, urban beach resort wear and lifestyle clothing are popular in Malaysia. LDCs could easily penetrate the markets for these product groups.

Basic tees and bottoms across genders were often suggested by the interviewees as possible points of entry into Malaysia.

Ethnic products with an Oriental look are also popular in Malaysia. LDCs could offer these products to get buyers interested in handling them.

Support schemes that can be utilized to assist developing country exporters to penetrate the Malaysian market

At the regional level, Malaysia is the Country Coordinator for textiles under the Initiative for ASEAN Integration. The Initiative seeks the accelerated integration of 11 priority sectors, and will provide opportunities for the textile and clothing industries in the different countries to integrate their operations within ASEAN and thus enable them to benefit from the leveraging of production costs and skills transfer.

Trade liberalization and regional economic integration will be highly significant for economic growth in the next decade. China and ASEAN have opened talks on a free trade agreement (FTA), which may include Australia and New Zealand. Malaysia is likely to conclude an FTA with the United States in the near future. In 2006, the Malaysian Prime Minister called for the establishment of an Asian interregional trading group similar to the European Union which would include ASEAN, China, Japan, and the Republic of Korea.[38]

Integration of textile and clothing exporters into the overall value chain

There are many opportunities open for LDCs to penetrate the Malaysian market at the different stages of the value chain. To identify these, LDCs should make Malaysian buyers aware of what they can offer in terms of products and services.

The Malaysian and Singapore markets are highly sophisticated and have evolved as fashion hubs for the region. Consumer expectations are therefore much higher than elsewhere. Local companies will not compromise on quality, price or efficiency. The initial approach therefore is very important and should be given careful consideration.

The best course of action is to offer contract manufacturing services either through joint ventures or through the direct supply of goods. LDCs should raise their capabilities to the standards of their Chinese counterparts, with which Malaysian buyers have highly efficient relationships. They will expect the same working relationships with LDCs if they are to shift their business.

38 **Source:** *www.eiu.com*, accessed on 24 September 2006.

Recommendations to clothing exporters

LDCs should approach brand owners (such as Padini Holdings and Voir) who engage in the product development of in-house brands currently manufactured domestically or in China. The product range includes tops and bottoms, basic and fashion wear; in most cases, the range covers both genders.

LDCs should look for agents and/or distributors who may or may not own a brand but are willing to liaise with LDC factories in the product development of any brand required by buyers. Currently, they obtain supplies from China or other countries in the region.

Several factories have moved out of Malaysia in view of the shortage of workers, higher operational costs, and/or offers of joint ventures with overseas companies. LDCs may likewise offer joint venture opportunities to Malaysian companies.

Since most companies in Malaysia are not aware of the existence of many of the LDCs, a trade fair should be organized to enable Malaysia's (and Singapore's) retailers, clothing specialists, agents/distributors and brand owners to meet possible LDC suppliers and collaborators in business ventures.

To facilitate the above process, a regional agent should be designated to represent LDC factories in Malaysia and Singapore and to assist in negotiations and product development. An understanding of the work culture in both countries would be crucial to this role.

Finally, LDCs should work with companies operating as marketing or sales offices for local and international brands and tap into their global trading network. This should help LDCs to identify the merchandising needs of larger markets in the region and in the West.

Annex I

Malaysia: list of contacts and addresses

Aeon Co. (M) Bhd
3rd Fl, Jusco Taman Maluri Shopping Centre
Jalan Jejaka, Taman Maluri, Cheras
5510 Kuala Lumpur
Contact: Mr Kazumori Wakayama
Mobile: 6012-2260169
Tel: 603-92072005
E-mail: c/o Irene.ning@jusco.com.my

GCH Retail (Malaysia) Sdn Bhd
Mezzanine floor, Giant Hypermarket Shah Alam Stadium
Lot 2, Persiaran Sukan, Seksyen 13
40100 Shah Alam
Selangor, Darul Ehsan
Contact: Ms Christine Chang, Senior Category Manager
Mobile: 6012-3165418
DID Tel: 603-55448819
E-mail: Christine_chang@giant.com.my

MJ Department Stores Sdn Bhd
3rd Floor Menara PMI
No. 2 Jalan Changkat Ceylon
50200 Kuala Lumpur
PO Box 11437, 50746 Kuala Lumpur
Contact: Ms Rosalind Tan/Mr Paul Fong, Dept. Merchandising Manager/General Merchandising Manager
Tel: 03-2117 5800
DID: 03-2117 5822
E-mail: rosalindtan@metrojaya.com.my

MJ Reject Shop (2002) Sdn Bhd
3rd Floor Menara PMI
No. 2 Jalan Changkat Ceylon
50200 Kuala Lumpur
PO Box 11437, 50746 Kuala Lumpur
Contact: Ms Jenny Lim, General Manager-Merchandising
Tel: 03-21175800; DID: 03-21175898
E-mail: Jennylim@metrojaya.com.my

Padini Holdings Berhad
No. 21, Jalan U1/20
Hicom Glenmarie Industrial Park
40000 Shah Alam, Selangor D. E.
Contact: Mr C. Y. Cheong, Creative Director
Tel: 603-7805 3535
E-mail: cycheong@padini.com

Parkson Corporation Sdn Bhd
Level 5, Klang Parade, 2112
Jalan Meru, 41050
Klang, Selangor Darul Ehsan
Contact: Mr Raymond Teo/Ms Hema Vadivelu
General Manager/Divisional General Manager
Tel: 603-3344 2882, 3344 9889
E-mail: hema@parkson.com.my, teoks@parkson.com.my

Voir Group of Companies
Lot 1878, Jalan KPB 9, Kav. Perindustrian
Kg. Baru Balakong, Off Jalan Balakong
43300 Seri Kembangan, Selangor
Contact: Mr Paul Cheung
Tel: 603-8962 2282
E-mail: paulcheung@voir.com.my

POSSIBLE CONTACTS*

Aeon Co. (M) Bhd
Business line: supermarket and hypermarket
3rd Floor, Jusco Taman Maluri Shopping Centre
Jalan Jejaka, Taman Maluri, Cheras
55100 Kuala Lumpur
Contact: Mr Nagahisa Oyama, Managing Director
Tel: 03-9207 2005
Fax: 03-9207 2006; 03-9207 2007
E-mail: noyama@jusco.com.my
Website: *www.jusco.com.my*

Billion Shopping Centre Sdn Bhd
Business line: supermarket and department store
No. 16366, Bandar Teknology Kajang, Jalan Semenyih
43500 Semenyih, Selangor D E
Contact: Mr Chin Keat Seng, Chairman
Mr Ang Keat Chun, Managing Director
Tel: 03-8736 8224
Fax: 03-8724 3225

Bronze Retail Management Sdn Bhd
Business line: women's garments
11-2, Jalan USJ 1/1c, USJ 1
Regalia Business Centre
47620 Subang Jaya
Contact: Mr Sam Tan, Director
Tel: 03-8023 1689
Fax: 03-8023 5669
E-mail: taurean8@tm.net.my

* List provided by the Malaysian Retailers' Association.

Gama Holdings (M) Sdn Bhd
Business line: supermarket and department store
Wisma Gama, 1 Jalan Dato' Keramat
10105 Penang
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Tel: 04-226 2111
Fax: 04-226 1548
E-mail: gamapg@tm.net.my

GCH Retail (M) Sdn Bhd
Business line: supermarket and hypermarket
Mezzanine Floor, Giant Hypermarket Shah Alam Stadium
Lot 2, Persiaran Sukan, Section 13
40100 Shah Alam, Selangor D.E.
Contact: YBhg Dato' John Coyle, Country Manager
Tel: 03-5544 8888
Fax: 03-5511 9661
E-mail: bee_ling@giant.com.my

Jewel Growth Sdn Bhd
Business line: women's apparel
No. 9, Jalan PJU 8/5A, Perdana Business Centre
Bdr Damansara Perdana
47820 Petaling Jaya
Contact: Ms Felicia Ang Pei Shan, Managing Director
Tel: 03-7728 8589
Fax: 03-7727 7473
E-mail: felicia@jewelgrowth.com.my

Isetan of Japan Sdn Bhd
Business line: supermarket and department store
Suria KLCC, Kuala Lumpur City Centre
50088 Kuala Lumpur
Contact: Mr Jun Yokoyama, Managing Director
Tel: 03-2382 7777
Fax: 03-2382 6666
E-mail: hr@isetankl.com.my
Website: *www.isetankl.com.my*

Kamdar Sdn Bhd
Business line: textiles and clothing
109, 2nd Floor, Jalan Bunus, Off Jalan Masjid India
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E-mail: bipin@kamdar.com.my
Website: *www.kamdar.com.my*

Lin Ho (M) Sdn Bhd
Business line: fashion
13.15, Jalan Hang Lekiu
50100 Kuala Lumpur
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Tel: 03-2078 8500
Fax: 03-2070 2242
E-mail: lhsb@po.jaring.my

Littles (M) Sdn Bhd (Marks & Spencer)
Business line: textiles and food
C28B, Concourse Floor
Suria Shopping Centre, Kuala Lumpur City Centre
50088 Kuala Lumpur
Contact: Mr David Alexander Cran, General Manager
Tel: 03-2162 0177
Fax: 03-2162 0086
E-mail: Dave.cran@marksandspencer.com.my

Magnificient Diagraph Sdn Bhd (Carrefour)
Business line: hypermarket
2nd Floor, 3 Jalan SS 16/1
47500 Subang Jaya
Contact: En Shafie Shamsuddin, Managing Director
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Fax: 03-5633 7735
E-mail: shafie_shamsuddin@carrefour.com.my

Metrojaya Bhd
Business line: department and speciality store
3rd Floor, Menara PMI, No. 2 Jalan Changkat Ceylon
50200 Kuala Lumpur
Contact: Mr Robert Heng, Chief Executive Officer
Tel: 03-2117 5800
Fax: 03-2070 7119
E-mail: robertheng@metrojaya.com.my
Website: *www.metrojayaonline.com*

MK Departmental Stores Sdn Bhd
Business line: department store
126, 128 & 133 Jalan Bunga Raya
75100 Melaka
Contact: Mr Wee Ah Cheow, Managing Director
Tel: 06-283 4353
Fax: 06-283 7413
E-mail: m_king@tm.net.my

Multi-Mate Corporation Sdn Bhd
Clothing
No. 187, 7th Floor, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Contact: Mr Sim Hai Yeun, Executive Director
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Fax: 03-2692 9993
E-mail: sim@smartconnexion.net

Mydin Mohamed Holdings Bhd
Department store
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50100 Kuala Lumpur
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Managing Director
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E-mail: ameerali@mydin.net

Nichii Fashion Sdn Bhd
Business line: fashion
178-3, Jalan Sungei Besi
57100 Kuala Lumpur
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E-mail: amyfashioncity@yahoo.com
Website: *www.nichiifashioncity.com.my*

Parkson Corporation Sdn Bhd
Business line: department store
Level 5, Klang Parade, 2112 Jalan Meru
41050 Klang, Selangor D.E.
Contact: Mr Toh Peng Koon, Chief Operating Officer
Tel: 03-3344 2882; 3344 9889
Fax: 03-3344 2889
E-mail: tohpk@parkson.com.my

Royel Department Store Sdn Bhd
Business line: department store
2nd Floor, Ampang Point Shopping Centre
68000 Ampang, Selangor D E
Contact: Ms Susan Kanason, Director
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Fax: 03-4251 2754
E-mail: noel@nadingroup.com

Sogo (KL) Department Store Sdn Bhd
Business line: supermarket and department store
Kompleks Pernas Sogo
190 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
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Tel: 03-2698 2111
Fax: 03-2694 0602
E-mail: hwiling@sogokl.com.my
Website: *www.sogokl.com.my*

Tang Ling Shopping Centre Sdn Bhd
Business line: department store
187, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Contact: Mr Chow Chee Ming, Managing Director
Tel: 03-2692 9668; 2692 9335
Fax: 03-2692 9993; 2698 1116
E-mail: ccm@tangling.com.my

Tesco Stores (M) Sdn Bhd
Business line: hypermarket
Mezzanine Floor, Tesco Mutiara Damansara
No. 8, Jalan PJU 7/4
47800 Mutiara Damansara, Selangor
Contact: Mr James Edward Mc Cann
Chief Executive Officer
Tel: 03-7726 6298
Fax: 03-7725 3962
E-mail: diana.sjaiful@my.tesco.com
Website: *www.tesco.com.my*

The Store Corporation Bhd
Business line: supermarket and department store
Lot 9A, Jalan 223
46100 Petaling Jaya, Selangor
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Group Managing Director
Tel: 03-7960 3233
Fax: 03-7960 3299
E-mail: ystang@tstore.com.my
Website: *www.tstore.com.my*

WOC Boutique Sdn Bhd (World of Cartoons)
Business line: boutique
Lot 25, Jalan E 1/5, Kawasan Perindustrian
Tmn Ehsan, Kepong
52100 Kuala Lumpur
Contact: Mr Sau Kim Hing, Managing Director
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Website: *www.hytex.com.my*

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Chapter 5

Singapore

Executive summary

Background

Singapore is a cosmopolitan city, known popularly as the 'shopping paradise of the East'. It has a great variety of internationally recognized designer labels, speciality shops and boutiques, theme malls, food courts, home-grown and international department stores. With an estimated population of 4.3 million, local residents treat shopping as a leisure activity and shop frequently.

The City State is one of the most affluent nations in Asia, with incomes per person amounting to US$ 16,648 in 2005. Approximately 90% of all households earn more than US$ 15,000 a year. About 86% of the residents live in public housing estates built by the Housing Development Board (HDB) across the island. Around 90% of those dwelling in these estates own their units, mostly under a maximum leasing agreement of 99 years.

About 97% of all households have television sets and 30% have personal computers. More than 71% of Singapore's population subscribe to mobile services, and dial-up subscribers make up almost 48% of the population. The Singapore Government restricts car ownership, but the country has a well-developed and inexpensive public transportation system.

Business-to-consumer e-commerce is growing rapidly, helped by an IT-literate and internet-proficient population. According to the Infocomm Development Authority of Singapore, over 40% of the country's residents over the age of 10 had access to broadband internet connections in September 2005 (the number of actual subscribers stood at over 500,000). Furthermore, official estimates put the number of internet users (both narrow band and broad band) at over 3 million. According to a survey published by the Authority, around 30% of Singaporeans had spent time browsing online for retail items in 2004. Although a lower percentage actually purchased products over the internet, the average value of online spending has continued to rise.

Smart technology has added new dimensions to retailing. Internet retailing has made a tremendous impact in extending boundaries while creating new dimensions for the business and shopping experience. Retailers are reinventing themselves to cater to the new, hip, younger, wealthier (not only because they are earning a great deal more but also because they continue to live their parents, thus increasing their disposable incomes) and IT-savvy Singaporean consumers.

The retailing scene in Singapore has evolved from one dominated by the Orchard Road shopping belt to that which includes mid-priced shopping centres in the Singapore heartlands along mass transit routes in major housing developments. This has created fierce competition for customers among retailers and has resulted in closures of several stores in certain locations.

Singaporeans are well-educated and tend to be trendy. They are attracted to imported merchandise and stores that operate abroad. They desire quality, value-for-money merchandise, and are comparatively not price-conscious.

Retail sales in 2003 declined during the second and third quarter with the outbreak of SARS (Severe Acute Respiratory Syndrome). This resulted in reduced shopping activity by tourists and business travellers alike – a major source of retail sales demand – who stayed away from Singapore during the outbreak. The outbreak also reduced retail sales to local residents.

The country's three largest retailers are NTUC Fairprice Cooperative of Singapore (supermarkets), Cold Storage Singapore (a subsidiary of Dairy Farm of Hong Kong SAR), and AS Watson (also based in Hong Kong). Carrefour hypermarket chain (based in France) and Courts (with headquarters in the United Kingdom) are among the other major retailers. Takashimaya is the leading department store, followed by Robinson & Co., Mustafa and Isetan.

Singapore maintains an open investment regime for most sectors – financial and professional services and media being among the exceptions (although financial and professional services are being opened up). The country attracts a large amount of foreign direct investment, owing to the openness of its economy.

Role of tourism in retailing

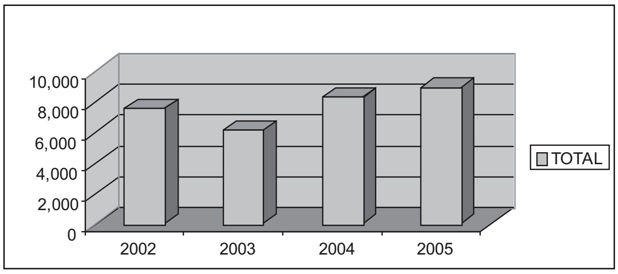
Tourism greatly boosts the shopping potential of this City State. The Singapore Retailers Association (SRA), together with partners Singapore Tourism Board (STB) and the Singapore Shopping Centre Association, organizes the Great Singapore Sale (GSS) annually. This focuses particularly on tourists to help advance Singapore's role as a 'vibrant shopping lifestyle destination'. Most shopping malls, including heartland malls, take part in the sale.

Shopping is a key component of Singapore's tourism industry and is one of the main reasons why visitors from around the world travel to the country. According to Ms Jocelyn NG, Deputy Director of STB, 'Tourism expenditure for shopping alone amounts to over S$ 3 billion annually, with approximately one-fifth, or S$ 650 million, spent during the GSS in 2005.'[39]

Singapore's strength lies in its diverse merchandise offerings and brand image, competitive pricing, and high quality assurance in a safe, comfortable and convenient shopping environment.

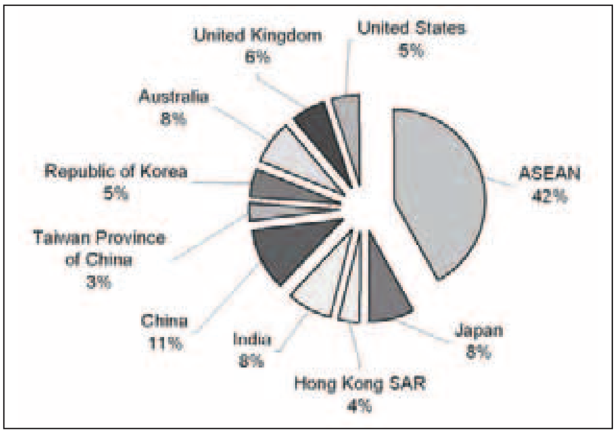
The term 'ASEAN' stands for 'Association of Southeast Asian Nations' and refers to the ten-country political association comprising

Figure 5.1: Singapore: tourist arrivals, 2002–2005



Source: Singapore Tourism Board (STB).

Figure 5.2: Singapore: tourist arrivals by country of origin, percentage of total, 2005



Source: Singapore Tourism Board (STB).

Notes: Figures exclude Malaysian arrivals by land.

39 *www.retailasiaonline.com/news/archive/June06*.

Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

The bulk of the travellers come from ASEAN countries and other neighbouring countries. This has been made possible by the availability of low-budget air fares, rising affluence and a desire for 'cross-country' shopping and tourism.

Table 5.1 Singapore: number of visitor arrivals by country of residence, 2002–2005 (in '000)

	2002	2003	2004	2005
TOTAL	**7 567.1**	**6 127.3**	**8 328.7**	**8 943.0**
ASEAN	2 532.9	2 307.2	3 085.9	3 341.7
Japan	723.4	434.1	598.8	588.5
Hong Kong SAR	266.0	226.3	271.7	313.8
India	375.7	309.5	471.2	583.5
China	670.1	568.5	880.2	857.8
Taiwan Province of China	209.3	144.9	182.4	214.0
Republic of Korea	371.1	261.4	361.1	364.2
Australia	538.4	392.9	561.2	620.3
United Kingdom	458.5	388.0	457.3	467.2
United States	327.6	250.7	333.2	371.4

Source: Singapore Tourism Board.

Singapore's largest mall, VivoCity, opened in October 2007 and added further excitement to retailing in Singapore with its multidimensional retail and lifestyle concept, and iconic design features. C. K. Tang, Royal Sporting House (Zara, Zara Home, Mango, Ted Baker), Best Denki, F.J. Benjamin, Jean Yip, Adidas, Nike by BIRD, are some of its tenants. The Tang's department store, occupying 86,000 sq ft, is fashion-focused and in the boutique style. Leading toy retailer Toys R Us has introduced an experiential concept similar to that of its Times Square Store in New York.

Likewise, Esprit's full-concept store houses a hair salon and a nail bar, in addition to apparel, giving consumers a more comprehensive range of beauty solutions.

Historical developments of the textile and apparel industry

In the 1960s, production mainly catered to the domestic market. Some local factories secured jobs overseas to become subcontractors for overseas manufacturers. Most factories did not have overseas marketing and technical abilities and, consequently, hired overseas management staff and technicians.

Investors – mostly of Taiwanese, Hong Kong and European origin – invested in Singapore in the 1970s. Production consisted largely of basic and low-end merchandise because the factories did not have design capabilities at the time. Larger factories were built with Singapore's entry into major export markets like the European Union and the United States.

As companies became profitable, they invested on equipment and training to upgrade their production methods and improve their skills, and thus maximize the use of Singapore's limited human capital. In the 1980s, domestic growth in production and profits peaked.

As Singapore became industrialized and its people more educated, manpower resources became a problem. The traditional input of labour from Malaysia was no longer available, as Malaysia's own textile and clothing industry began to spread its wings. Local production and operational costs rose too high even for basic products. As a result, many factories relocated their manufacturing operations to Bangladesh, Brunei Darussalam, Cambodia, El Salvador, Fiji, Guatemala, Indonesia, Lesotho, Madagascar, Mauritius, South Africa, Sri Lanka and Viet Nam. Singapore evolved into the headquarters for the product and design development, planning and sourcing, sales and marketing aspects of its manufacturing operations. Local factories produced only merchandise that the overseas factories could not handle. It was in the 1990s that successful business models emerged and prospered.

At present, this same Singapore management model continues its overseas expansion programme and outward contract manufacturing. Design and product development capabilities are enhanced to offer value-added services to overseas customers. Advancements in production engineering and management information technology spearhead its efforts to keep costs down and reduce lead-time. The industry's manufacturing operations are integrated through e-commerce to increase its global market share and expand its supply base.

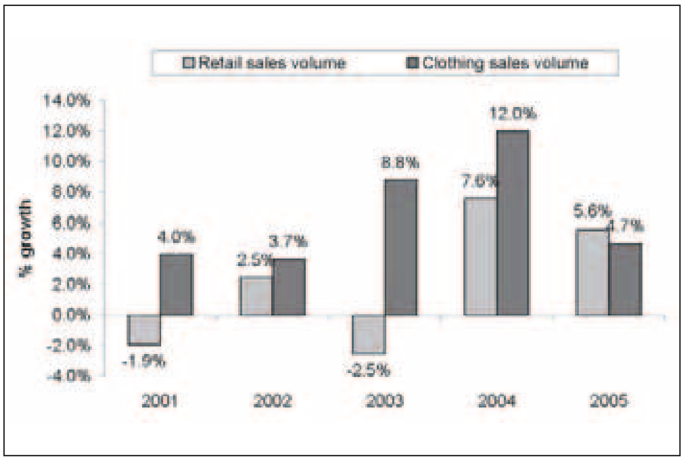
With the elimination of WTO import quotas in 2005, Singapore's textile and apparel industry has faced tough competition as China emerged as the world's largest clothing manufacturer and its second largest textile supplier. The elimination of quotas also opened the floodgates to a new type of apparel distributors from various countries in the region, including India and Viet Nam.

The structure and characteristics of the domestic market for textiles and clothing: a macro view

The retail industry

Retail sales grew marginally in volume terms by an annual average of 1.3% between 2001 and 2005. By contrast, real GDP grew by an annual average of 3.2% over the same period. In the first half of 2003, high unemployment and the outbreak of SARS curtailed retail demand, which contracted by around 2.5%. A 1% rise in the Goods and Services Tax (GST) on imports at the start of 2003 and a further rise of 1% in 2004 had only a minimal impact on domestic demand, although they might have pushed sales of goods slightly. Figure 5.3 compares the growth rates in the volume of overall retail sales and that of clothing sales over the period 2001–2005.

Figure 5.3: Singapore: comparison of growth rates by volume of overall retail sales and clothing sales, 2001–2005



Retail sales, however, rebounded in 2004, buoyed by a robust economic recovery. In recent years, stores have extended opening hours and have started to provide a range of other services in addition to food and product sales. Although retail sales by volume fell again in 2005, sales by value rose as the economy grew by 6.4%, which boosted consumer spending. The record 9 million visitors in that year also helped sales.

Annex II, table 1 indicates that retail demand for clothing by value rose between 2000 and 2005, in spite of the decline in the value of imports of both textiles and clothing in 2005 (annex II, tables 2A and 2B.)

The SARS outbreak in 2003 caused Singaporeans to stay indoors while visitor arrivals fell by 19%. This economic downturn brought about a rise in unemployment, which hit consumer purchasing power especially for luxury items such as watches, apparel and footwear. This resulted in an over-supply of merchandise across the board. Consolidation became necessary and most stores were seen re-strategizing and reviewing their whole supply chain.

Consequently in 2005, total trade (imports, exports, domestic exports, re-exports) in both textiles and clothing dropped by 6% and 12% respectively (refer to annex II, tables 2A and 2B). Domestic exports and re-exports of clothing were hit hard as China emerged as the major source of textiles and clothing worldwide. With the elimination of WTO import quotas at the beginning of 2005, Chinese textiles and apparel took over larger traditional markets such as the United States and the European Union.

Market size

Singapore's textile and apparel manufacturers have annual sales of about $2.7 billion – though only about $600 million come from goods manufactured in the country. The bulk of the revenue comes from textiles produced by Singapore-owned factories, joint venture initiatives or subcontracting arrangements located in nearby Asian countries such as China, Indonesia, Sri Lanka and Viet Nam, where labour and other operational costs are much lower.[40] This makes it difficult to estimate national production. In any case, it is a fact that manufacturing is costly in Singapore; high operational costs are one reason; the lack of economies of scale is another.

To boost the local textile and clothing industry, the Government of Singapore recently announced a S$ 6.7 million government initiative to boost the City State's textile and clothing manufacturing presence in the region. The government grant, earmarked for two new programmes, is expected to help Singapore's manufacturers generate an additional S$ 250 million in revenue by 2009.

The main aim of the government grant is to help Singaporean companies stay ahead of their local competitors in the less-expensive countries, said Patrick Lee, chairman of the Singapore-based apparel manufacturer Sing LUN Holdings Ltd and the honorary president of the country's Textile and Fashion Federation, or Staff, which oversees the grant.

The grant focuses on two main initiatives. The first is the establishment of a Productivity and Design Development Centre, a three-year programme which hires experienced engineers and designers from leading textile and fashion companies in Europe and the United States, as well as from within Singapore, to act as consultants for the industry and to assist manufacturers in streamlining production processes and improving technology. This began in April 2006.

The second initiative focuses on Singapore's annual fashion week, held in October. The funds help expand the week's focus beyond local design and provide a platform for textile and apparel manufacturing as well.

40 Source: *Women's Wear Daily* (14 March 2006).

Imported textiles

Local companies import mainly woven fabrics made of cotton as this is the preferred material in Singapore in view of its humid climate. Fabrics of silk, wool or other fine animal hair, bleached or unbleached, plain or printed, with varying blends, are also imported. These are generally the better-end fabrics which require special handling and could be processed into garments in local factories.

The bulk of the textiles is obtained from China, Hong Kong SAR, India, Indonesia, Japan, Malaysia, the Philippines and the Republic of Korea. These are traditional sources from which imports can be easily transported to Singapore within five days. China is the most favoured source of textiles in almost all HS categories, followed by India, the Republic of Korea, Japan, Indonesia and Malaysia. Italy is a favourite source of fabrics for designer labels which the owners want to distinguish from other brands. (Annex II, table 3 lists the main categories of textiles imported into Singapore and Annex III, table 1 gives a fuller listing of the more popular fabrics.)

Only a few local mills manufacture textiles. They mainly produce knitted fabrics. It is extremely difficult for local manufacturers to compete particularly with China in terms of price, assortment, design and quality in view of the lack of economies of scale and, most importantly, because Singapore has a very small domestic market.

In 2005, Singapore imported S$ 1.7 billion worth of textiles and re-exported S$ 1.0 billion, leaving S$ 700 million for local consumption.

Table 3 in annex II lists the average CIF cost per unit of textiles imported into Singapore.

Most imported fabrics are woven cotton, as opposed to knits, in view of the availability of locally produced knits and the fairly large imports of ready-made knitted garments at competitive prices from neighbouring countries.

Imported clothing

Imported apparel consists of knitted and crocheted garments (making up an estimated 60% of the total) and garments from woven fabrics (40%). The more significant sources of ready-made garments are Malaysia, China, Indonesia, and Hong Kong SAR. Several Singaporean factories have moved to these countries/areas, as labour and operational costs are lower there than in Singapore. In addition, a wide assortment of fabrics is easily available in these countries/areas and many factories are vertically integrated.

While most of the apparel in Singapore is imported, there are several home-grown designers who manufacture their own creations locally and/or in factories in neighbouring countries. Body knits International Pte Ltd (Bods, Bodyknit labels), BY3 Design (Allure, Melange, Tamara labels), Crosstitch Apparel Pte Ltd (Yin & Yang, Eden, Potpourri), Estique Fashion Pte Ltd (Estique, Bridget G), First Stop Pte Ltd (Celia Loe, Celiana, Aditions), Orchid Apparel (Coral Isle), Plums Pacific Pte Ltd (Plums), Project Shop (Project Shop), Three Rifles International Pte Ltd (Caserini, Rifles, Portfolio), Mjphosis Pte Ltd (Mjphosis), Elita and Co. Pte Ltd (The Station) are just some of the local designers producing their own labels.

Local garment manufacturers have a wide range of technical and production capabilities. They can produce knitted and woven clothing for infants, children, women and men.

In addition to the above, many companies based in Singapore have secured licensing agreements with international labels and are involved in sourcing, product development and contract manufacturing.

Annex II, table 4 lists the more important ready-made garments (knitted and crocheted) imported into Singapore in 2005, by country of origin, with their CIF values per unit of measure; table 5 provides the same information on woven garments. Annex III, tables 2 and 3, provides a fuller listing of imports of garments (knitted and crocheted, as well as woven).

China, Indonesia and Malaysia are regular sources of knitted clothing for the Singapore market. China is traditionally known for its wide selection of knitted apparel at competitive prices. While the prices of Chinese knits are generally lower, Malaysia offers good basic knits which it can offer to Singapore at reasonable prices. These two countries are the main sources of knitted shirts for both men and women across a spectrum of ages.

The prices of Indonesian knitted apparel are not as competitive as those of China. In addition, Indonesian knits lack the 'refined' texture of Chinese knits. Indonesian textile factories are less equipped to provide the more advanced weaving, printing and finishing technologies that factories in China can provide.

China, Hong Kong SAR and Indonesia are the favoured sources for woven garments. These countries/areas have T&C industries that are vertically integrated, enabling them to offer a wide selection of styles. Furthermore, with their mature industries, they are able to supply garments, particularly trousers, with the finishing, fit and workmanship demanded by Singaporean customers. Lead times and on-time delivery are considered as important as price and quality. Factories in these countries/areas are generally reliable and can deliver goods within 30 to 60 days.

Malaysia is not a strong supplier of woven garments because of the higher costs of producing them domestically. India, on the other hand, is a good source particularly of woven cotton blouses and shirts for both genders, across ages. In terms of pricing, no country can beat China as a supplier of woven clothing.

Countries such as Portugal (offering what are most likely to be Spanish brands) and Cambodia (providing mainly sales items) are able to penetrate the market for woven dresses because of the presence of niche market segments. Suppliers from these countries are obviously able to meet certain consumer needs.

With the increased retail activity in Singapore, imports of textiles and clothing will continue to grow in tandem with economic growth.

An analysis of the tariff structure of imports

Most products imported into Singapore are duty free with only a few exceptions.

Customs and excise duties are levied only on dutiable goods such as intoxicating liquors, petroleum products, tobacco products and motor vehicles. Textiles and clothing are non-dutiable items.

However, all products imported into Singapore are subject to a Goods and Services Tax (GST). GST on imports is levied at 7% of the goods' CIF value (cost, insurance, freight) plus the applicable customs duty, commission and other incidental charges. In some cases, additional fees may be payable to Singapore Customs for supervision and inspection of goods.

Free trade zones (FTZs) are designated areas in air and sea ports where duties and GST are temporarily suspended on imported goods. Duties and taxes are payable only when the goods leave the FTZs and enter the customs territory for consumption.

Non-dutiable goods are stored in Zero-GST warehouses. GST payable on the goods is suspended until the goods are removed from the premises and are entered into the domestic market for consumption.

Non-tariff market requirements

Special import regulations

Containerized cargo

There are two types of containerized cargo: full container load (FCL) and less than full container load (LCL). FCL containers are not unloaded at Free Trade Zones (FTZ). They are sealed at the FTZ out-gates or examined/released without being sealed. Sealed containers may be unloaded only under customs supervision. Unsealed containers, however, may be unloaded at any time without customs supervision.

LCL containers are unloaded in the FTZ and cleared through the FTZ out-gates as conventional cargoes. No customs supervision is required for the unloading of such containers in the FTZ.

For cargo entering customs territory as containerized cargo, the trader must declare the container number and the place of unloading in his import declaration. Prior to the removal of containers from the FTZ, the trader should obtain the relevant permits. The approved permits and supporting commercial documents, however, need not be produced when the containers are cleared.

Containers requiring examination will be sealed at the respective FTZ out-gates. After the sealed containers have been trucked out of the FTZ, consignees or their transport agents should make arrangements for the supervision of the containers' unloading.

Customs seals placed on containers at the time of import may not be broken without supervision or written permission. Containers not requiring customs examination will be given SNR (i.e. sealing not required) facilitation and released without being sealed. Unsealed containers may be unloaded at any time. (The Singapore Customs website, *www.customs.gov.sg*, provides more information on unloading procedures.)

The entire process of clearing containerized goods through Customs is paperless. One need not produce an import permit or supporting documents at the time of clearance. However, one must have obtained an import permit.

For full container load (FCL) and less than full container load (LCL) cargoes, the container number(s), place of release, place of unloading, place of receipt, place of application for unloading must be declared in the import permit applications.

In general, non-controlled goods such as textiles and clothing may be imported into Singapore without any licences.

Customs procedures

Import procedures

A prospective importer must register with the Accounting & Corporate Regulatory Authority (ACRA). Upon registration, he/she must apply to Singapore Customs for a Central Registration (CR) No. This CR Number enables the importer to submit Import, Export and Transhipment Permit applications through Tradenet®. The CR No. is processed free of charge.

The importer must obtain an import permit through Tradenet® before the goods (whether they are controlled or non-controlled items) are imported into Singapore. The goods are subject to the payment of the Goods and Services Tax (GST), levied at 7% of the CIF (cost, insurance, freight) value at the time of importing.

For all trans-shipment of goods from one Free Trade Zone to another, one must obtain a Transhipment Permit through Tradenet® before the goods are imported into Singapore.

Export procedures

The exporter must obtain an export permit through Tradenet® within three days of export if the goods are non-controlled and are exported by sea or air. He or she must also obtain an export permit through Tradenet® before the goods are exported out of Singapore if the goods are controlled or are exported by road and rail.

Before exporting textiles and textile product samples, gifts and souvenir items made from textiles to the European Union and the United States, the exporter should check with the documentation Specialists Branch of Singapore Customs. A certificate of origin (CO, full form) is required by the importing market.

Using Tradenet®

One must be a subscribed user of Tradenet® to submit permit applications for processing and approval. To subscribe, one may contact the Tradenet® System Administrator, CrimsonLogic at telephone number (65) 6887 7888 for more information.

An importer could also appoint an agent, freight forwarder or the Tradenet® Service Centre to submit permit applications on his/her behalf.

Permit exemption

The requirement for permits shall not apply if the goods are not controlled imports and are:

- Personal or household effects which accompany passengers, crew or employees of transport undertakings by land, sea, or air; and are not being transported for sale but are intended for the personal or household use of such passengers, crew or employees of transport undertakings.
- Trade samples, specimens for analysis or test, and gifts the total value of which does not exceed S$ 400.

The requirement for permit to export shall not apply if the goods are not controlled imports, controlled export or controlled shipments and are not trans-shipped from one free trade zone to another.

Third country trading through Singapore

A Singapore company may arrange for shipment of its goods from a second country to a third country:

- ❑ If it is shown as the shipper in both the incoming and outgoing bills of lading/air waybills/manifests, and where the goods are not discharged in Singapore, no import and export permits are required.
- ❑ Where the goods are discharged in Singapore, import and export permits are required.

The carrier's agents must indicate against the consignment in the inward and outward manifests the following remarks:

'Transhipped through Singapore on
Through Bill of Lading to ……(destination)'

Temporary import/export under an ATA Carnet

Carnets are 'merchandise passports'. They are international customs documents which simplify customs procedures for the temporary importation of goods. Two types are issued: ATA and Tecro/AIT Carnets.

ATA carnets ease the temporary importation of commercial samples (CS), professional equipment (PE), and goods for exhibitions and fairs (EF). They facilitate international business by eliminating the need for extensive customs procedures and do away with the payment of duties and value-added taxes (which are a minimum 20% in Europe, 27% in China, replacing the purchase of temporary import bonds).

E-filing for customs supervision. Goods imported or exported under ATA carnets are subject to customs supervision. For further information, one could refer to the Singapore Customs website at Application for Customs Supervision.

Import. Import permits are not required for goods imported under an ATA Carnet. However, where some or all of the goods are not re-exported, the importer must obtain the necessary import permit(s) for the goods.

The ATA Carnet (endorsed by Customs) should be presented to the carrier's agent to effect shipment of the goods. The bill of lading or air waybill (B/L or AWB) number should be indicated on the top right hand corner of the carnet. The carrier's agent must retain a copy of the carnet and indicate in the manifest the ATA Carnet No. against the item which was exported under the carnet.

Export. In Singapore, ATA Carnets are issued only by the Singapore International Chamber of Commerce (SICC). One should apply to the SICC for an ATA Carnet for goods temporarily exported to Singapore.

Documentation fees: processing through Tradenet®

Each permit application typically costs about S$ 3.30, including:

- ❑ S$ 0.90 for statutory fees;
- ❑ S$ 2.40 for processing and transmission charges.

Each application for a certificate of origin, together with an application for an export permit, typically costs S$ 9.70:

- For the export permit:
  - S$ 0.90 for statutory fees;
  - S$ 2.40 for processing and transmission charges.
- For the application for certificate of origin:
  - S$ 4.00 for statutory fees;
  - S$ 2.40 for processing and transmission charges.

Market prospects

In 2005, the retail industry piggybacked on a robust economic growth of 6.4% which, together with a record 9 million visitors, helped boost consumer spending. New jobs were created, giving a further boost to consumer sentiments.

Signs showing the stabilization of the property market provided some support to the retail demand. As most Singaporeans own their homes, a rise in prices of residential properties has a two-pronged effect on consumption. First, 'positive wealth effects' from a recovery in house prices make Singaporeans feel better off and more willing to spend. Second, even though the residential property market in 2005 was still weak by the 1990 standards, a rise in the number of people moving house should have provided some support to the sale of household goods.

Table 5.2 Singapore: retail trade forecasts, 2005–2010

	2005	2006	2007	2008	2009	2010
Retail trade						
Retail sales (S$ m)	31 272	31 521	32 469	33 718	34 917	36 129
Retail sales (US$)	18 844	19 481	29 507	21 452	22 292	23 390
Retail sales, volume growth %	5.6	-0.1	1.8	2.5	2.3	2.2
Retail sales, US$ value growth %	7.9	3.4	5.3	4.6	3.9	4.9
Clothing, cosmetics and household goods						
Clothing, sales value (US$ m)	1 588	1 682	1 802	1 916	2 020	2 157
Cosmetics and toiletries, sales value, (US$ m)	477	493	514	535	548	571
Perfumes and fragrances, sales value (US$ m)	89	92	96	99	101	105
Furniture, sales value (US$ m)	477	501	528	554	574	601
Household cleaning products, sales value (US$ m)	98	103	108	113	118	123
Electronic and domestic appliances						
Television sets (stock per 1 000 population)	358	371	382	392	403	414
Television sets, sales volume ('000)	218	222	226	230	234	238
Cable-TV subscribers (per 1 000 population)	79	82	85	86	87	88
Personal computers, sales volume ('000)	35	36	38	39	41	42
Refrigerators, sales volume ('000)	54	55	56	57	58	59
Video recorders, sales volume ('000)	91	83	80	76	72	68
Washing machines, sales volume ('000)	64	66	69	71	74	76

Source: Economist Intelligence Unit, November 2005.

Predictably, long-established department stores were challenged by the more recently established discount stores and 'new concepts' in retailing. This resulted in stores re-strategizing and trading-up for better quality merchandise.

Leading Spanish fashion brands like Zara and Mango continued to lead women's fashion wear as retailers scrambled to find their merchandising niche.

The economic growth of 4%–6% projected for 2006 would have promoted better sales as consumer spending rises with economic growth. Tourist arrivals were expected to increase with the continuing expansion of the ASEAN economies.

Key international retail players from the region moving into Singapore will add to the vibrancy of the Singapore retailing trade.

- The Lippo Group, a major Indonesian conglomerate which owns Indonesia's largest chain of department stores and supermarkets, bought 29.9% of Robinson and Co. This partnership has increased Lippo's presence in both Singapore and Malaysia.
- Capital Land, which owns Seiyu Singapore, sold the value chain store to the Beijing Hualian Group, a large commercial chain retailer in China which is strongly committed to expanding its regional business. It plans to venture into the Singapore heartlands as well as into Malaysia and Thailand.
- Vivo City, a 1.1 million sq ft shopping mall which opened at the Harbourfront area in October 2006, is the largest shopping mall in Singapore. It established a new shopping belt near the Integrated Resort in Sentosa Island which starts operations in 2010.
- In addition, a new retailing concept similar to the warehouse outlets and big box formats overseas recently opened in Tampines, with IKEA and Courts as its anchor tenants. This has generated more competition among existing retailers.
- The entry of international brands Gap and Banana Republic, launched in Singapore at the end of 2006 by the leading fashion retailer F.J. Benjamin, provides further excitement and variety to a host of fashionable brands already facing tough competition in the market.

The Singapore Government continues to stimulate domestic textile and apparel manufacturing with its recent announcement of a S$ 6.7 million initiative to boost the City State's textile and apparel manufacturing presence in the region. This move aims to assist local garment manufacturers with improved production processes and technology.

Tourism will remain a strong pillar of the retail industry as 'shopping' becomes a key component of Singapore's tourism industry. Singapore aims to double its visitor arrivals to 17 million by 2015. Plans have been brewing for a bullet train connecting Singapore to Kuala Lumpur in about 45 minutes. This will increase consumer traffic on both sides of the causeway.

With Singapore ranked as Asia's top convention city and second in the world according to the International Convention and Congress, the Singapore Tourism Board (STB) will use a S$ 170 million budget to lure high-spending business travellers to the country through MICE (meetings, incentive travel, conventions and exhibitions). With two integrated resorts coming up in 2009/10, this move will further bolster tourism expenditure in shopping.

There are plans in the travel industry to promote Singapore, Malaysia and Indonesia jointly as tourist destinations, with Singapore attracting shopping and business travellers (through the MICE programme), while Malaysia and Indonesia offer 'exotic spas' and retreats to nature as well as shopping.

Countries in the region like Malaysia and Thailand will continue to attract Singaporean shoppers with the help of cheap air fares. This could also benefit both these countries as economies become borderless.

The mobility and increasing affluence of Singaporeans as well as travellers within the ASEAN region will dictate the dynamics of retailing in the coming years. Consumers will become more discerning in regard to merchandise, sourcing standards will have to be raised, and shoppers will continue to look for more variety, fashionability and exclusivity in designs.

As regards merchandising patterns, retailers in Singapore follow western buying seasons and colour and fashion trends, but insist on fabrics of lighter materials throughout the year. The exception is a handful of vendors who sell winter wear meant for business travellers and tourists.

Spring/summer collections are launched in-store around February/March while fall/winter collections hit the stores in September/October. Mini collections are introduced mid-season to keep the counters fresh. Zara, a very popular women's fashion brand, introduces collections every two weeks, thus setting a new trend in merchandise introductions.

Retail sales peak during the Christmas holidays, despite the fact that only 10% of Singapore's population is Christian. Other major holidays include the Chinese New Year, celebrated in January or February each year. The rest are Indian and Malay holidays that do not have a significant effect on retailing events because of the smaller proportion of Indians and Malays in the overall population.

Singaporeans are generally medium built and smaller than their western counterparts. However, the sizes available locally range from XS, S, M, L to XL, XXL.

Retailers generally work on more variety rather than depth of stocks.

E-tailing will continue to gain momentum in Singapore where e-Bay's services remain free for Singaporeans (contrary to the firm's practices in markets like Australia, the United Kingdom and the United States, where e-Bay users are charged a variable fee for listing and for successfully selling their items). Over 4,000 locals depend on e-Bay as a primary or secondary source of income. In 2005, e-Bay said close to US$ 3.3 billion worth of goods were sold on e-Bay sites across Asia, with clothing, electronics and jewellery topping sales. Singapore and Hong Kong SAR are seen to be fuelling cross-border trade across the e-Bay platform.[41]

With travel between Singapore and Malaysia becoming easier by land and air, cross-border retail trade will increase as residents and tourists visit both countries to shop and/or simply unwind after a busy week's schedule. This is further enhanced by the vibrancy of the emerging retail sector in Kuala Lumpur and Johor.

The domestic market: a macro view

Outlets, distributors, agents

Department stores

Takashimaya, Robinsons, Isetan, Marks and Spencer, C.K. Tang and Metro are shopping destinations in Singapore. Most local and international department stores provide customers with lifestyle shopping, all under one roof.

41 *The Business Times* (3 July 2006).

Table 5.3 Singapore: top retailers of clothing, by value of retail sales, 2003–2005

Retailer	Retail sales: US$ million		
	2003	2004	2005
Takashimaya	253	241	250
Robinson and Co.	197	223	208
Mustafa	171	189	208
Isetan	140	147	174
Dairy Farm, Giant	88	146	199
Metro Holdings	104	125	131
Carrefour Singapore	94	108	119
C.K. Tang	98	95	102
Seiyu Wing-On Dept. Store	93	94	94
Giordano International	44	49	n.a.
Esprit Holdings	41	45	42
RSH (Pro Shop)	44	44	n.a.

Source: 2005 Retail Asia-Pacific Top 500.

TANGS. This is one of the premier shopping destinations in Singapore. It caters to the fashion and fashion-related contemporary lifestyle needs of its shoppers. Merchandise is sourced from around the world; it has a stable of private brands and exclusive labels, which are concept-themed and displayed according to specific lifestyles. The flagship store is along Orchard Road and another branch has opened at Vivo City, Singapore's largest shopping mall.

Island Shop is TANGS' own leading global-resort lifestyle brand which was created for the urbanite in Singapore, Malaysia and Thailand. TANGS' Studio is a store with collections of ready-to-wear and shoes in contemporary styles for fashionable working adults. Among the international brands it markets mainly in Singapore and Malaysia are: French Connection United Kingdom (FCUK), BCBG Max Azria, Versace, and Paul & Joe.

Metro. This is a familiar household name in the retail industry; it serves customers through a chain of four Metro department stores in Singapore and another four in Indonesia. The retail division's increases in sales volume and gross margins arose from a more upbeat economy, improved customer loyalty, and a focus on improving margins.

The Metro Group's core businesses are in property and retail, spanning key cities in Singapore, Malaysia, China and Indonesia. The Group owns and operates several prime retail and office properties in Shanghai and Guangzhou, China, as well as in Penang, Malaysia. It also holds significant investments in certain property businesses in China. Metro City, Beijing, is the Group's entry into the retail property sector in that city. The buoyant retail scene in Shanghai has enabled Metro City to continue to expand its rental income stream.

Robinsons Group of Companies. The Group, which consists of Robinsons Department Stores, John Little and Marks and Spencer, undertook a comprehensive business review recently and subsequently changed its strategic directions. Several initiatives, focusing on providing desirable merchandise in a pleasant and easy-to-shop environment rather than relying on promotion-driven strategies, were implemented. With the reduction in Robinsons and John Little's promotions and warehouse events, the Group reported a 7.8% drop in sales to S$ 349.9 million.

Indonesian retail guru James Riady's Lippo Group (owner of Matahari stores) recently bought 29.9% of the shares of Robinsons and Co.

As a result of the change in strategic direction, the sales of Robinsons Department Stores dropped in 2005 by 7.5% to S$ 188.3 million, with two stores (at Centrepoint and Raffles Place), accounting for 53.5% of the Group's turnover.

The Group's six Marks and Spencer stores contributed S$ 65.4 million to the Group's turnover, or 18.7% of the total, in 2005. Most of the stores' merchandise is purchased from their headquarters in the United Kingdom. The six stores are located in the Centrepoint, Wheelock Place, Parkway Parade, Raffles City, Paragon and Plaza Singapura Shopping Malls. The White Sands branch was closed in July 2005.

John Little, a value discount store, focuses on the young, cost-conscious families living in the heartlands. The store contributed S$ 96.2 million to total turnover in 2005. It has five stores located in the Specialist's Shopping Centre, North Point, Causeway Point, Jurong Point and Plaza Singapura. Because of the highly competitive retail environment, John Little has closed three branches (in White Sands, Compass Point and Parkway Parade).

Isetan Singapore. A department store catering to shoppers from all walks of life, Isetan has four branches – Isetan Scotts, Isetan Orchard, Isetan Katong and Isetan Tampines. Its other businesses include Mango, AJ Armani Jeans, Calvin Klein Jeans, Country Road, and Sun Moulin Bakery. The group reported a 14.9% increase in sales turnover to S$ 287.3 million in 2005.

Seiyu Department Store. This is a value chain sold by Capital Land to the Beijing Hualian Group, which operates a large commercial retail chain in China. Seiyu Singapore is expected to benefit from being part of the Beijing group, which has a strong commitment to growing its business regionally. It has plans to introduce independent, low-cost, quality brands from the West and trendy China brands to its Singapore outlets.

Takashimaya. The operator of Singapore's biggest department store, Takashimaya owes its good sales performance to branded boutiques, women's apparel and accessories (jewellery, cosmetics, shoes), and interior goods such as furnishings, beddings and bathroom merchandise. Sales in 2005 were estimated at S$ 480 million.

Agents and distributors

Many importers also act as agents and distributors of renowned international brands. Often they are licensed to manufacture branded garments in reputable factories in accordance with the standards set by the principals. These licensees could be approached by LDCs seeking new markets.

Singapore is frequently used by many international labels as the springboard for launching operations in the region. In recent years, Singapore has become the favoured site for regional sales and marketing offices servicing Brunei Darussalam, Indonesia, Malaysia, the Philippines and now, China. With its strategic location in the Far East and its multicultural, multiracial, multilingual nature, Singapore seems to be the obvious choice as a location for a regional office in that part of the world.

Wing Tai Asia Retail Pte Ltd. A leading agent and distributor in Singapore, Wing Tai Asia Retail Pte Ltd represents reputable international labels such as G2000, U2, Top Shop, Top Man, Warehouse, Dorothy Perkins, Karen Miller, Miss Selfridge, OZOC, Indivi, FA:GE, Hushush. It imports all merchandise direct from its principals.

Gamut Marketing Pte Ltd. The trading arm of retailer C.K. Tang, Gamut is an agent for, and distributor of, the following brands: Studio, Island Shop, FCUK, Seed, Versace, BCBG Max Azria, Paul & Joe. The merchandise for most of these brands is imported from the principals; the exceptions are Studio and Island Shop, which are developed in-house.

Goldlion Enterprise (Singapore) Pte Ltd. This local company represents Goldlion Hong Kong and manufactures menswear under a licensing agreement with its Hong Kong principal. Apart from the Goldlion label, it produces its own labels Van Garie, San Raphael, Jean Mercier.

F. J. Benjamin. This leading fashion retailer is also an agent and distributor. It represents Guess, Valentino, La Senza, Girard-Perregaux, Nike Timepieces, Gap, Baby Gap, GapKids, Banana Republic in Singapore and Malaysia. A Gap store opened in 2006 at Wisma Atria; two other Gap outlets are located at Vivo City and Centrepoint. A Banana Republic shop opened its doors in 2007.

Raoul, a home-grown house label developed by Apparel LLC, a wholly-owned subsidiary of F. J. Benjamin, is fast becoming a popular brand in the Middle East. This has prompted the company to open new stores in Bahrain, Dubai, Kuwait and Qatar. Two of these shops are in Dubai's Mall of the Emirates and in Bahrain's Seef Mall.

The Group's sales in 2005 were reported to have reached S$ 145.6 million.

Club 21 Pte Ltd. Another leading fashion retailer, agent and distributor in the region, Club 21 represents several designer labels. Among these are Blackjack, Betula, A/X Armani Exchange, Armani Collezioni, Calvin Klein, Dolce & Gabbana, Diesel, Donna Karan, DKNY, DKNY Kids, Emporio Armani, Giorgio Armani, Issey Miyake, Jil Sander, Marni, Max Mara, Max & Co., Marina Rinaldi, Pomellato, Paul Smith and Song & Kelly.

Royal Sporting House. RSH, agent and distributor for the leading Spanish brands, Mango and Zara, indents all merchandise direct from its principal.

Speciality retailers

There are hundreds of speciality retailers in Singapore, distributing goods ranging from casual wear to designer brands. Giordano, Levi's, Kiddy Palace, Baleno, Samuel and Kevin are just a few of these brands.

In 2005, Esprit celebrated 20 years of retailing in Singapore. It appeals to people with diverse shapes and from different backgrounds, offering as it does stylish, wearable apparel for all ages and sizes. Driven by higher sales and new store openings in Europe and Asia, Esprit Singapore has since added new outlets at HarbourFront Centre, Wisma Atria, Marina Square and Vivo City. This has raised the number of its stores to 22 in Singapore, reinforcing its position in the sector for mid-priced high-street fashion wear.

Hypermarts

Giant and Carrefour are the two hypermarts in Singapore. Apparel sales account for between 5% and 10% of total hypermart sales. The bulk of their business consists of supermarket and electronic goods.

Apparel procurement practices

The procurement practices of department stores have evolved over the years. Tempered by the Asian crisis and the SARS phenomenon, most merchandisers procure stocks from local vendors on the basis of consignments or as concessionaires. This frees retailers from the burden of holding high inventories and eventually clearing them at discounts during off-peak seasons, which inevitably reduces profit margins.

Concessionaire arrangements involve providing retail space within the store to a particular vendor and allowing it to manage a shop-within-a-shop during operational hours. Concessionaire commissions range from 30% to 40% and are agreed upon by the retailer and vendor before the arrangements take effect. The suggested retail price for each item is maintained across all outlets in Singapore. Commissions vary from store to store.

For smaller brands and in generic departments, the retailers provide shelf space for each vendor who delivers stocks on consignment. Inventories are tallied at the beginning of the month and checked at the end of the month. All goods sold on consignment within the month will be paid monthly to the vendor within 30–45 days from month-end either by GIRO (general interbank recurring order) or by cheque.

Another common procurement practice is a purchase on outright-returnable basis. Buyers issue official purchase orders to vendors as often as necessary. Payment terms are normally within 60–90 days from date of delivery. However, if merchandisers deem a return of stock is necessary because it is slow-moving, the buyers reserve the right to return merchandise to the vendor in exchange for a credit note, the amount of which will be deducted from amounts payable.

For purchases overseas, buyers purchase stocks on an indent basis in several ways:

- *Through a buying agent/distributor.* Sometimes, retailers employ buying agents in certain countries like China, France and Italy or cities like New York. They are paid commissions ranging from 5% to 15% on total stocks purchased, depending on the type of services they provide which may include: inspection of goods for quality control purposes, follow-up on product development, coordination of deliveries, introduction of new suppliers, etc.
- *Direct purchases.* Manufacturers visit Singapore, and present their full sample collection either at a hotel or at the retailer's offices. Sometimes, merchandisers ask these suppliers to develop a special collection for them, and require them to send approval samples by courier prior to production.
- *Trade fairs.* Some buyers meet suppliers during trade fairs in China, Italy, the United States or in Europe. Once established, contacts are followed up directly with the buyers by representatives of the various factories or through buying agents.

Purchases are based on FOB or CIF US$ values. Payment is by letter of credit or telegraphic transfer. Goods are cleared by the retailers' clearing agents on arrival in Singapore. All GST and other customs duties and taxes applicable to the imported goods are handled and paid for by the importer.

Packing requirements

The Singapore Customs has no specified packing requirements. It is up to the exporter and importer to determine the most suitable packing for the products. However, it is common practice for goods to have inner cartons or polybags or boxes per item (depending on product) and a master carton in standard export packing to ensure that the quality of the merchandise is maintained while in transit. (The Singapore Customs website, *www.customs.gov.sg*, has further information on this point.)

Consumer preferences for specific fibre types and blending

For childrenswear and menswear, the fabric must be of cotton or a blend with 85% or more cotton for a cooler and comfortable feel in the warm climate of Singapore.

For womenswear, fashion dictates preferred fibre types and blending although a cotton mix is also preferred. Fabrics of spandex, lycra, poly/cotton are currently evident in most shops.

Case studies of national retailers and clothing importers

Survey highlights

The material for the case studies presented in this section was obtained in a survey of interviews of retailers and importers carried out in 2006. The survey questionnaire is reproduced in annex IV.

Generally, buyers are not familiar with most of the least developed countries or with their capabilities in textile and clothing manufacturing. Overall, suppliers in these countries are regarded with scepticism, uncertainty or unfavourably, with a few exceptions.

Some buyers are aware that owners of international brands, mostly from the United States, have set up manufacturing plants in Bangladesh, Cambodia, Myanmar to name a few, and that quality control is closely monitored. These buyers feel that the resulting transfer of technology will facilitate the development of the textile and clothing industry in these countries. Although this development is important, political and economic stability is essential to the timely delivery of merchandise.

Singaporean buyers procure most of their textile and clothing requirements from China, Hong Kong SAR, Indonesia, Japan, Malaysia and Thailand because of the quality of their products and their proximity to Singapore. The buyers can take a quick trip to these countries to inspect production or stocks prior to delivery. With least developed countries in areas other than Asia, the geographical distance from Singapore is an issue.

Singaporean merchandisers are generally open to new suppliers who can provide merchandise that are commercially attractive and can satisfy the Singapore shoppers' discerning taste. Most interviewees were willing to look at LDC offerings either through a direct contact or through LDC agents. The market has been flooded with low-middle priced goods from China for a long time now. As the economy picks up, consumers are becoming more discerning and are looking for uniqueness and exclusivity in styles. Most stores are trading up and are moving away from discounting. They are now concentrating on branding and are implementing new retailing concepts in a bid to increase consumer spending.

A good balance between quality and price is necessary for any LDC to successfully penetrate the Singapore market. Merchandisers are well-travelled and well-versed with the offerings of each supplying country. Competition is tough and LDCs must be able to compete with long-established supply chains.

Business relationships are built over time and trustworthiness is considered important by Singaporean businessmen. Deliveries must be prompt, the quality of goods must meet international standards, prices must be competitive, and suppliers must have ready access to good fabrics and accessories. All these factors contribute to the establishment of a long-term, successful trading relationship.

Once LDCs are able to establish a merchandising niche, Singaporean traders can contribute to the development of the LDCs' offerings and integrate them into their huge global network.

Styling and quality preferences, and pricing, fabrication and procurement practices vary among various types of retailers and agents. The comments in the case studies below are indicative of the merchandising practices of particular types of retailers or agents.

However, in general, merchandisers continue to entertain new vendors, particularly those who can offer products that are competitive with products currently obtained from China. LDCs will have to give their product offerings a certain twist to create a differentiating advantage unique to their countries. This could mean the presentation of a certain look or the use of a particular type of hand-work, beading, finishing, etc.

As the Singapore domestic market is small, most buyers are wary of the large minimum quantities imposed by overseas suppliers who are used to dealing with bigger markets such as Canada, the European Union and the United States. Small to medium-sized LDC factories would probably be more suitable for supplying the Singapore market. They should be willing to offer lower minimum quantities per style, to work on a greater variety of products, and to grow the business with the buyer.

Most retailers would prefer LDCs to work with agents to shorten the development time, and for the LDCs to handle quality control and ensure timely deliveries. Singaporeans are known to work efficiently.

Department stores

C.K. Tang

Type of business:	Department store
Interviewee:	Mr Boon Teoh
Position:	Senior Merchandising Manager
Department:	Men's Division
Date of interview:	26 July 2006

C.K. Tang, one of Singapore's home-grown department stores, is a fashion forward family store catering to a wide cross-section of Singaporeans. Apart from brands it indents directly from overseas, it develops ready-to-wear garments and footwear carrying in-house labels such as Island Shop, Martina Pink, and Studio to set it apart from other retailers. Half of its merchandise is obtained on an outright returnable basis, while the other half is on either concessionary or consignment trading arrangements.

Most of the products developed and imported by the store are womenswear, while menswear is mostly supplied by local vendors. It does not import textiles, only ready-made garments. Men's and women's fashion apparel are imported from Australia, while men's fashion coordinates are sourced mainly from Italy, Thailand and the United States.

'The quality of the fabric or base material is of prime importance, be it cotton for apparel or leather for shoes. The precision of workmanship ranks next as a selection criterion. The design of branded made-up garments is vital,' says Mr Teoh.

Most of C.K. Tang's indented products are procured through its buying agents in Australia and Italy.

Mr Teoh is not familiar with most of the LDCs but knows that Bangladesh, Mauritius and Myanmar have the capacity to supply garments. He says that, in

Bangladesh, cotton items are 'ok' and are low-priced but notes that 'they have high minimum production quantities'. He is aware that large-selling United States brands are currently being produced in Mauritius and Myanmar under strict quality control procedures. He realizes that Cambodia and Nepal could be potential sources of low- to mid-quality textiles and clothing.

He believes that there must be a good balance between the price and the quality of merchandise. Good fabric selection and a skilled workforce are equally important to him when looking for a supplier.

When asked about his company's sourcing practices, he says it would be best for a supplier to go through a distributor or agent in Singapore who will control production and monitor deliveries. 'Merchandisers cannot go to factories regularly to inspect goods.' However, he is also open to direct importation provided suppliers are willing to work with smaller quantities.

Trade fairs might not be suitable because of the magnitude of many of them and the size of the crowd.

At the time of the interview, C.K. Tang required 'good quality shirting in luxury cotton, and nice crisp linen coordinates' for menswear.

As regards womenswear, C.K. Tang develops ready-to-wear clothing for several in-house labels and is open to direct presentations from LDC suppliers. These should bear in mind that the company wants current designs, trendy styling, a good balance between price and quality, and reasonable quantities per style.

Isetan (Singapore) Ltd

Type of business:	Department store chain
Interviewee:	Mr Yukio Okada
Position:	Director – Merchandising Manager
Department:	Men's, Women's, Children's
Date of interview:	30 June 2006

Isetan (Singapore) Limited is a leading fashion department store chain with four branches in Singapore (at Orchard Road, Scotts Road and the Katong and Tampines areas). It imports directly only 5% of its merchandise, mainly labels which it carries exclusively such as Springfield (from Spain), In Wear (from Denmark) and Voyage Rita (from China). Some of its exclusive merchandise is designed in Tokyo or Hong Kong SAR but produced in China. It imports both knitted and woven clothing.

About 60% of its merchandise is on consignment; 35% is purchased through local distributors; 5% consists of indented merchandise. Isetan sources its imports through its buying office in Europe, its headquarters in Tokyo, and through its office in New York.

Mr Okada states that supplies must have a good balance between quality and price. Furthermore, a manufacturer must demonstrate that it has products of good quality, design capabilities, a good fabric selection, a skilled workforce, and vertically integrated operations before Isetan can consider it as a possible supplier.

Its preferred way of sourcing is through a Singapore importer who is also a distributor and thus a potential vendor of Isetan products. In this way, Isetan has less responsibility for inventory. It trades mainly on the basis of consignments or returnable merchandise. This shift to consignment-based arrangements came soon after the SARS episode. He explains that when turnover is slow, the vendor can consolidate its stocks and redistribute them to other stores. He believes that 50%–70% of stocks should be sold at normal prices and only 30% should be sold at sale prices.

Isetan could consider importing childrenswear and sportswear from LDCs. Quantities per style are estimated at 20–36 pieces.

However, he recommends that LDCs work with importers, agents or distributors (not department stores) who own a brand or label which needs production. The LDCs' quality levels must be good and their production lines must be flexible enough to accept order quantities as small as 50–100 pieces per style. As the Singapore market is small, its merchandisers can work only with small to medium-sized manufacturers with low production capacities.

Mr Okada is aware of most of the LDCs, but does not know whether any of them manufactures textiles or clothing.

Metro (Private) Limited

Type of business:	Department store
Interviewee:	Ms Jessie Chng
Position:	Merchandising Manager – Menswear and Childrenswear
Department:	Apparel
Date of interview:	14 July 2006

Metro (Private) Limited exemplifies Singapore's own type of department stores; at the time of the interview it had four branches nationwide. It obtains 50% of its merchandise on concession, 30% on open-to-supplier (OTS) terms, and 20% by direct purchase. It develops its own brand of women's executive wear under the brand names Marissa and Monsoon. It does not purchase textiles for manufacture, but develops product lines closely with factories and subsequently purchases the ready-made garments carrying its labels.

High-end designer labels are usually bought in Europe during trade fairs, particularly in Frankfurt and Paris, where the merchants are allowed to purchase quantities as small as 6 pieces per style. Merchandise at the low to middle price levels are obtained from China, India, Malaysia and the United States. Low-end goods generally meant for promotion are purchased from China.

In India, Metro merchants purchase up to 200 pieces per colour of womenswear. However, in the United States, purchases particularly of childrenswear are in quantities as small as 6 pieces per style. Most of Metro's knitted underwear is purchased from Malaysia.

Metro continues to see the need to purchase merchandise from the United States, which it uses to make fashion statements. These garments are seen in the country's biggest trade fairs such as Magic in Las Vegas. However, the bulk of the volume and key imported items is sourced from China.

Metro's merchandisers deal with local agents and distributors as their trading remit compels them to work with consignments or as concessionaires. Department stores are unable to purchase in bulk because of the nature of the fashion business, which requires more variety than depth in stockholding. 'Agents are able to purchase in bulk as they can rotate stocks among several outlets,' Ms Chng says. 'Agents are also able to monitor bad workmanship and will not supply badly made products to department stores.'

Ms Chng suggests that representatives of LDC factories should come to Singapore to present their full range of merchandise and preferably appoint an agent to distribute their goods to department stores.

'Cheap air fares have diverted Singaporean shoppers to other destinations like Hong Kong and Bangkok,' Ms Chng complains.

When asked about her awareness of LDCs, the following countries came to her mind: Afghanistan, Bhutan, Bangladesh, Cambodia, Lao People's Democratic Republic, Maldives, Myanmar, Nepal, Timor-Leste and Yemen. However, she is familiar only with Bangladesh, Cambodia, and Myanmar as potential sources of textiles and clothing. When asked about LDCs in Africa and elsewhere, although she had heard about them, she did not know what their capabilities for supplying textile and clothing were. She mentioned the following countries: Central African Republic, Democratic Republic of the Congo, Ethiopia, Gambia, Guinea, Liberia, Madagascar, Mauritania, Mozambique, Niger, Somalia, Uganda, United Republic of Tanzania, Zambia and Haiti.

Any supplier of textiles and clothing should have the ability to offer products of good quality at attractive prices, managerial flexibility, design capabilities, access to a good selection of fabrics, a skilled workforce and advanced technology.

Metro's preferred way of sourcing is through local agents and distributors. However, for the development of in-house brands, Ms Chng prefers LDC factories to send their representatives to Singapore to present their merchandise directly to Metro. Metro's minimum quantity requirements per style are quite low at an estimated 100 pieces per colour. At the time of the interview she felt that there was an over-supply of merchandise as well as suppliers in most product categories.

In summary, she feels that factories in LDCs 'have not yet come to the level to be able to supply affluent countries, unless they are hand-held by managers in developed countries.' For this reason, they should approach the brand owners involved in product development such as Levi's and Guess, which monitor quality quite closely.

John Little

Type of business:	Department store
Interviewee:	Ms Karen Tan
Position:	Head of Merchandising
Date of interview:	14 July 2006

John Little imports both knitted and woven clothing from various sources, including Hong Kong SAR (all types of apparel), India (women's apparel), Malaysia (knit tops). These imports account for 20%–25% of the company's stock. The bulk of its merchandise is on consignment from local suppliers. It does not import fabrics.

John Little is a discount store which has captured Singapore's heartlands. It targets customers aged 20–40 years from the working class. At the time of the interview, it had five branches located at Specialists Shopping Centre, North Point, Jurong Point, Causeway Point and Plaza Singapura. Three branches in the outskirts had been closed owing to poor sales performance; these were located in White Sands, Parkway Parade and Sengkang.

Ms Tan said that the retail scene had changed with the arrival of brands like Zara and Mango. Fashionability and fast-paced turnover set the trend particularly in the women's sector. The increased awareness of shifts in consumer preferences for trendy fashion wear is evident among retailers in the region, particularly in Malaysia, Indonesia and Thailand. This has influenced the buying patterns of merchandisers in Singapore.

Most of the clothing suppliers with whom John Little develops its products were contacted through local agents or distributors or introduced by local vendors. John Little had met some of them at trade fairs, i.e. during the Hong Kong Fashion Week and Magic USA. The reasons for continued purchases from these sources are: value products (i.e. they have a good balance between price and quality), reliability of delivery, and conformity of finished goods with approved samples.

When shown the list of least developed countries, Ms Tan said that she was unfamiliar with most of them, with the exception of Bangladesh, Cambodia, the Lao People's Democratic Republic and Nepal. She thought that these offered basic and inexpensive merchandise but admitted that she had never worked with them before.

The most important attribute of any supplier is the ability to provide quality merchandise. This is followed by the ability to offer a good price, timely delivery, access to an attractive fabric selection, and a skilled workforce.

John Little prefers to source its merchandise through an importer, agent or a local distributor who will service its account. However, it is open to direct importation; this means that suppliers from LDCs are welcome to present their merchandise direct to JL merchandisers. The merchandise must be up to date in styling.

John Little generally orders 150 pieces per style and requires good womenswear and menswear that are cotton-based, as well as denims and basic knits. Products must be 'cheap and good'. A vertically integrated company would be ideal but not necessary. John Little is also looking for basic knits and denim bottoms for children as well as household items at 240 pieces per style of cotton-based towels, bed sheets and kitchen textiles.

Ms Tan says that they are open to presentations from LDCs provided the merchandise and the prices are right, quantities are reasonable at 120 pieces per style, deliveries are timely, and they 'do not work in sweatshops and with child labour'.

Mohamed Mustafa & Samsuddin Co. Pte Ltd

Type of business:	24/7 department store and supermarket
Interviewee:	Mr A. B. Rasheed
Position:	Category Manager
Department:	Apparel
Date of interview:	15 July 2006

Mustafa, a household name in Singapore has been around for 30 years. Its customers include Indians (40%), Chinese (20%), Malays (10%) and foreigners (30%). It is the largest department store and supermarket open 24 hours a day and seven days a week.

Textiles and clothing account for 20%–25% of its business and supermarket goods 35%; the balance of the business is in electronics. About 30% of the clothing it merchandises is developed (indented) while 70% is purchased on an outright basis.

The products Mustafa has developed itself are obtained from India and Indonesia. It does not operate on consignment because it is confident about the products it sells and would rather work with higher margins.

Its other textile and clothing products are sourced by local suppliers from China, Hong Kong SAR, India and Malaysia. Most of the men's ready-made garments are supplied by local agents who obtain them particularly from Indonesia. Children's items are provided mainly by China and Thailand. Mustafa used to buy some childrenswear from the United Kingdom, but has stopped doing so because of the expense and because it has alternative sources offering similar products at lower prices.

Mustafa imports fabrics as well from India, Japan and the Republic of Korea. However, it also works with local importers of fabrics who obtain them from Taiwan Province of China, Thailand and China.

Contracts for the supply of most of Mustafa's clothing are negotiated direct with factories. These send representatives to Singapore to present their merchandise and subsequently communicate by e-mail and send counter-samples for approval by mail. Some other types of apparel are developed through local agents and importers. Textiles, however, are purchased direct from source.

Like the other interviewees, Mr Rasheed is not familiar with most of the LDCs with the exception of Afghanistan, Bangladesh, Cambodia and Myanmar. Merchandise from these countries is sold through brand owners such as Nike and Adidas, who have worldwide production operations and have effective quality control procedures.

Mr Rasheed says that design capabilities, communication skills in English, access to a good fabric selection and a skilled workforce are of primary importance in a supplier. However, he notes that his customers, 75% of whom come from the low-middle class, are price-sensitive and are not too concerned about quality.

His preferred way of sourcing is direct importation and any representatives from LDCs can talk directly to him. Since the store's merchandise range is vast, they can offer almost any product category to him suitable for sale in Singapore.

Specifically, Mustafa requires the following in quantities of 300 pieces per colour and a maximum of 100 dozens per style:

- Childrenswear, such as T-shirts and jeans in 3–4 colourways;
- Womenswear, basic items in 2–3 colourways;
- Menswear in 3–4 colourways.

Takashimaya Singapore

Type of business:	Department store
Interviewee:	Ms Jerina Estrada
Position:	Division Manager
Department:	Women's, Men's, Children's and Sports Wear, Customer Service, Business Development
Date of interview:	3 August 2006

Takashimaya Singapore is a destination area for tourists as well as for most Singaporeans who account for 80% of its customers. It is a lifestyle shopping department store that has everything under one roof. With tougher competition along Orchard Road, Ms Estrada feels that merchandising should be sharper, the shopping environment should be more pleasant, and customer service must be raised to higher standards for a more sophisticated customer who is well-travelled and has higher expectations. In line with this, and to cater to a more discerning customer, the store was undergoing renovation at the time of the interview to upgrade its women's lingerie section. With the advent of budget airlines, competition extends beyond boundaries, with travellers shopping not only in Singapore, but also in accessible cities like Bangkok, Hong Kong SAR and Kuala Lumpur.

About 95% of Takashimaya's fashion apparel is supplied by local vendors and only 5% is imported direct from the supplier. Of the 95% supplied by local vendors, 30% is on concession, 55% is consigned and 15% is purchased outright but on a returnable basis.

Takashimaya is known for its international designer brands obtained mainly on concession. The merchandise it imports direct consists largely of men's shirts and ties from Italy, women's and children's apparel from the Republic of Korea, as well as women's clothes from Spain. Occasionally, it arranges for bulk indent orders from China through local vendors for promotional purposes.

It has two buying agents in Europe and the Republic of Korea. Ms Estrada maintains that working with buying agents offers trading benefits because they provide valuable services, such as quality control, coordinating deliveries, handling documentation, etc. For a single store such as Takashimaya, it is essential to work with buying agents because its orders for regular items range only from 12 to 36 pieces per style.

Ms Estrada is not familiar with least developed countries other than Cambodia. She has heard that United States garment companies manufacture apparel in Cambodia, but she has never had any experience with imported garments from LDCs.

For an upscale retailer like Takashimaya, quality is paramount and should balance well with price. She also considers timely delivery extremely important for any retailer.

She recommends that LDC companies secure an agent to represent them in the region, market their products, and set and control retail prices among stores. Takashimaya would prefer to merchandise product lines or 'brands' and not go into product development, as it does not have economies of scale. Ms Estrada nevertheless says that they are continuously looking for new merchandise.

Finally, Ms Estrada recommends that LDC companies approach brand owners concerned mainly with the manufacture of their merchandise and with securing reliable suppliers for their labels. These companies would be able to order larger quantities, which would make the business more viable for LDCs.

Speciality shops

Kiddy Palace Pte Ltd

Type of business:	Clothing speciality store for children, maternity shop
Interviewee:	Mr Ong Tze Hsiung
Position:	Executive Director
Date of interview:	28 July 2006

Kiddy Palace opened its first retail shop specializing in childrenswear in 1992. It is family-owned and has since grown to 10 outlets spread across the Singapore heartlands. It develops its own in-house labels: Max-Kool (for infant, toddlers and children), Andrea Leonard (maternity range) and Sun Surf (beachwear for children). About 25% of its merchandise is developed in-house and is mostly imported from Thailand, China, Hong Kong SAR and India; 75% is purchased locally on outright-returnable arrangements, on consignment, or as a concessionaire.

Kiddy Palace imports ready-made garments, consisting mainly of knit apparel, footwear and headgear. Mr Ong raised the fact that there are 38,000 births annually in Singapore and said that the company would like to handle infant wear.

While it does not purchase textiles itself, it works with local suppliers on stock fabrics which are developed and imported from several sources exclusively for Kiddy Palace.

Most of its suppliers offer product development services when they come to Singapore on cold calls to present their offerings. Kiddy Palace rarely attends trade fairs although it has sent representatives to at least two of these fairs. It finds the trade fairs 'too big', making it difficult to focus on specific merchandise.

Mr Ong describes Singapore as a highly competitive market and feels it is important to work with several suppliers in various countries in order to attain some product differentiation. Over the years, Kiddy Palace has been able to build relationships with suppliers who understand their needs. This understanding is extremely important in any business relationship. Kiddy Palace goes overseas every three months on buying trips.

They are open to assisting LDCs. However, they would like to see the workmanship and quality of the merchandise and be assured that the LDC suppliers are able to design and produce goods that meet Singapore's requirements. LDC suppliers should offer a good balance between quality and price and should have design capabilities.

LDC suppliers should approach Kiddy Palace directly so that they will know who they are dealing with and what season they should work on. He suggests nevertheless that these suppliers should link themselves with agents who can provide quality control services during the inspection of goods prior to shipment. This is to ensure that only goods that are of good quality and are based on approved samples will be delivered.

At the time of the interview, Kiddy Palace was purchasing 300 pieces per style mainly of basic childrenswear. He said that the retail market was down at the time because it was the off-peak season and there was tough competition among retailers.

He saw a need for fashionable woven dresses for girls and smarter casual outfits for boys.

The company's total turnover in 2005 was S$ 32.3 million.

Importers, agents, distributors

Goldlion Enterprise (Singapore) Pte Ltd

Type of business:	Clothing speciality store, agent and distributor
Years in business:	Since 1972
Interviewee:	Mr Adolphus Heng
Position:	Division General Manager
Department:	Apparel Division
Date of interview:	7 July 2006

Goldlion Enterprise (Singapore) Pte Ltd is the exclusive agent and distributor in Singapore of the Hong Kong label Goldlion. It owns five Goldlion shops; covers 18 department stores; contract manufactures its own labels Van Garie, San Raphael, Jean Mercier; and is under a licensing agreement to manufacture the label Camel Active. Domestic sales account for 95% of its overall sales; export sales, mainly to Brunei Darussalam and Indonesia, make up the balance of 5%.

Mr Adolphus Heng, its Division General Manager, selects mostly cotton fabrics from various textile suppliers in Austria, China, France, Germany, India, Italy, Japan, Portugal, the Republic of Korea, Switzerland, Taiwan Province of China, Thailand and Turkey. However, the company does not import the fabrics itself but obtains them through a local agent in Singapore and subsequently arranges for their manufacture into finished products in appointed factories in China, Malaysia, Myanmar and Viet Nam. Goldlion prefers fabrics from European countries because they are trendy, are available in fashion colours, and are premium quality cottons.

The fabrics it obtains must meet the European Oeko-Tex Standard 100. Fabrics from Japan and Thailand should have a resin and liquid ammonia finish; nano technology is used to obtain this finish which gives the fabric a better and softer hand-feel.

At the time of the interview the company was planning to launch the use of organic fabrics for customers who are sensitive to chemicals.

Its normal requirement per style of fabric is 1,000 metres.

It is aware that Afghanistan, Bangladesh, Cambodia and Myanmar are capable of supplying textiles. Feedback from countries like Bangladesh and India up to the time of the interview had not been favourable owing to colourfast and shrinkage problems. He had heard that some of the mills that had operated in these countries eventually shifted their operations to Thailand and China where people have the required skills and companies the advanced technology that eliminates such problems.

They had heard of Angola, Cape Verde, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea, Liberia, Rwanda, Senegal, Togo, United Republic of Tanzania, Zambia and Haiti.

Goldlion Enterprise's preferred way of sourcing finished clothing is through a local importer/agent or distributor. It purchases woven and knit tops, denim tops, as well as woven pants. To service all its merchandise requirements, it works with local and foreign buying agents; at the time of the interview these numbered four from Singapore and two from Malaysia and China. They met most of their textile and clothing suppliers at trade fairs. Besides the usual cotton and cotton mix fabrics, the company requires textiles subjected to improved treatments in order to obtain an added commercial advantage.

Goldlion Enterprise prides itself in being the number one brand in the categories men's tops and bottoms, and men's accessories. It purchases ready-made garments mainly from China, Malaysia, India, and Italy. Most of its special buys are obtained from China because of the quality of its products, its attractive pricing policies and proximity to Singapore.

Goldlion considers the following of utmost importance in the procurement of textiles and clothing: timely delivery, quality of merchandise, and good fabric selection. Next in importance are design capabilities, skilled workforce and the use of advanced technology. As it offers a premium brand of men's smart casual wear, good quality and design are paramount requirements.

F.J. Benjamin

Type of business:	Clothing speciality store, agent and distributor
Interviewee:	Mr Matthew Chan
Position:	Divisional Chief Executive Officer
Department:	Fashions and Corporate Support Services
Date of interview:	14 July 2006

Fashion retailer F.J. Benjamin is one of the leading agents and distributors of designer labels such as Banana Republic, Gap, Guess, La Senza, Raoul and Paint Eight Baby Clothes.

It imports both textiles and clothing. Among the items it imports are silk, cotton yarn and fabrics, special woven fabrics, lace and trimmings, embroidery, and knitted and crocheted fabrics. Among the clothing articles it imports are knitted or crocheted garments; the choice varies with the season.

An estimated 50% of its merchandise is developed in-house while 50% is purchased direct from the brand owners. It has diverse sources of textiles in view of its varied clothing requirements. It imports silk and 100% cotton shirting fabrics from Austria, Italy and Japan and fine cotton from Switzerland. Knits, silk, denim, poly-georgette and lycra fabrics are obtained from China or Hong Kong SAR. Single jersey knits are supplied by Malaysia. Cotton knits and woven cotton with no lycra content are mostly imported from Thailand. The above sources were selected on the basis of quality and timely delivery, which F.J. Benjamin considers most important in its business.

It has 12 preferred manufacturers of garments in the following countries: Bangladesh, China, Indonesia, Malaysia and Thailand. These garments are imported on FOB or CIF terms.

Clothing is imported mainly from China (jeans, outerwear, T-shirts, childrenswear), France (women's ready-to-wear), Italy (ties, women's ready-to-wear) and Thailand (childrenswear). The high finishing standards in these countries as well as the ease of access they provide to FJB managers travelling to quality control the garments are the main reasons for FJB's continuing business with them.

The company meets prospective suppliers of both textiles and clothing through an agent/importer/distributor, through direct contacts with company representatives visiting Singapore, and in trade fairs mainly in Thailand, China and Hong Kong SAR.

The presence of a skilled workforce which produces quality merchandise and delivers on time is an essential attribute of an FJB supplier. Considerations of price, the use of advance technology, and access to a good fabric selection are of secondary importance.

Having been in the textile and clothing business for many years, FJB prefers to obtain its merchandise through direct importation (dealing with direct sources) to secure better prices and timely deliveries. In addition, its officers like to meet suppliers at trade fairs to widen their knowledge of sources of specialized goods.

Merchandisers at FJB are familiar with textile and clothing suppliers from Bangladesh, Cambodia, the Lao People's Democratic Republic, Madagascar, Myanmar and Nepal. They maintain that they are 'satisfied' with the quality of products manufactured in Bangladesh for Guess and La Senza.

At the time of the interview, they required fine cotton wovens, knits and denims in quantities of between 250 and 1,000 pieces per style. In the childrenswear category, they needed T-shirts, body suits and socks. For men, they wanted denims and wovens (tops and bottoms) and single-jersey knits. For women, they were looking for knits and silk pieces (tops and bottoms).

Steven Enterprise

Type of business:	Importer/exporter of textiles and clothing; agent and distributor of electronic goods
Interviewee:	Mr Vishnu Thadani
Position:	Partner
Department:	Apparel
Date of interview:	June 2006

Steven Enterprise is a medium-sized trading company which has been a major supplier of department stores for over 20 years. It deals mainly with men's and children's clothing from India and Indonesia. The company is a partnership of three brothers with connections with factories in India, from which they source apparel and electronic goods.

Mr Vishnu Thadani, the youngest of the three brothers, sells merchandise to Isetan, John Little, Kiddy Palace, Seiyu, Robinsons, to name a few clients. The company also exports goods to a few wholesalers/retailers in Indonesia.

In the years preceding the interview, business had been slow because department store clients had been changing their trading terms from outright purchases of developed products to consignment arrangements. In addition, the stores had been sending their merchandisers on short trips to China to make direct purchases which they could then sell at better margins. Buyers are now able to buy smaller quantities of products from numerous factories in China.

These developments have prompted Steven Enterprise to look for partnerships and business ventures outside Singapore.

Chinese products are competitive and come in a variety of styles. This has resulted in an abundance of supplies of almost any type of merchandise in Singapore.

Steven Enterprise imports apparel from India, Indonesia and Malaysia. It works with importers and/or agents from these countries and purchases stock lots to be resold to department stores in Singapore. India, however, is its main source of supply because it is easy to communicate with and it offers woven cotton at fairly good prices. Having worked with them for over 20 years, Steven has good relations with factory managers in the country. However, as China is now a major source of textiles, Steven is looking into the possibility of obtaining manufactured items from that country as well.

It is essential for prospective suppliers to offer quality merchandise at good prices and to guarantee timely delivery. A skilled workforce, the use of advanced technology and vertically integrated operations are also important considerations in the company's choice of factories to deal with.

Mr Thadani prefers to deal direct with the factories themselves rather than with agents or distributors because he is an agent and distributor himself. He suggests that LDCs should be represented at trade fairs to make contact and secure eventual links with Singaporean companies.

At the time of the interview he did not need any type of merchandise because business had slackened. He said that Singapore had an over-supply of apparel and that demand had shrunk.

In the past, department stores purchased between 300 and 600 pieces per style. The numbers had since dropped to an average of 60 pieces per style.

Of the LDCs that supply textiles and clothing, Mr Thadani is aware of Bangladesh, Cambodia, Mauritania, Myanmar and Nepal. His perception of woven and knitted clothing sourced from Bangladesh is that their quality level does not come up to Singapore standards. He knows that several factories in Cambodia produce goods for Gap and recognizes that these products are of a satisfactory quality. Myanmar supplies clothing, but he has not seen much of their products in Singapore. Some factories in Nepal produce goods carrying the Old Navy brand which are satisfactory. He believes that the output of many factories in Mauritius is fairly good.

Hypermarts

Giant – Hypermart

Type of business:	Hypermart
Interviewee:	Mr Thomas Tay
Position:	General Merchandise Manager
Department:	Apparel Division
Date of interview:	12 July 2006

Giant Hypermart is a member of the Dairy Farm Group which had a total group turnover of US$ 5 billion in a recent year. It is the leading hypermart in Singapore and has seven branches located at IMM, Parkway Parade, Turf City, Sembawang, Pioneer Mall, Marina Square and Bedok.

Its Apparel Division accounts for 12% of its total non-food business. Around 90% of its apparel is purchased from local agents and distributors. This merchandise is imported mainly from Hong Kong SAR, China, Malaysia and Indonesia. Supplies are obtained either on consignment (which accounts for 15% of the Division's total trade) or on purchase/returnable arrangements. It also imports merchandise direct through its Group Procurement office in Hong Kong.

Giant has plans to develop exclusive house brands to improve its margins. Currently, it imports men's briefs, boxer shorts, socks and women's shirts and underwear direct from China. It plans to develop its own complete range of basic round-neck polo shirts and woven and knitted tops for both men and women. This will be similar to Giordano and Baleno products. In this product range, it could purchase 2,400 pieces per style in 3–4 colourways.

Mr Tay says that supplies from China and Hong Kong SAR are generally of good quality and are reasonably priced. These supplies come with good packaging as well, making them a 'good value' buy.

Quality, price and timely delivery are the most important considerations in Giant's buying decisions. Managerial flexibility, design capabilities, good fabric selection and a skilled workforce are equally important factors.

All imported garments are obtained on FOB terms. Giant selects merchandise for import at trade fairs and particularly at the Guangzhou fair where the large number of vendors enables it to choose the best merchandise available. The company also welcomes vendors to visit its offices in Singapore. Once it decides to work with a particular vendor, it likes to visit the vendor's factories to view all its products.

At the time of the interview, Giant required men's polo shirts, T-shirts, pants, undergarments; women's tops and bottoms (Capri pants); and children's tops, bottoms and dresses, preferably in cotton or cotton mix. Estimates of quantities needed ranged from 600 to 3,000 pieces per style.

In addition, they required towels, rugs, blankets and curtains.

Mr Tay had heard of most LDCs in Asia but was aware only of three countries as suppliers of textiles and clothing – Bangladesh, Cambodia and Myanmar. Giant's perception of products from these countries was that they were not fashionable and were of uncertain quality.

Giant had also heard of Angola, the Democratic Republic of Congo, Ethiopia, Liberia, Madagascar, Rwanda, Senegal, Sierra Leone, Somalia, the Sudan, Togo, Uganda, the United Republic of Tanzania and Haiti. It was not aware of any textile and clothing capabilities in these countries.

Carrefour

Type of business: Hypermart
Interviewee: Mr Morgan Chan
Position: Department Head – Textile
Department: Textile, Shoe, Household Linen
Date of interview: 14 July 2006

Carrefour is a successful French hypermart whose business consists mainly of sales of traditional supermarket items. Only 5%–8% of its sales can be attributed to textiles and clothing, according to Mr Morgan Chan, Department Head of its Suntec City branch. Prior to his joining Carrefour, the Department obtained its supplies by outright purchase. However, it now procured goods mostly on consignment.

About 95% of its apparel is purchased from local suppliers and 5% is imported direct. The imports are sourced mainly from Thailand's wholesale centres where prices are lower and minimum quantity purchases of 6 to 12 pieces are possible. Imports consist mainly of apparel made from woven fabrics.

Carrefour is open to meeting LDC suppliers that fulfil its price and quality requirements. Mr Chan suggests that these suppliers go for basic items like T-shirts, shorts and Bermuda shorts for both women and men.

Mr Chan believes that most of his local suppliers obtain their supplies from China. These suppliers also source merchandise from Hong Kong SAR, India, Malaysia and Thailand. For 2007, he was planning to indent supplies from China through the company's buying office in Shanghai. At the time of the interview, 1% of the company's supplies were sourced through its buying office. He believes that in terms of price and design, China does better than other supplying nations.

Quality of merchandise is the most important factor in the supplier selection process; a good price and timely delivery are the second most significant factors.

Should LDCs decide to supply Carrefour, he suggests that they approach an importer, agent or distributor to market their products because he wants a 'goods returnable' arrangement. A local agent would agree to trade on those terms.

He may consider direct purchases from Thailand, at 50 pieces per style. After testing the products in the market, he could increase the quantities in his next purchase.

Through local suppliers, he is able to secure basic T-shirts for children, women and men at S$ 2.00 to S$ 15.00 per piece, depending on design and style. His orders are of the magnitude of 100 pieces per colour in 5 colours, or a total of 500 pieces per style.

Mr Chan is aware that Bangladesh, Cambodia, the Lao People's Democratic Republic and Nepal are suppliers of textiles and clothing. While their prices are fairly low, he is not certain about the quality level of the products sourced from these countries. He had previously purchased some European overruns of women's apparel from Nepal and had found the designs acceptable.

Textile importers

Ban Joo and Co. Ltd

Type of business: Agent for, and distributor of, textiles
Interviewee: Mr Loo Eng Yoong
Position: Finance and Administration Manager
Department: Textile
Date of interview: June 2006

Ban Joo & Co. Ltd is the largest importer of textiles in Singapore. It re-exports fabrics to distributors in the Middle East, covers Asian markets such as Indonesia, Malaysia and the Philippines, as well as Africa and Australia. It imports primarily silk, wool, and cotton fabrics from China, Malaysia, the Republic of Korea and Thailand for printing. It also imports fabrics from Indonesia. It has about 20 suppliers of fabrics, 75% of which are in China.

Mr Loo says that they came to know of their current textile suppliers through their buying offices in China and the Republic of Korea. Company directors met the others at the Guandong trade fair in China.

The company sources the bulk of its supplies from China because of its reasonable prices and products of good quality, and because China is a popular source of textiles. In addition, as Mandarin is a language common to both countries, communication with Chinese suppliers is easy. Time has also proven that most textile factories in China deliver on time and that fabric defects are marginal if the right supplier is chosen. Moreover, the proximity of China to Singapore makes it a logical choice as a supplier.

The company's preferred way of making initial contacts with suppliers is through representations at its buying offices in Shaoting and Qingdao in China. Mr Loo maintains that all of the company's textile requirements can be obtained from China. Each order can fill up a 20-foot container.

Mr Loo has heard of Bangladesh, the Democratic Republic of the Congo, Madagascar, Mauritania, the Sudan, Zambia and Samoa, but is not aware of any textile supply capabilities in these countries.

He suggests that LDCs that want to do business with the company should exhibit at trade fairs, or make direct presentations of merchandise.

Marketing and sales offices

South Pacific Textile Industries (S) P/L

Type of business: Clothing manufacturer
Interviewee: Mr Ho Wee Seng
Position: Senior Apparel Sales Manager
Department: Textile
Date of interview: 30 June 2006

South Pacific Textile Industries is a clothing manufacturer with a sales, marketing and representative office in Singapore and factories in Malaysia. Its Singapore office reaches out to global buyers and markets the company's products in the European Union, the United States, Australia and Canada. Among its customers are:

- In the United States: Fox Racing (men's, womenswear); Millwork (womenswear); Fred Meyers (childrenswear); Bealls (childrenswear); Big Dog (childrenswear); Anchor Blue (adult wear); Hanover (womenswear).

- In Europe: Heaton (womenswear); Scott (menswear); Jitsie (menswear).
- Asia-Pacific: Ocean Pacific (apparel for children and adults).

Annual sales range from S$ 10 million to S$ 20 million. The representative office in Singapore works on commissions amounting to 5% of sales.

Textile supplies for the above products are chosen by South Pacific's customers in various countries. The apparel designs are usually provided by these customers. Trims, buttons, labels and other accessories are imported according to customer specifications.

Among the fabrics imported are knitted cotton and fabrics made from other vegetable textiles, including bamboo-cotton blends. Most textiles are imported from China and Hong Kong SAR (cotton and cotton blends) in forms like jersey, interlock, fleece, ribbing, cotton lycra and jersey, piqué and French terry. Some supplies are also obtained from Taiwan Province of China; these may be 100% polyester, polyester/cotton blends; knitted double piqué, jacquards and sublimated print fabrics.

Mr Ho states that Singapore's domestic market for clothing is very small. However, he is able to use Singapore's global connections to sell to the world. It is possible to sell textiles to buying houses and agents based in Singapore who own or contract manufacture in factories outside the country. It is advisable for any manufacturer of textiles to set up a representative office in the City State.

The principal customers meet their prospective suppliers of textiles through an importing agent or during trade fairs. They appoint suppliers and continue to deal with them if they remain reliable, are able to guarantee a steady supply of goods and have access to all kinds of competitively priced fabrics at differing quality ranges.

The most important consideration in the sourcing decision is the quality of merchandise, followed by good prices and timely delivery.

The most preferred way of meeting new suppliers is at trade fairs as well as through representative offices in the Asia region.

Purchases are in the range of 2,000 kg per style or 500 kg per colour. Each shipment contains 20,000 kg of textiles.

Mr Ho is not too familiar with LDCs, except for the following: Bangladesh, Cambodia, Madagascar, Maldives and Myanmar. However, he knows only of Bangladesh as a potential source of textiles; he has very little information on the quality of the output of this country.

Garment manufacturers

Chu Kwong Garment Factory Pte Ltd

Type of business:	Garment manufacturer
Interviewee:	Mr Sunny Y. S. Lo
Position:	Managing Director
Department:	Apparel
Date of interview:	13 June 2006

Chu Kwong Garment Factory Pte Ltd has been a manufacturer of men's, women's and children's knitwear shirts since 1978 during the boom days when they had 100 machines. At the time of the interview, Mr Lo was happy to keep 10–30 workers with a downsized 50 machines in view of the decline in clothing manufacturing in Singapore. He was giving himself six months to determine the fate of the company. He complained that production costs in Singapore had become prohibitive with rental, staff, transportation costs and utility charges on the rise.

He claimed that most companies in Singapore had moved their production lines to Cambodia, China, the Lao People's Democratic Republic and Viet Nam. Previously, 90% of his output was for export and only 10% for the domestic market. About 70% of his current production was for the local market and only 30% for export, mainly to the United States and European countries like Belgium, France, Germany and Italy.

At the time of the interview, he was importing cotton fabrics, synthetic and artificial fibres knitted or crocheted as well as woven fabrics. China was his main source of woven and knit fabrics owing to its competitive prices. He was also importing from Hong Kong SAR a better grade of micro-spandex and denim. Although he believed that these materials were also manufactured in China, he continued to source them in Hong Kong because the latter offered better quality control, management, technology and communication. Good price, timely delivery, quality of merchandise, variety of design and production ability were attributes he considered important in a textile supplier.

The Republic of Korea was his main source of fabrics for womenswear, particularly georgette. In addition to the Republic of Korea's design advantages, suppliers there allowed him to purchase fabrics in smaller quantities. Vendors also appointed suppliers in Taiwan Province of China from where he obtained synthetic fabrics.

As a result of the decline in his manufacturing activities, Mr Lo was also importing men's, women's and children's clothing, mainly from Hong Kong and specifically knitwear, pants, shorts and skirt dresses. Again, although he believed that the products might have been manufactured in China, he sourced them in Hong Kong to take advantage of its better designs. His customers for these products were Seiyu, OG, Robinsons and other smaller vendors. Mr Lo claimed that some types of merchandise could not be produced in Singapore and therefore had to be imported.

He had first met his suppliers at the Hong Kong trade fair; some suppliers came to Singapore to present their merchandise with samples and swatches. Some were recommended by the company's own customers.

Mr Lo felt strongly that a buyer must have faith and confidence in the country of origin for business to be stable.

His preferred way of sourcing was direct importation but through a buying office, perhaps in Hong Kong. Prospective suppliers should be present at trade fairs like the Fashion Week organized by the Hong Kong Trade Development Council. He advised LDCs to approach Singapore companies direct, introducing their merchandise through their websites or by providing samples prior to a visit to Singapore.

At the time of the interview, he required heavyweight jackets, overalls and blazers.

When asked what LDCs should supply Singapore, he noted that the market was flooded with all types of merchandise from everywhere. If they had new and specialized merchandise with an attractive label, LDCs could explore penetrating the Singapore market. Alternatively, they could manufacture products with a Singapore label in their country for distribution in their own markets or for re-export to major buyers in Europe and the United States.

In addition, he suggested that an investment agreement be made between Singapore and LDCs to enable suppliers to ship freely to various destinations without obstacles.

Possible niche markets and product groups to be targeted

The Singapore apparel market is a sophisticated and mature market with well-travelled and highly discriminating shoppers. Hence, expectations in retailing are much higher. Merchandise offerings must be current and fashion forward, of reasonably good quality and with a wide variety of selections to choose from. Consumers are generally not price-conscious but appreciate products with 'good value'. With the considerable amount of local and international brands available, shoppers are brand conscious.

Merchandisers in department stores or with importers, agent or distributor, prefer to buy *coordinated product lines or brands* from which they can select styles suitable for the Singapore market. Most retailers do not have in-house designers (although there is a growing trend among sole agents, licensees and brand owners to employ in-house designers). Merchandisers depend on the design capabilities and product offerings of manufacturers. They prefer to work with suppliers who can provide a wide selection of fabrics and accessories, and a large variety of designs or styling. Most buyers attend trade fairs and are well-versed in the latest fashion trends.

LDCs could supply large-volume product categories across genders and age groups, such as *basic knits and basic denims*. Design and quality are not so crucial for these product categories, although the quality level must be satisfactory and competitive with the Chinese, Thai and Malaysian offerings.

There is a growing market for sportswear especially with Singaporeans leading health-conscious lifestyles. This product category covers polo shirts, shorts, jogging pants, jackets, socks, head gear, knitted or crocheted, for men, women and teens in all sizes. This product category is not so trendy, orders could be of larger quantities depending on the retailer, and importers/retailers could hold stocks longer.

Underwear and inner garments for all gender and age groups is another product category that LDCs could offer. However, prices must be competitive with items purchased from China and Malaysia.

If LDC companies are in partnership with any European or United States company, they may approach *local designers* with an offer to manufacture their creations in their factories at lower costs. Note that local designers are familiar with the manufacturing capabilities of neighbouring countries and, hence, LDCs must be able to compete in terms of quality, price, reliability, design capabilities, timely deliveries and easy access to fabric sources.

In the area of textile supplies, LDCs could present their textile supplies *to support the manufacturing* carried out by Singapore companies based overseas.

LDCs could secure *distribution rights* to the Far East for the *international or reputable brands* they currently manufacture and use Singapore as a springboard to launch such brands in the region. Under such an arrangement, the standard of quality would be assured and designs would be acceptable in a Singapore context.

The market for other *product categories* like bed linen, towels and home furnishings, which are not sensitive to fashion trends or for which design and quality are not so crucial, could be explored.

LDCs could approach brand owners of up and coming ASEAN brands like Padini, British India, Goldlion, Island Shop, and offer to manufacture part of their requirements and build trust to grow with the business.

Existing national support schemes[42]

Singapore offers duty-free and quota-free access without discriminating between WTO member countries – for virtually all products, including products from least developed countries.

Singapore has almost no natural resources and is heavily dependent on external trade. As it pursues a free-trade policy, most goods can be imported and exported freely into and out of the country. Singapore is an open economy and welcomes trade particularly in textiles and clothing.

Singapore has concluded free trade agreements with Australia, the European Free Trade Association (EFTA), Japan, New Zealand and the United States. At the time of the preparation of this chapter, it was beginning free trade talks with China.

Integration of LDC exporters into the overall value chain

As Singapore has a weak textile and clothing manufacturing sector, integration into the earlier parts of the textile and clothing value chain (fibre processing, spinning, weaving, dyeing) would not be advisable. LDCs could participate in the later stages of the chain by:

- Designing collections (including patterns, styling, coordinating themes and colourization);
- Offering fabrics and accessories;
- Providing opportunities for sampling their merchandise;
- Ensuring quality control of their operations and products;
- Offering the best possible prices;
- Making regular presentations of new collections that are current, relevant and fashion-forward;
- Offering collections that are unique and have niche markets.

Recommendations to clothing exporters

As the domestic clothing market in Singapore is small, retailers order with lesser depth but more variety. This has always posed a problem for Singapore buyers sourcing from Malaysia, Hong Kong SAR and Indonesia. In the past, Singapore buyers could not buy supplies from China because the minimum order quantities were too large (from 100 dozens per style). However, with the opening of wholesale centres in Shenzhen, Guangzhou, and other cities in China, buyers are now able to purchase 1 or 2 dozens per style or even smaller quantities. Wholesale centres in Thailand and Hong Kong SAR have also become popular among Singaporean buyers.

LDCs attempting to service the Singapore market should work with local agents, importers/distributors who can buy in larger quantities for distribution

42 Schemes can be utilized to assist LDCs to penetrate the Singapore market.

to several retailers in the country. These traders can hold larger inventories, control retail prices, manage retailers' stocks or consolidate them when sales slow down. In addition, most agents and distributors cover Southeast Asia as part of their sales territory. These use Singapore as a springboard for launching their product lines and eventually move on to Malaysia, Brunei Darussalam, Indonesia and the Philippines.

Since there are many LDCs, they could appoint a commissioning agent (by country or region) to represent them in the sales and marketing of their goods in Singapore. Such an agent would travel to Singapore at regular intervals to service retailers and agents, carrying with him or her new sample collections of product lines produced by the factories represented and subsequently collate all orders for production. The agent would collect a commission from the factories, which would be an agreed percentage of net sales and would depend on the type of services rendered. These could range from securing orders, following up on orders, product development, acting as liaison officer or go-between, performing quality control functions, coordinating deliveries and payments, etc. The use of an agent would make each factory's efforts to penetrate the Singapore market more cost effective.

LDCs could also work directly with brand owners who are involved with the product development of their own labels or who have licensing agreements with owners of international brands. These regional or global agents often acquire new product lines. In Singapore, they include Goldlion Enterprise (Singapore) Pte Ltd, F. J. Benjamin and YGM Pte Ltd.

Most of these companies subcontract their manufacturing processes. They are actively involved in fabric selection, design, styling and may even provide designs to their partner factories. They may purchase fabrics of their choice or require the factories to purchase fabrics for their exclusive use.

Contacts with the Giant and Carrefour hypermarts are highly recommended because they are able to purchase larger quantities and require basic items such as knitwear, denims and underwear for both genders and across ages. The quality of merchandise must be satisfactory and prices should be competitive with those offered by China.

The children's speciality chain store Kiddy Palace owns 10 outlets and is a potential importer of apparel from LDCs. It specializes in infant wear, childrenswear and maternity wear. Fabric content must be 100% cotton or at least 85% cotton. At the time of the preparation of this study, Kiddy Palace was looking for smart casual dresses for girls and casual coordinates for boys.

International sales and marketing offices – based in Singapore, representing a variety of products globally and not involved in local distribution – are potential business associates for LDCs and would enable LDCs to take advantage of their worldwide network and connections. Singaporeans are inherent traders and are well-regarded internationally. With their multiracial, multilingual background, they are versatile and astute businessmen. An example of such a sales and marketing office is South Pacific Textile Industries.

The large buying houses in Singapore could be persuaded to represent LDCs as another manufacturing facility, and enable these countries to take advantage of the houses' international networks. Ocean Sky is a buying house with sales and marketing offices in Singapore, Hong Kong SAR and the United States.

LDCs should approach the Textile and Fashion Federation of Singapore and obtain introductions to all its members. They should advertise in the Federation's regular newsletters and magazines. At the moment, there is a lack of knowledge about least developed countries in Singapore and about the progress that their textile and clothing industries have made.

LDCs should make use of endorsements from international companies that are currently working with LDC factories. Such endorsements would be invaluable in their endeavour to penetrate highly sophisticated markets like Singapore. Singaporeans need to know that transfer of technology and skills, international management standards and advance design capabilities are in place. They need that assurance to look beyond their long-established business relationships with their Chinese, Malaysian, Thai and Indonesian partners.

LDCs in Asia could offer possibilities for joint ventures with Singaporean manufacturers, agents and distributors who are involved with manufacturing, as alternative locations for Viet Nam, Malaysia or even China.

LDCs could approach international brands like Zara, MNG and Levi's, which have made it big internationally, and pitch for part of their collections to be manufactured in their countries.

LDCs could organize a trade fair for Singaporean and Malaysian retailers, agents, distributors and brand owners to introduce selected factories with proven and tested manufacturing capabilities that would suit local consumers. Such a fair would also enable LDCs to tap these traders' global networks.

Island Shop and British India are just two brands that have been successful in exploring the use of ethnic prints, embroidery and accessories in their designs. Ethnic touches appeal to a certain group of locals and expatriates looking for a casual but fashionable look. LDCs could explore the possibility of working on merchandise with local sales and marketing offices so as to customize their products to suit Singaporean tastes.

Annex I

Singapore: useful contacts and addresses

Department stores

C. K. Tang Limited
Contact: Mr Boon Teoh, Senior Merchandising Manager
310 & 320 Orchard Road
Singapore 238864
Tel: 65-67375500
DID: 65-63113379
Fax: 65-67331642
E-mail: boonhock.teoh@tangs.com.sg

John Little Pte Ltd
Contact: Ms Karen Tan, Head of Merchandising
277 Orchard Road #05-00
Specialists' Shopping Centre
Singapore 238858
Tel: 65-67372222
DID: 65-67310669
Fax: 65-67327203
E-mail: karentan@johnlittle.com.sg

Metro (Private) Limited
Contact: Ms Jessie Chng, Merchandise Manager, Men's/Children
391B Orchard Road #23-02 Tower B
Ngee Ann City
Singapore 238874
Tel: 65-68363322
DID: 65-67311363
E-mail: jchng@metro.com.sg
www.metro.com.sg

Mustafa Singapore
Contact: Mr A. B. Rasheed, Category Manager (Textile & Apparel)
Mustafa Centre
145 Syed Alwi Road
Singapore 207704
Tel: 65-62955855 ext 0547
HP: 65-98255455
www.mustafa.com.sg

Speciality shops

Kiddy Palace Pte. Ltd
Contact: Mr Ong Tze Hsiung, Executive Director
133 Kaki Bukit Ave. 1
Shun Li Industrial Park
Singapore 416001
Tel: 65-68412008
Fax: 65-68412330
E-mail: oth@kiddypalace.com.sg

Hypermarts

Carrefour Singapore Pte Ltd
Contact: Mr Morgan Chan, Department Head – Apparel
3 Temasek Blvd.
#01-199 Suntec City Mall
Singapore 038983
Tel: 65-62113169
Hp: 65-97197412
E-mail: morgan_chan@carrefour.com
www.carrefour.com.sg

Giant – Hypermart
Contact: Mr Thomas Tay, General Merchandise Manager
2 Jurong East Street 21
#04-32A IMM Bldg.
Singapore 609601
Tel: 65-65654700
DID: 65-65594235
Fax: 65-65655431
E-mail: cctay@coldstorage.com.sg

Agents, distributors, brand owners

F. J. Benjamin
Contact: Mr Matthew Chan, Divisional Chief Executive Officer
6B Orange Grove Road
Singapore 258332
Tel: 65-67370155
DID: 65-67317522
Fax: 65-67348875
E-mail: matthew.chan@fjg.com.sg

Goldlion Enterprise (Singapore) Pte Ltd
Contact: Mr Adolphus Heng, Divisional General Manager
161 Kampong Ampat
#02-03 Goldlion Bldg.
Singapore 368329
Tel: 65-62842828
Fax: 65-62842983
E-mail: goldlion@singnet.com.sg

Steven Enterprise
Contact: Mr Vishnu Thadani
10 Kaki Bukit Road 1
#03-15 Kaki Bukit Industrial Park
Singapore 416175
Tel: 65-67415356
Fax: 65-68413368
E-mail: Vishnu.thadani@stevenenterprise.com

Sales and marketing offices

South Pacific Textile Industries (S) Pte Ltd
Contact: Mr Ho Wee Seng
20 Peck Seah Street
#02-00 Singapore 079312
Tel: 65-62259393
Fax: 65-62259292
E-mail: howe@berjayatextiles.com

Textile agents and distributors

Ban Joo & Company Ltd
Contact: Mr Loo Eng Yoong
23-24 Circular Road
Singapore 049380
Tel: 65-65338338
Fax: 65-65343148
E-mail: eloo@banjoo.com.sg

Other potential contacts

Abyzz Pte Ltd
Contact: Mr Eddie Choo Pour Kuan, Managing Director
Blk 80 Nicoll Highway #01-86
Singapore 188836
Tel: 65-63342219
E-mail: abyzz@pacific.net.sg

Advance Apparel Pte Ltd
Contact: Mr David Wang, Managing Director
Blk 9 Kallang Basin Industrial Estate #04-02/04
Singapore 339154
Tel: 65-62986667
E-mail: advanceapparel@pacific.net.sg

Ang's Creation
Contact: Ms Patsy Ang, Managing Partner
21 Moonstone Lane #03-01 Poh Leng Building
Singapore 328462
Tel: 65-62971138

Annoyingly Enormous Apparels
Contact: Mr Heng Tze Min, Designer
No. 1 Upper Aljunied Link
Blk B Joo Seng Warehouse #08-02
Singapore 367901
Tel: 65-63834290
E-mail: jimi@annoyinglyenormous.com

Baylene Fashion Gallery
Contact: Ms Baylene Li, Managing Director
39 Stamford Road #01-04
Stanford House
Singapore 178885
Tel: 65-63369619
E-mail: baylene@baylene.com

Bibi & Baba Pte Ltd
Contact: Mr Quek Chin Tong, Managing Director
1093 Lower Delta Road #03-10
Singapore 169204
Tel: 65-62719248
E-mail: uniforms@bibibaba.com.sg

Bodynits International Pte Ltd
Contact: Mr Bert Tan SDoon Hwa, Director
12 Changi South Lane, Bodynits Building
Singapore 486353
Tel: 65-65455885
E-mail: Admin@bodynits.com.sg

By Ice Apparel Pte Ltd
Contact: Mr Ignatius Bong Meng Hwee, Director, Retail Marketing
200 Victoria Street #02-04
Parco Bugis Junction
Singapore 188021
Tel: 65 - 63453943
E-mail: bong@byice.com.sg

BY3 DESIGN
203a Henderson Road #07-04
Henderson Park
Singapore 159547
Contact: Mr Michael Wu Ching San
Tel: 65-52755211
E-mail: bythree@singnet.com.sg

Chenille International Pte Ltd
Contact: Ms Betty Lim, Managing Director
#14-04 Great World City, East Tower
1, Kim Seng Promenade
Singapore 237994
Tel: 65-67352379
E-mail: betty@chenille.com.sg

Crossstitch Apparel Pte Ltd
Contact: Ms Vivienne Lim Chiau Ling, Business Development Manager
Blk 50 Kallang Bahru #02-07
Singapore 339334
Tel: 65-62966618
E-mail: xstitch@singnet.com.sg

Dick's Beaumonde Pte Ltd
Contact: Mr Richard Tan Kay Hai, Managing Director
1 Scotts Road #03-30/32, Shaw Centre
Singapore 228208
Tel: 65-67372114
E-mail: dicksmde@singnet.com.sg

Dior Garments Mfr Pte Ltd
Contact: Ms Ku Em Tik, Managing Director
621 Aljunied Road #04-08 Lippo Building
Singapore 389834
Tel: 65-67473886

Estique Fashions Pte Ltd
Contact: Mr Cyril George Green, Managing Director
Blk 1093 Lower Delta Road #06-10
Singapore 169204
Tel: 65-62788177
E-mail: estique@pacificnet.sg

First Stop Pte Ltd
Contact: Ms Bernard Loe, Managing Director
39 Ubi Crescent
Singapore 408587
Tel: 65-68418787
E-mail: wloe@celialoe.com

Gap International Sourcing Pte Ltd
Contact: Ms Szetoh Kok Leang, Vice President and General Manager
391b Orchard Road #22-01
Ngee Ann City
Singapore 238874
Tel: 65-67340388
E-mail: szetoh_k@gap.com

Gayle Holdings Pte Ltd
Contact: Mr Rayson Tan Kok Wee, Managing Director
2 Alexandra Road #0702B Delta House
Singapore 159919
Tel: 65-62730803
E-mail: galyeidd@pacific.net.sg

Komoz Collection
Contact: Mr Peter Lim, Manager
Blk 423 Serangoon Central #02-336
Singapore 550423
Tel: 65-64512048
E-mail: peter26@starhub.net.sg

Kong Joo Huat Trading Company
Contact: Mr Albert Tan, Managing Partner
200 Jalan Sultan #03-04 Textile Centre
Singapore 199018
Tel: 65-62921814
E-mail: kjhtc@singnet.com.sg

Kooshi Koncepts Pte Ltd
Contact: Ms Ana Liew, Designer
8 Jalan Mutiara #01-10 The Montana
Singapore 249188
Tel: 65-96176531
E-mail: ana@kooshi.com

Li & Fung (S) Pte Ltd
Contact: Ms Ada Leung
290 Orchard Road #19-01 Paragon
Singapore 238859
E-mail: AdaLeung.CRP@lifung.com.sg

M)phosis Pte Ltd
Contact: Mr Hensely The Guan Kiat, Managing Director
Blk 2023 Bukit Batok Industrial Park A St 23 #03-86
Singapore 659528
Tel: 65-65675005
E-mail: hensley@mphosis.com.sg

Malaysia Garments Mfr Pte Ltd
Contact: Mr KL Loy, Managing Director
9 Little Road, off Paya Lebar Road
Singapore 536985
Tel: 65-62833733
E-mail: tinalin@singnet.com.sg

Pacific Garments Mfr Pte Ltd
Contact: Ms Tan Wan Lan, Managing Director
627 Aljunied Road #02-00 Pacific Bldg
Singapore 389837
Tel: 65-62513384
E-mail: chris@pacificgmt.com.sg

Yangtze Kiang Tailor
Contact: Mr Low Fun Boon, Partner
Blk 26 Teck Whye Lane #01-180/182
Singapore 680026
Tel: 65-67691260/65325683

Annex II

Singapore: textile and clothing trade: tables

Table 1 Market profile, 2000–2005

	2000[a/]	2001[a/]	2002[a/]	2003[a/]	2004[b/]	2005[b/]
Retail trade						
Retail sales (S$ m)	27 227	26 982	27 555	26 997	29 532	31 272
Retail sales (US$)	15 793	15 059	15 389	15 496	17 472	18 844
Retail sales volume growth %	8.6	-1.9	2.5	-2.5	7.6	5.6
Retail sales US$ value growth %	8.3	-4.6	2.2	0.7	12.8	7.9
Clothing, sales value (US$ m)	1 157	1 203	1 248	1 354	1 516	1 588
Cosmetics & toiletries, sales value (US$ m)	368	371	390	422	472	477
Perfumes and fragrances, sales value (US$ m)	66	68	72	80	90	89
Furniture, sales value (US$ m)	390	373	381	411	460	477
Household cleaning products, sales value (US$ m)	75	75	79	84	96	98
Electronic and domestic appliances						
Television sets (stock per 1,000 population)	304	300	303	333	344	358
Television sets, sales volume ('000)	170	177	184	194	208	218
Cable TV subscribers (per 1,000 population)	56	59	67	69	74	79
Personal computers, sales volume ('000)	29	30	30	32	33	35
Refrigerators, sales volume ('000)	58	58	54	51	53	54
Video recorders, sales volume ('000)	103	105	103	102	98	91
Washing machines, sales volume ('000)	62	61	60	61	62	64

Source: Economist Intelligence Unit, November 2005.

a/ Actual. b/ Economist Intelligence Unit estimates.

Table 2A Total trade, textiles (SITC[a/] 65), by value, 2001–2005 (in S$ thousand)

	2001	2002	2003	2004	2005
Total trade	3 131 092	3 154 102	3 512 507	3 474 999	3 279 594
Import	1 823 238	1 834 702	1 832 508	1 806 585	1 743 356
Export	1 307 854	1 319 401	1 679 999	1 668 414	1 536 238
Domestic export	447 992	558 237	556 112	541 820	505 214
Re-export	859 862	761 164	1 123 887	1 126 593	1 031 024

Source: International Enterprise Singapore.

a/ Standard International Trade Classification.

Table 2B Total trade, clothing (SITC 84), by value, 2001–2005 (in S$ thousand)

	2001	2002	2003	2004	2005
Total trade	5 961 047	6 192 336	7 005 611	7 124 258	6 388 616
Import	3 038 513	3 235 468	3 647 149	3 785 699	3 552 905
Export	2 922 534	2 956 868	3 358 462	3 338 559	2 835 711
Domestic export	706 915	688 617	673 533	608 914	390 691
Re-export	2 215 619	2 268 251	2 684 929	2 729 646	2 445 019

Source: International Enterprise Singapore.

Table 3 **Imports of woven textiles, by origin, and by quantity and value, 2005**

Quantity (Q): actual
Value (V): S$ '000

HS code	Product group and origin	Q	V	%	CIF/U
50072010	Woven fabrics with 85% more silk, or silk waste, bleached or unbleached excluding noil silk (mtk)				
	Total	**8 223 272**	**23 025**		
	China	7 649 022	19 149	0.83	2.50
	India	472 865	2 800	0.12	5.92
	Korea, Republic of	80 171	684	0.03	8.53
	Germany	5 098	114	0.00	22.36
	Hong Kong SAR	4 120	91	0.00	22.09
52083900	Other woven cotton fabrics 85% or more cotton of weight 200 g/sq m or less dyed (mtk)				
	Total	**6 176 061**	**11 239**		
	China	2 293 258	3 502	0.31	1.53
	India	1 062 113	1 887	0.17	1.78
	Japan	638 503	1 321	0.12	2.07
	Korea, Republic of	390 714	1 146	0.10	2.93
	Indonesia	794 937	1 125	0.10	1.42
	Italy	96 884	682	0.06	7.04
52103100	Woven cotton fabrics plain below 85% cotton 200 g/sq m and less mixed mainly man-made fibres dyed (mtk)				
	Total	**7 040 400**	**12 847**		
	Malaysia	7 009 184	12 734		1.82
52121300	Other woven cotton fabrics 200 g/sq m and less dyed (mtk)				
	Total	**38 674 832**	**18 876**		
	China	36 680 582	13 280	.95	0.36
	Hong Kong SAR	1 489 059	4 452		2.99

Table 4 **Imports of knitted or crocheted apparel, by origin, and by quantity and value, 2005**

Quantity (Q): actual
CIF value (V): S$'000
CIF/U: S$ per unit of 10 pieces

HS code	Description	Q	V	%	CIF/U
61061000	Blouses, shirts and shirt blouses of cotton for women or girls (unit: 10 pieces)				
	Total	**1 660 532**	**95 397**		
	Malaysia	540 307	34 609	0.36	64.05
	China	491 200	22 306	0.23	45.41
	Cambodia	195 893	12 315	0.13	62.87
	Brunei Darussalam	172 948	8 518	0.09	49.25
	Hong Kong SAR	61 388	6 011	0.06	97.92

Table 4 (cont'd)

HS code	Description	Q	V	%	CIF/U
61051000	Shirts knitted or crocheted of cotton for men or boys (unit: 10 pieces)				
	Total	**1 115 612**	**83 990**		
	Malaysia	384 452	35 195	0.42	91.55
	China	327 449	16 703	0.20	51.01
	Indonesia	156 476	8 660	0.10	55.34
	Hong Kong SAR	46 673	6 555	0.08	140.45
	Brunei Darussalam	41 650	3 079	0.04	73.93
	India	35 996	2 654	0.03	73.73
	Thailand	34 190	2 060	0.02	60.25
	Cambodia	21 298	1 201	0.01	56.39
61046200	Trousers, bib and brace overalls, breeches and shorts knitted or crocheted of cotton for women or girls (unit: 10 pieces)				
	Total	**1 308 807**	**68 020**		
	Malaysia	516 701	31 487	0.46	60.94
	China	402 805	20 335	0.30	50.48
	Brunei Darussalam	136 900	6 806	0.10	49.72
	Hong Kong SAR	39 420	2 673	0.04	67.81
	Indonesia	157 216	2 519	0.04	16.02
	Viet Nam	13 800	1 396	0.02	101.16
	Cambodia	17 388	1 386	0.02	79.71
61043200	Jackets and blazers knitted or crocheted of cotton for women or girls (unit: 10 pieces)				
	Total	**542 813**	**37 748**		
	Malaysia	117 265	12 870	0.34	109.75
	China	244 636	11 972	0.32	48.94
	Indonesia	148 517	8 872	0.24	59.74
	Hong Kong SAR	20 294	2 341	0.06	115.35
61034200	Trousers, bib and brace overalls, breeches and shorts, knitted or crocheted of cotton for men or boys (unit: 10 pieces)				
	Total	**768 696**	**36 631**		
	China	276 010	14 991	0.41	54.31
	Malaysia	126 058	10 225	0.28	81.11
	Indonesia	209 005	3 515	0.10	16.82
61034300	Trousers, bib and brace overalls, breeches and shorts, knitted or crocheted of synthetic fibres for men or boys (unit: 10 pieces)				
	Total	**483 151**	**34 337**		
	Malaysia	407 209	30 549	0.89	75.02
	Bangladesh	19 658	1 697	0.05	86.33
	China	36 166	1 311	0.04	36.25
61034990	Trousers, bib and brace overalls, breeches and shorts, knitted or crocheted of other textile materials for men or boys (unit: 10 pieces)				
	Total	**245 557**	**14 372**		
	China	81 729	4 637	0.32	56.74
	Indonesia	42 760	2 635	0.18	61.62
	Malaysia	31 240	1 607	0.11	51.44
	Viet Nam	41 544	1 204	0.08	28.98
	Brunei Darussalam	13 858	1 077	0.07	77.72

Table 4 (cont'd)

HS code	Description	Q	V	%	CIF/U
61033300	Jackets and blazers, crocheted of synthetic fibres for men and boys (unit: 10 pieces)				
	Total	**97 173**	**12 981**		
	Malaysia	76 318	10 969	0.85	143.73
	China	11 003	1 277	0.10	116.06
	Indonesia	7 390	472	0.04	63.87

Table 5 Imports of woven apparel, by origin, and by quantity and value, 2005

Quantity (Q): actual
CIF value (V): S$ '000
CIF/U: S$ per unit of 10 pieces

HS code	Description	Q	V	%	CIF/U
62044990	Dresses woven of other textile materials for women or girls (unit: 10 pieces)				
	Total	**228 381**	**22 264**		
	Portugal	15 046	3 809	0.17	253.16
	Cambodia	25 538	3 392	0.15	132.82
	Indonesia	111 549	2 904	0.13	26.03
	Italy	3 266	2 844	0.13	870.79
	Hong Kong SAR	22 030	2 361	0.11	107.17
	China	22 454	1 944	0.09	86.58
62046200	Trousers, bib and brace overalls, breeches and shorts, woven of cotton for women or girls (unit: 10 pieces)				
	Total	**1 127 740**	**92 168**		
	China	616 720	41 011	0.44	66.50
	Hong Kong SAR	119 808	12 030	0.13	100.41
	Indonesia	139 770	10 172	0.11	72.78
	Bangladesh	65 316	6 074	0.07	92.99
	Philippines	13 605	3 842	0.04	282.40
	Thailand	62 842	3 200	0.03	50.92
	Malaysia	50 551	3 178	0.03	62.87
	Cambodia	17 230	2 523	0.03	146.43
	Italy	1 211	1 733	0.02	1 431.05
	United Kingdom	3 740	1 503	0.02	401.87
	United States	5 067	1 490	0.02	294.06
62046990	Trousers, bib and brace overalls, breeches and shorts, woven of synthetic fibres for women and girls (unit: 10 pieces)				
	Total	**740 152**	**53 573**		
	China	357 774	23 382	0.44	65.35
	Hong Kong SAR	118 712	9 076	0.17	76.45
	Indonesia	112 992	7 294	0.14	64.55
	Cambodia	31 791	4 483	0.08	141.01
	Bangladesh	29 026	2 911	0.05	100.29
	Thailand	48 945	2 454	0.05	50.14
	United Arab Emirates	10 001	631	0.01	63.09
	Malaysia	13 540	631	0.01	46.60
	United Kingdom	1 609	486	0.01	302.05
	Myanmar	4 395	366	0.01	83.28

Table 5 (cont'd)

HS code	Description	Q	V	%	CIF/U
62052000	Shirts woven of cotton for men or boys (unit: 10 pieces)				
	Total	**910 703**	**67 184**		
	China	331 428	19 551	0.29	58.99
	Indonesia	178 367	12 873	0.19	72.17
	Malaysia	154 774	10 245	0.15	66.19
	Thailand	91 094	4 978	0.07	54.65
	Hong Kong SAR	47 883	4 600	0.07	96.07
	India	32 320	4 096	0.06	126.73
	Viet Nam	36 611	2 133	0.03	58.26
62059090	Shirts woven of other textile materials for men or boys (unit: 10 pieces)				
	Total	**632 864**	**29 440**		
	China	309 336	9 063	0.31	29.30
	Indonesia	116 712	7 860	0.27	67.35
	India	68 210	3 853	0.13	56.49
	Bangladesh	61 942	2 575	0.09	41.57
	Malaysia	24 051	1 633	0.06	67.90
	Thailand	24 940	1 295	0.04	51.92
	Hong Kong SAR	10 558	914	0.03	86.57
62063000	Blouses, shirts, shirt-blouses woven of cotton for women or girls (unit: 10 pieces)				
	Total	**931 143**	**64 951**		
	Hong Kong SAR	334 171	27 090	0.42	81.07
	China	298 285	16 062	0.25	53.85
	India	63 624	4 585	0.07	72.06
	United Kingdom	15 481	2 985	0.05	192.82
	Indonesia	57 236	2 821	0.04	49.29
	Malaysia	22 998	2 182	0.03	94.88
	Thailand	89 715	1 994	0.03	22.23
	Italy	848	1 338	0.02	1 577.83
	Cambodia	20 037	1 279	0.02	63.83
	France	631	1 093	0.02	1 732.17
62069090	Blouses, shirts and shirt-blouses, woven of other textile materials for women or girls (unit: 10 pieces)				
	Total	**595 840**	**37 947**		
	China	290 431	16 556	0.44	57.00
	Hong Kong SAR	140 325	8 924	0.24	63.60
	India	45 850	3 091	0.08	67.42
	Portugal	8 754	2 147	0.06	245.26
	Indonesia	12 792	1 511	0.04	118.12
	Malaysia	13 937	1 102	0.03	79.07
	Thailand	52 077	812	0.02	15.59
	Cambodia	11 154	626	0.02	56.12
	Italy	336	620	0.02	1 845.24

Table 5 (cont'd)

HS code	Description	Q	V	%	CIF/U
62114290	Other garments of cotton for women or girls (unit: 10 pieces)				
	Total	**1 233 705**	**69 076**		
	China	658 986	30 547	0.44	46.35
	Hong Kong SAR	71 093	6 573	0.10	92.46
	India	77 012	5 976	0.09	77.60
	Morocco	22 568	5 505	0.08	243.93
	Brunei Darussalam	55 420	4 132	0.06	74.56
	Cambodia	56 525	3 414	0.05	60.40
	United Kingdom	32 222	2 459	0.04	76.31
	Indonesia	70 612	2 211	0.03	31.31
	Spain	5 768	1 596	0.02	276.70
62114990	Other garments of other textile materials, woven, for women or girls (unit: 10 pieces)				
	Total	**1 579 018**	**47 305**		
	China	662 485	12 000	0.25	18.11
	India	128 985	10 342	0.22	80.18
	Indonesia	354 876	9 188	0.19	25.89
	Hong Kong SAR	152 774	3 988	0.08	26.10
	France	8 291	3 850	0.08	464.36
	Thailand	204 771	2 435	0.05	11.89
	Malaysia	25 216	1 806	0.04	71.62

Annex III

Singapore: more popular imports, textiles and clothing, tables*

Table 1 More popular imports of woven textiles, by origin, and by quantity and value, 2005

Quantity (Q): actual
Value (V): S$ '000
Cost per unit: CIF/U

HS code	Product group and origin	Q	V	%	CIF/U
50072010	Other woven fabrics with 85% of more silk or silk waste bleached or unbleached excluding noil silk (mtk)				
	Total	**8 223 272**	**23 025**		**2.80**
	China	7 649 022	19 149	0.83	2.50
	India	472 865	2 800	0.12	5.92
	Korea, Republic of	80 171	684	0.03	8.53
	Germany	5 098	114	0.00	22.36
	Hong Kong SAR	4 120	91	0.00	22.09
50079010	Other woven fabrics of silk bleached or unbleached not elsewhere specified (mtk)				
	Total	**1 922 374**	**7 830**		**4.07**
	India	985 544	3 898	0.50	3.96
	China	751 146	3 005	0.38	4.00
	Korea, Republic of	113 052	634	0.08	5.61
51121110	Woven fabrics 85% or more of combed wool/fine animal hair 200 g/sq m or less unbleached (mtk)				
	Total	**330 664**	**4 451**		**13.46**
	Italy	269 741	3 965	0.89	14.70
	China	47 464	195	0.04	4.11
	Korea, Republic of	1 605	157	0.04	97.82
52082200	Woven cotton fabrics, plain weave, 85% or more cotton of weight over 100 g/sq m but below 200 g/sq m, bleached (mtk)				
	Total	**5 383 682**	**8 403**		**1.56**
	China	5 196 306	8 064	0.96	1.55
	Malaysia	84 498	214	0.03	2.53
52083200	Woven cotton fabrics, plain weave, 85% or more cotton, of weight over 100 g/sq m but below 200 g/sq m, dyed (mtk)				
	Total	**3 779 227**	**8 638**		**2.29**
	Malaysia	2 404 839	6 485	0.75	2.70
	China	1 209 282	1 674	0.19	1.38
	Italy	16 520	171	0.02	10.35
	Hong Kong SAR	50 633	151	0.02	2.98

* Overall source: *Singapore Trade Statistics, Annual Report on Imports*.

Table 1 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
52083900	Other woven cotton fabrics, 85% or more cotton, of weight 200 g/sq m or less, dyed (mtk)				
	Total	**6 176 061**	**11 239**		**1.82**
	China	2 293 258	3 502	0.31	1.53
	India	1 062 113	1 887	0.17	1.78
	Japan	638 503	1 321	0.12	2.07
	Korea, Republic of	390 714	1 146	0.10	2.93
	Indonesia	794 937	1 125	0.10	1.42
	Italy	96 884	682	0.06	7.04
52084200	Woven cotton fabrics, plain weave, of coloured yarn, 85% or more cotton, of weight over 100 g/sq m but below 200 g/sq m				
	Total	**1 654 544**	**5 147**		**3.11**
	Taiwan Province of China	691 762	1 741	0.34	2.52
	China	546 537	1 480	0.29	2.71
	Italy	60 329	723	0.14	11.98
	Indonesia	113 601	481	0.09	4.23
	Hong Kong SAR	110 864	332	0.06	2.99
	India	100 403	196	0.04	1.95
52084900	Other woven cotton fabrics of coloured yarn, 85% or more cotton, of weight 200 g/sq m or less (mtk)				
	Total	**2 737 184**	**6 525**		**2.38**
	China	799 519	1 850	0.28	2.31
	Japan	646 062	955	0.15	1.48
	Taiwan Province of China	272 705	846	0.13	3.10
	India	570 560	812	0.12	1.42
	Italy	80 887	763	0.12	9.43
	Austria	58 053	405	0.06	6.98
52085900	Other woven cotton fabric, 85% or more cotton, of weight 200 g/sq m or less, printed (mtk)				
	Total	**4 890 266**	**5 813**		**1.19**
	China	2 278 772	1 952	0.34	0.86
	Indonesia	1 438 027	1 514	0.26	1.05
	India	297 885	632	0.11	2.12
	Japan	128 796	454	0.08	3.52
	Thailand	216 503	342	0.06	1.58
	Pakistan	381 909	300	0.05	0.79
	United States	6 535	102	0.02	15.61
52093900	Other woven cotton fabrics, 85% or more cotton, of weight over 200 g/sq m, dyed (mtk)				
	Total	**4 163 937**	**7 280**		**1.75**
	Philippines	2 065 121	2 834	0.39	1.37
	China	855 209	1 258	0.17	1.47
	Taiwan Province of China	295 556	574	0.08	1.94
	Hong Kong China	176 662	526	0.07	2.98
	Italy	26 034	482	0.07	18.51
	Thailand	95 615	280	0.04	2.93
	India	92 554	215	0.03	2.32
52103100	Woven cotton fabrics, plain, below 85% cotton, 200 g/sq m and less, mixed mainly of man-made fibres, dyed (mtk)				
	Total	**7 040 400**	**12 847**		**1.82**
	Malaysia	7 009 184	12 734		1.82

Table 1 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
52121300	Other woven cotton fabrics, 200 g/sq m and less, dyed (mtk)				
	Total				
	China	36 680 582	13 280		0.36
	Hong Kong SAR	1 489 059	4 452		2.99

Table 2 **More popular imports of knitted clothing, by origin, and by quantity and value, 2005**

Quantity (Q): Actual
Value (V): S$ '000
CIF/U S$ per unit of 10 pieces

HS code	Product group and origin	Q	V	%	CIF/U
61033100	Jackets and blazers, knitted or crocheted of wool or fine animal hair for men or boys (unit: 10 pieces)				
	Total	**47 022**	**7 210**		**153.33**
	Indonesia	42 473	6 206	0.86	146.12
	China	4 094	603	0.08	147.29
61033200	Jackets and blazers, knitted or crocheted, of cotton for men and boys (unit: 10 pieces)				
	Total	73 976	10 628		143.67
	Malaysia	23 019	4 146	0.39	180.11
	China	22 479	2 599	0.24	115.62
	Indonesia	20 295	2 070	0.19	102.00
61033300	Jackets and blazers, knitted or crocheted of synthetic fibres for men and boys (unit: 10 pieces)				
	Total	**97 173**	**12 981**		**133.59**
	Malaysia	76 318	10 969	0.85	143.73
	China	11 003	1 277	0.10	116.06
	Indonesia	7 390	472	0.04	63.87
61339900	Jackets and blazers, knitted or crocheted, of other textile materials for men and boys (unit: 10 pieces)				
	Total	**111 126**	**10 424**		**93.80**
	China	67 166	5 544	0.53	82.54
	Malaysia	19 426	1 728	0.09	88.95
	Indonesia	13 905	1 171	0.08	84.21
61034200	Trousers, bib and brace overalls, breeches and shorts knitted or crocheted for men and boys (unit: 10 pieces)				
	Total	**768 696**	**36 631**		**47.65**
	China	276 010	14 991	0.41	54.31
	Malaysia	126 058	10 225	0.28	81.11
	Indonesia	209 005	3 515	0.10	16.82
61034300	Trousers, bib and brace overalls, breeches and shorts of synthetic fibres for men and boys (unit: 10 pieces)				
	Total	**483 151**	**34 337**		**71.07**
	Malaysia	407 209	30 549	0.89	75.02
	Bangladesh	19 658	1 697	0.05	86.33
	China	36 166	1 311	0.04	36.25

Table 2 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
61034990	Trousers, bib and brace overalls, breeches and shorts of other textile materials for men and boys (unit: 10 pieces)				
	Total	**245 557**	**14 372**		**58.53**
	China	81 729	4 637	0.32	56.74
	Indonesia	42 760	2 635	0.18	61.62
	Malaysia	31 240	1 607	0.11	51.44
	Viet Nam	41 544	1 204	0.08	28.98
	Brunei Darussalam	13 858	1 077	0.07	77.72
61041990	Suits, knitted or crocheted of other textile materials for women or girls (unit: 10 pieces)				
	Total	**354 660**	**9 913**		**27.95**
	China	163 395	4 863	0.49	29.76
	Hong Kong SAR	67 837	2 035	0.21	30.00
	Thailand	58 324	1 173	0.12	20.11
	Indonesia	59 803	1 124	0.11	18.80
61042990	Ensembles, knittted or crocheted, of other textile materials for women or girls (unit: 10 pieces)				
	Total	**63 782**	**9 840**		**154.28**
	Indonesia	51 983	8 046	0.82	154.78
	Bangladesh	5 703	1 343	0.14	235.49
61043200	Jackets and blazers, knitted or crocheted, of cotton for women or girls (unit: 10 pieces)				
	Total	**542 813**	**37 748**		**69.54**
	Malaysia	117 265	12 870	0.34	109.75
	China	244 636	11 972	0.32	48.94
	Indonesia	148 517	8 872	0.24	59.74
	Hong Kong SAR	20 294	2 341	0.06	115.35
61044990	Dresses crocheted of cotton for women and girls (unit: 10 pieces)				
	Total	**252 475**	**13 613**		**53.92**
	Malaysia	182 270	9 770	0.72	53.60
	China	35 922	1 510	0.11	42.04
	Hong Kong SAR	11 729	811	0.06	69.14
	Indonesia	10 906	425	0.03	38.97
61046200	Trousers, bib and brace overalls, breeches and shorts, knitted or crocheted, of cotton, for women or girls (unit: 10 pieces)				
	Total	**1,308,807**	**68,020**		**51.97**
	Malaysia	516,701	31,487	0.46	60.94
	China	402,805	20,335	0.30	50.48
	Brunei Darussalam	136,900	6,806	0.10	49.72
	Hong Kong SAR	39,420	2,673	0.04	67.81
	Indonesia	157,216	2,519	0.04	16.02
	Viet Nam	13,800	1,396	0.02	101.16
	Cambodia	17,388	1,386	0.02	79.71
61046300	Trousers, bib and brace overalls, breeches and shorts, knitted of synthetic fibre, for women or girls (unit: 10 pieces)				
	Total	**234 418**	**13 695**		**58.42**
	Malaysia	159 038	9 676	0.71	60.84
	Indonesia	20 113	984	0.07	48.92
	China	22 087	913	0.07	41.34

Table 2 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
61046990	Trousers, bib and brace overalls, breeches and shorts, knitted of other textile materials, for women or girls (unit: 10 pieces)				
	Total	**610 970**	**23 299**		**38.13**
	China	412 602	11 250	0.48	27.27
	Malaysia	68 585	3 095	0.13	45.13
	Indonesia	70 623	3 050	0.13	43.19
	Hong Kong SAR	14 062	2 154	0.09	153.18
61051000	Shirts, knitted or crocheted, of cotton, for men or boys, (unit: 10 pieces)				
	Total	**1 115 612**	**83 990**		**75.29**
	Malaysia	384 452	35 195	0.42	91.55
	China	327 449	16 703	0.20	51.01
	Indonesia	156 476	8 660	0.10	55.34
	Hong Kong SAR	46 673	6 555	0.08	140.45
	Brunei Darussalam	41 650	3 079	0.04	73.93
	India	35 996	2 654	0.03	73.73
	Thailand	34 190	2 060	0.02	60.25
	Cambodia	21 298	1 201	0.01	56.39
61059090	Shirts, knitted or crocheted of other textile materials, for men or boys (unit: 10 pieces)				
	Total	**424 554**	**26 322**		**62.00**
	Malaysia	139 425	8 931	0.34	64.06
	China	147 695	8 231	0.31	55.73
	Indonesia	46 213	2 835	0.11	61.35
	Thailand	19 346	1 628	0.06	84.15
	Hong Kong SAR	27 049	1 261	0.05	46.62
61061000	Blouses, shirts and shirt blouses, knitted or crocheted of cotton for women or girls (unit: 10 pieces)				
	Total	**1 660 532**	**95 397**		**57.45**
	Malaysia	540 307	34 609	0.36	64.05
	China	491 200	22 306	0.23	45.41
	Cambodia	195 893	12 315	0.13	62.87
	Brunei Darussalam	172 948	8 518	0.09	49.25
	Hong Kong SAR	61 388	6 011	0.06	97.92
61062000	Blouses, shirts and shirt blouses, knitted or crocheted of man-made fibres for women or girls (unit: 10 pieces)				
	Total	**138 317**	**10 492**		**75.85**
	Malaysia	61 200	3 575	0.34	58.42
	Hong Kong SAR	14 706	2 196	0.21	149.33
	China	24 340	995	0.09	40.88
	Indonesia	10 208	742	0.07	72.69
61071100	Underpants and briefs, knitted or crocheted of cotton, for men or boys (unit: 10 pieces)				
	Total	**648 882**	**11 149**		**17.18**
	Hong Kong SAR	141 315	4 359	0.39	30.85
	China	385 228	3 942	0.35	10.23
	Indonesia	54 946	1 159	0.10	21.09
	United Kingdom	2 530	437	0.04	172.73
	Malaysia	14 090	400	0.04	28.39
	Thailand	27 699	361	0.03	13.03

Table 2 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
61112030	Garments, knitted or crocheted of cotton for babies				
	Total	**1 692 511**	**66 957**		**39.56**
	Malaysia	1 530 460	59 205	0.88	38.68
	China	50 084	2 276	0.03	45.44
	United States	3 457	1 516	0.02	438.53
	Thailand	22 035	1 497	0.02	67.94
	Indonesia	42 151	960	0.01	22.78
61142000	Other garments, knitted or crocheted of cotton				
	Total	**1 068 549**	**73 013**		**68.33**
	China	460 145	27 677	0.38	60.15
	India	252 333	6 288	0.09	24.92
	Malaysia	89 771	4 389	0.06	48.89
	Spain	19 684	4 321	0.06	219.52
	United Kingdom	43 750	4 003	0.05	91.50
	France	3 474	3 918	0.05	1 127.81
	Cambodia	36 515	3 579	0.05	98.01
61149090	Other garments, knitted or crocheted of other textile materials				
	Total	**938 864**	**75 979**		**80.93**
	Hong Kong SAR	107 613	21 012	0.28	195.26
	China	397 713	19 883	0.26	49.99
	Italy	13 313	7 810	0.10	586.64
	France	122 672	4 961	0.07	40.44
	Indonesia	122 133	4 147	0.05	33.95
	Spain	11 263	2 768	0.04	245.76
	India	35 411	2 735	0.04	77.24
	Bangladesh	41 408	2 358	0.03	56.95
62033990	Jackets and blazers, woven of other textiles for men or boys (unit: 10 pieces)				
	Total	**89 007**	**9 448**		**106.15**
	China	47 415	3 684	0.39	77.70
	Indonesia	11 644	2 059	0.22	176.83
62034210	Bib and brace overalls, woven of cotton, for men or boys (unit: 10 pieces)				
	Total	222 981	21 001		94.18
	China	97 263	8 116	0.39	83.44
	UAE	69 991	6 312	0.30	90.18
	Oman	31 113	3 000	0.14	96.42
62034290	Trousers, breeches and shorts, woven of cotton for men or boys (unit: 10 pieces)				
	Total	**1 299 295**	**116 257**		**89.48**
	Indonesia	345 897	45 773	0.39	132.33
	China	518 493	33 370	0.29	64.36
	Hong Kong SAR	156 683	9 781	0.08	62.43
	Bangladesh	68 922	6 168	0.05	89.49

Table 2 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
62034390	Trousers, breeches and shorts, woven of synthetic fibres, for men or boys (unit: 10 pieces)				
	Total	**153 511**	**11 401**		**74.27**
	China	74 188	4 339	0.38	58.49
	Malaysia	48 413	3 104	0.27	64.12
	Hong Kong SAR	6 664	733	0.06	109.99
	Germany	538	686	0.06	1 275.09
	Bangladesh	6 509	623	0.05	95.71
	Indonesia	9 426	532	0.05	56.44
62041200	Suits, woven of cotton, for women and girls (unit: 10 pieces)				
	Total	**152 594**	**13 397**		**87.80**
	China	67 885	4 913	0.37	72.37
	Korea, Republic of	1 912	2 965	0.22	1 550.73
	India	12 278	1 283	0.10	104.50
	Hong Kong SAR	17 300	1 236	0.09	71.45
	Cambodia	8 743	784	0.06	89.67
	Indonesia	15 706	734	0.05	46.73
	Thailand	19 679	472	0.04	23.98

Table 3 More popular imports of woven clothing, by origin, and by quantity and value, 2005

Quantity (Q): Actual
Value (V): S$ '000
CIF/U S$ per unit of 10 pieces

HS code	Product group and origin	Q	V	%	CIF/U
62043990	Jackets and blazers, woven of other textile materials, for women and girls (unit: 10 pieces)				
	Total	**105 030**	**11 184**		**106.484**
	China	60 486	5 009	0.45	82.81
	Hong Kong SAR	15 505	2 013	0.18	129.83
	India	4 797	698	0.06	145.51
	Indonesia	10 405	575	0.05	55.26
	Malaysia	2 002	439	0.04	219.28
	Myanmar	3 724	327	0.03	87.81
	Italy	228	313	0.03	1 372.81
	Bangladesh	1 559	209	0.02	134.06
	Thailand	1 547	172	0.02	111.18

Table 3 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
62044200	Dresses, woven of cotton, for women or girls (unit: 10 pieces)				
	Total	**276 792**	**17 745**		**64.11**
	Hong Kong SAR	51 575	5 747	0.32	111.43
	China	45 201	3 248	0.18	71.86
	Korea, Republic of	2 842	2 859	0.16	1 005.98
	Indonesia	142 200	1 976	0.11	13.90
	India	8 375	945	0.05	112.84
	United Kingdom	938	488	0.03	520.26
	Thailand	16 470	471	0.03	28.60
	France	193	395	0.02	2 046.63
	Italy	154	391	0.02	2 538.96
	Bangladesh	4 507	369	0.02	81.87
62044990	Dresses, woven of other textile materials for women or girls (unit: 10 pieces)				
	Total	**228 381**	**22 264**		**97.49**
	Portugal	15 046	3 809	0.17	253.16
	Cambodia	25 538	3 392	0.15	132.82
	Indonesia	111 549	2 904	0.13	26.03
	Italy	3 266	2 844	0.13	870.79
	Hong Kong SAR	22 030	2 361	0.11	107.17
	China	22 454	1 944	0.09	86.58
62045990	Shirts and divided skirts, woven of other textile materials for women and girls (unit: 10 pieces)				
	Total	**166 110**	**13 587**		**81.80**
	China	71 189	5 877	0.43	82.55
	Hong Kong SAR	48.826	3 266	0.24	
	India	12 955	1 012	0.07	78.12
	Thailand	12 858	504	0.04	39.20
	Indonesia	10 348	483	0.04	46.68
	United States	175	466	0.03	2 662.86
	Cambodia	4 349	406	0.03	93.35
	France	698	309	0.02	442.69
	United Kingdom	660	291	0.02	440.91
62046200	Trousers, bib and brace overalls, breeches and shorts woven of cotton for women or girls (unit: 10 pieces)				
	Total	**1 127 740**	**92 168**		**81.73**
	China	616 720	41 011	0.44	66.50
	Hong Kong SAR	119 808	12 030	0.13	100.41
	Indonesia	139 770	10 172	0.11	72.78
	Bangladesh	65 316	6 074	0.07	92.99
	Philippines	13 605	3 842	0.04	282.40
	Thailand	62 842	3 200	0.03	50.92
	Malaysia	50 551	3 178	0.03	62.87
	Cambodia	17 230	2 523	0.03	146.43
	Italy	1 211	1 733	0.02	1 431.05
	United Kingdom	3 740	1 503	0.02	401.87
	United States	5 067	1 490	0.02	294.06

Table 3 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
62046990	Trousers, bib and brace overalls, breeches and shorts woven of synthetic fibres, for women or girls (unit: 10 pieces)				
	Total	**740 152**	**53 573**		**72.38**
	China	357 774	23 382	0.44	65.35
	Hong Kong SAR	118 712	9 076	0.17	76.45
	Indonesia	112 992	7 294	0.14	64.55
	Cambodia	31 791	4 483	0.08	141.01
	Bangladesh	29 026	2 911	0.05	100.29
	Thailand	48 945	2 454	0.05	50.14
	United Arab Emirates	10 001	631	0.01	63.09
	Malaysia	13 540	631	0.01	46.60
	United Kingdom	1 609	486	0.01	302.05
	Myanmar	4 395	366	0.01	83.28
62052000	Shirts woven of cotton for men or boys (unit: 10 pieces)				
	Total	**910 703**	**67 184**		**73.77**
	China	331 428	19 551	0.29	58.99
	Indonesia	178 367	12 873	0.19	72.17
	Malaysia	154 774	10 245	0.15	66.19
	Thailand	91 094	4 978	0.07	54.65
	Hong Kong SAR	47 883	4 600	0.07	96.07
	India	32 320	4 096	0.06	126.73
	Viet Nam	36 611	2 133	0.03	58.26
62053000	Shirts, woven of man-made fibres for men or boys (unit: 10 pieces)				
	Total	**117 148**	**7 348**		**62.72**
	China	60 731	2 867	0.39	47.21
	Malaysia	13 560	1 268	0.17	93.51
	Indonesia	18 003	1 153	0.16	64.04
	Germany	910	639	0.09	702.20
	Hong Kong SAR	3 118	303	0.04	97.18
	Italy	230	250	0.03	1 086.96
	United Arab Emirates	11 978	227	0.03	18.95
62059090	Shirts, woven of other textile materials, for men or boys (unit: 10 pieces)				
	Total	**632 864**	**29 440**		**46.52**
	China	309 336	9 063	0.31	29.30
	Indonesia	116 712	7 860	0.27	67.35
	India	68 210	3 853	0.13	56.49
	Bangladesh	61 942	2 575	0.09	41.57
	Malaysia	24 051	1 633	0.06	67.90
	Thailand	24 940	1 295	0.04	51.92
	Hong Kong SAR	10 558	914	0.03	86.57

Table 3 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
62063000	Blouses, shirts, shirt-blouses, woven of cotton for women or girls (unit:10 pieces)				
	Total	**931 143**	**64 951**		**69.75**
	Hong Kong SAR	334 171	27 090	0.42	81.07
	China	298 285	16 062	0.25	53.85
	India	63 624	4 585	0.07	72.06
	United Kingdom	15 481	2 985	0.05	192.82
	Indonesia	57 236	2 821	0.04	49.29
	Malaysia	22 998	2 182	0.03	94.88
	Thailand	89 715	1 994	0.03	22.23
	Italy	848	1 338	0.02	1 577.83
	Cambodia	20 037	1 279	0.02	63.83
	France	631	1 093	0.02	1 732.17
62064000	Blouses, shirts, shirt-blouses, woven of man-made fibres for for women or girls (unit: 10 pieces)				
	Total	**313 459**	**15 988**		**51.01**
	Hong Kong SAR	110 576	4 373	0.27	39.55
	India	92 489	3 430	0.21	37.09
	Malaysia	23 258	1 422	0.09	61.14
	France	1 511	1 152	0.07	762.41
	Italy	780	1 056	0.07	1 353.85
	China	12 722	865	0.05	67.99
62069090	Blouses, shirts, shirt-blouses, woven of other textile materials for women or girls (unit: 10 pieces)				
	Total	**595 840**	**37 947**		**63.69**
	China	290 431	16 556	0.44	57.00
	Hong Kong SAR	140 325	8 924	0.24	63.60
	India	45 850	3 091	0.08	67.42
	Portugal	8 754	2 147	0.06	245.26
	Indonesia	12 792	1 511	0.04	118.12
	Malaysia	13 937	1 102	0.03	79.07
	Thailand	52 077	812	0.02	15.59
	Cambodia	11 154	626	0.02	56.12
	Italy	336	620	0.02	1 845.24
62089999	Singlets and other vests of other textile materials for women and girls (unit: 10 pieces)				
	Total	**279 364**	**10 656**		**38.14**
	China	116 605	4 498	0.42	38.57
	Hong Kong SAR	85 071	3 540	0.33	41.61
	Thailand	51 584	1 358	0.13	26.33
	Cambodia	2 603	312	0.03	119.86
	Taiwan Province of China	1 741	247	0.02	141.87
	India	8 503	244	0.02	28.70
	Myanmar	5 275	176	0.02	33.36
62092010	Suits, pants and the like of cotton for babies (unit: 10 pieces)				
	Total	**213 099**	**11 462**		**53.79**
	Malaysia	65 251	3 136	0.27	48.06
	China	30 281	2 391	0.21	78.96
	Indonesia	42 337	2 032	0.18	48.00
	Thailand	24 573	1 547	0.13	62.96
	India	25 070	1 202	0.10	47.95

Table 3 (cont'd)

HS code	Product group and origin	Q	V	%	CIF/U
62113200	Other garments, woven, of cotton, for men or boys (unit: 10 pieces)				
	Total	**241 623**	**14 058**		**58.18**
	China	83 403	5 395	0.38	64.69
	Brunei Darussalam	29 860	1 802	0.13	60.35
	Hong Kong SAR	18 129	1 461	0.10	80.59
	India	36 160	1 455	0.10	40.24
	Cambodia	24 545	1 097	0.08	44.69
	Other garments of other textile materials, woven, for men or boys (unit: 10 pieces)				
	Total	**409 991**	**25 608**		**62.46**
	China	205 207	12 105	0.47	58.99
	Hong Kong SAR	33 051	3 160	0.12	95.61
	India	58 623	2 831	0.11	48.29
	Thailand	27 012	1 871	0.07	69.27
	Indonesia	33 873	1 644	0.06	48.53
62114290	Other garments of cotton, woven, for women or girls (unit: 10 pieces)				
	Total	**1 233 705**	**69 076**		**55.99**
	China	658 986	30 547	0.44	46.35
	Hong Kong SAR	71 093	6 573	0.10	92.46
	India	77 012	5 976	0.09	77.60
	Morocco	22 568	5 505	0.08	243.93
	Brunei Darussalam	55 420	4 132	0.06	74.56
	Cambodia	56 525	3 414	0.05	60.40
	United Kingdom	32 222	2 459	0.04	76.31
	Indonesia	70 612	2 211	0.03	31.31
	Spain	5 768	1 596	0.02	276.70
62114990	Other garments of other textile materials, woven for women or girls (unit: 10 pieces)				
	Total	**1 579 018**	**47 305**		**29.96**
	China	662 485	12 000	0.25	18.11
	India	128 985	10 342	0.22	80.18
	Indonesia	354 876	9 188	0.19	25.89
	Hong Kong SAR	152 774	3 988	0.08	26.10
	France	8 291	3 850	0.08	464.36
	Thailand	204 771	2 435	0.05	11.89
	Malaysia	25 216	1 806	0.04	71.62

Annex IV

Singapore: survey of textile and clothing retail market: the questionnaire

This survey is being conducted as part of a research initiative on Singapore's textile and clothing retail market. The International Trade Centre (ITC), a technical cooperation agency of the United Nations Conference on Trade and Development, UNCTAD (*www.unctad.org*) and the World Trade Organization, WTO (*www.wto.org*) for operational, enterprise-oriented aspects of trade development, supports developing and transition economies, particularly their business sector, in their efforts to realize their full potential for developing exports and improving import operations and assists companies in least developed countries (LDCs) in the diversification of their markets.

In the product area of textiles and clothing, ITC is developing a comprehensive guide on emerging clothing markets in advanced developing countries. This guide should help LDC clothing exporters to start exporting to these markets. The selected markets for this guide include Singapore. Once finalized, we will be happy to send you a copy of the publication. In addition, all cooperation given will be fully acknowledged in the publication.

Ms Mila Lim, a lecturer at the Singapore Polytechnic, is the appointed consultant and associate of Ms Doreen Tan of the Textile and Fashion Industry Training Centre. They will conduct and complete a survey of Singapore's apparel retail market. All information provided will be treated in strictest confidence.

Name: ______________________________

Company: ______________________________

Position: ______________ **Department:** ______________

Type of Company:

( ) Department store
( ) Clothing speciality store
( ) T&C importer
( ) Agent and distributor
( ) Supermarket
( ) T&C manufacturer
( ) Others (please specify)

Date of Survey: ______________

Please answer all questions and tick where appropriate.

1. Do you import any of the following products to Singapore?

   ( ) Yes, I import……. ( ) Textiles ( ) Clothing

   ( ) No, I do not import textile or clothing. (Please proceed to Question 6.)

2. If yes, do you have any preferences for fibre types or blending of textile and/or clothing?

( ) **Textile**

___ (50) Silk
___ (51) Wool
___ (52) Cotton-yarn and fabric
___ (53) Other vegetable textile, fibres and fabrics
___ (54) Man-made filaments (synthetic and artificial fibres)
___ (55) Man-made staple fibres, synthetic/artificial yarn, woven fabrics
___ (56) Wadding felt, non-woven
___ (57) Carpet and other textile floor coverings
___ (58) Special woven fabrics, lace trimmings, embroidery
___ (59) Coated, laminated textile for industrial use
___ (60) Knitted or crocheted fabrics

( ) **Clothing**

___ (61) Apparel, clothing accessories, knitted or crocheted
___ (62) Apparel, clothing accessories, not knitted or crocheted
___ (63) Other made-up textiles (blankets, sacks, rags)
___ (64) Footwear
___ (65) Headgear
___ (66) Umbrella

3. Where do you source them from?

TEXTILES

(Tick)	Origin	Type of textiles (e.g. cotton denim, rayon, silk chiffon, polyester georgette)
	Australia	
	Austria	
	Belgium	
	Brazil	
	Brunei Darussalam	
	Bulgaria	
	Cambodia	
	Canada	
	China	
	Czech Republic	
	Denmark	
	Egypt	
	Fiji	
	France	
	Germany	
	Greece	
	Hong Kong SAR	
	Hungary	
	India	
	Israel	
	Italy	
	Japan	
	Korea, Republic of	
	Malaysia	

(Tick)	Origin	Type of textiles (e.g. cotton denim, rayon, silk chiffon, polyester georgette)
	Mexico	
	Nepal	
	Netherlands	
	Norway	
	Pakistan	
	Philippines	
	Portugal	
	Romania	
	Slovenia	
	South Africa	
	Spain	
	Sri Lanka	
	Sweden	
	Switzerland	
	Taiwan Province of China	
	Thailand	
	Tunisia	
	Turkey	
	United Arab Emirates	
	United Kingdom	
	United States	
	Viet Nam	
	Others	

CLOTHING

(Tick)	Country	Type of clothing (e.g. womenswear – woven tops; briefs, men's denim pants) children's
	Australia	
	Austria	
	Belgium	
	Brazil	
	Brunei Darussalam	
	Bulgaria	
	Cambodia	
	Canada	
	China	
	Czech Republic	
	Denmark	
	Egypt	
	Fiji	
	France	
	Germany	
	Greece	
	Hong Kong SAR	
	Hungary	
	India	
	Israel	
	Italy	
	Japan	

(Tick)	Country	Type of clothing (e.g. womenswear – woven tops; briefs, men's denim pants) children's
	Korea, Republic of	
	Malaysia	
	Mexico	
	Nepal	
	Netherlands	
	Norway	
	Pakistan	
	Philippines	
	Portugal	
	Romania	
	Slovenia	
	South Africa	
	Spain	
	Sri Lanka	
	Sweden	
	Switzerland	
	Taiwan Province of China	
	Thailand	
	Tunisia	
	Turkey	
	United Arab Emirates	
	United Kingdom	
	United States	
	Viet Nam	
	Others	

4. How did you come to know the textile and clothing suppliers from the above countries?

( ) Through a buying office. Please specify: ____________________

( ) Through an importer/agent/distributor. Please specify: ____________________

( ) Direct importation – companies/manufacturers came to Singapore to present their merchandise. Please specify: ____________________

( ) Met them at a trade fair. Please specify: ____________________

( ) Others. Please specify:

____

5. Why do you source textiles or clothing from the above countries? Please detail your product requirements.

Textiles: ____________________

Clothing: ____________________

6. Are you aware that the following least developed countries (LDCs) are able to supply textile and clothing?

LIST OF LEAST DEVELOPED COUNTRIES

	COUNTRIES	Please comment on their products.
ASIA		
	AFGHANISTAN	
	BHUTAN	
	BANGLADESH	
	CAMBODIA	
	LAO PEOPLE'S DEMOCRATIC REPUBLIC	
	MALDIVES	
	MYANMAR	
	NEPAL	
	TIMOR-LESTE	
	YEMEN	
AFRICA		
	ANGOLA	
	BENIN	
	BURKINA FASO	
	BURUNDI	
	CAPE VERDE	
	CENTRAL AFRICAN REPUBLIC	
	CHAD	
	COMOROS	
	DEMOCRATIC REPUBLIC OF CONGO	
	DJIBOUTI	
	EQUATORIAL GUINEA	
	ERITREA	
	ETHIOPIA	
	GAMBIA	
	GUINEA	
	GUINEA-BISSAU	
	LESOTHO	
	LIBERIA	
	MADAGASCAR	
	MALAWI	
	MALI	
	MAURITANIA	
	MOZAMBIQUE	
	NIGER	
	RWANDA	
	SAO TOME AND PRINCIPE	
	SENEGAL	
	SIERRA LEONE	
	SOMALIA	
	SUDAN	
	TOGO	
	UGANDA	
	UNITED REPUBLIC OF TANZANIA	
	ZAMBIA	
OCEANIA		
	KIRIBATI	
	SAMOA	
	SOLOMON ISLANDS	
	TUVALU	
	VANUATU	
CARRIBEAN		
	HAITI	

7. Here is a list of attributes which you might consider important in the procurement of textile and clothing from any supplier. Please rate them according to their importance to you.

   10 – most important; **1** – least important

Rating	1	2	3	4	5	6	7	8	9	10
Good price										
Timely delivery										
Quality of merchandise										
Flexibility of managers										
Design capabilities										
Fluent in English										
Good fabric selection										
Skilled workforce										
Advance technology										
Vertically integrated										

8. Which is your preferred way of sourcing? Please give your reasons.

   ( ) Through an importer/agent/distributor
   Reason: __________

   ( ) Direct importation (companies/manufacturers came to Singapore to present their merchandise)
   Reason: __________

   ( ) Trade fairs
   Reason: __________

   ( ) Others, please specify: __________

9. What type of textiles and related merchandise do you require now and in the near future (five years)?

   What are your estimated quantities per style? __________

10. In your opinion, what types of clothing should the least developed countries (LDCs) export to Singapore?

    ( ) Childrenswear. Please specify product types and fabrication.

    What are your estimated quantities per style? __________

    ( ) Menswear. Please specify product types and fabrication.

    What are your estimated quantities per style? __________

    ( ) Womenswear. Please specify product types and fabrication.

    What are your estimated quantities per style? __________

    ( ) Others. Please specify: __________

    What are your estimated quantities per style? __________

Thank you for your kind assistance and cooperation!

Annex V

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Chapter 6

South Africa

Executive summary

The South African market offers good opportunities for clothing exporters in LDC countries. In 2005, South Africa's imports of clothing totalled US$ 752 million. During the five-year period to the end of that year, the import market had shown strong growth, with imports rising by 289% over the period. Although this does to some degree reflect a larger market overall for clothing as the middle class with greater spending power continues to grow, the more pressing reason for the expansion in imports is the decline in local manufacturing capacity in the face of cheap imports, primarily from China.

Concerned about the decline in the local manufacturing sector and its negative impact on employment, the Government announced the imposition of a quota on 31 clothing and textile classifications covering 200 product types imported from China. The quotas were designed to give the local industry a two-year window to invest in capital equipment, technology and training and to gear up to providing the local market with the right products at competitive prices. They were to have taken effect on 28 September 2006 for a two-year period but when this summary was being written, the Government had bowed to pressure from retailers and manufacturers and had agreed to delay implementation until 1 January 2007[43] to give local industry time to adjust to the restrictions. In September 2006, South Africa was sourcing 73% of its clothing imports from China, and the imposition of the quotas was expected to leave a gap in the market as the local industry was, in many instances, simply incapable of generating the required supplies.

In a report published by Merrill Lynch South Africa[44], it said that the clothing retailers it had spoken to had indicated that with the imposition of the quotas, they were likely to shift supply bases to other lower-priced locations such as Bangladesh, Indonesia and Viet Nam. Although this goes against the very reason for the imposition of quotas, it creates a clear opportunity for clothing exporters in LDCs. The window of opportunity is, however, finite and LDC exporters are advised to move quickly in their approach to the South African market.

LDC exporters need to be aware that retailers and importers are looking for competitive suppliers who are in a position to offer the current price points created by Chinese industry. Although retailers and importers are aware that they are not going to get Chinese prices elsewhere, they would be looking to pay up to 5% more. Given that there is a 40% tariff on clothing imports into South Africa, exporters need to be careful in their pricing strategies.

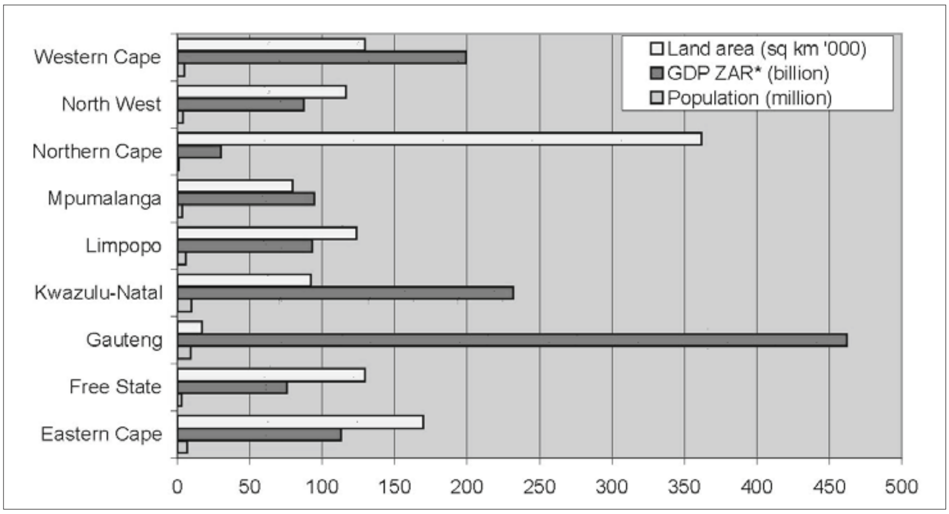
43 The quotas did go into effect in January 2007 and are expected to be in place until end-2008.
44 *Business Report* (18 September 2006).

The domestic market: a macro view

Demographics

To understand the South African market for clothing, it is important to have a basic understanding of demographic trends in the country as they have an impact on the distribution and sales of clothing. South Africa has a population of 47.4 million[45] people spread across 12.1 million households and nine provinces. Population growth is currently 0.9% and slowing as the impact of the HIV/AIDS pandemic becomes apparent. Currently some 5.5 million[46] South Africans or 11.6% of the population are HIV-positive. This will continue to have an effect on population growth and the structure and economic livelihood of households in South Africa. The Bureau of Market Research[47] is predicting that the decline in total consumption expenditure on clothing items will be between 11% and 14% by 2012.

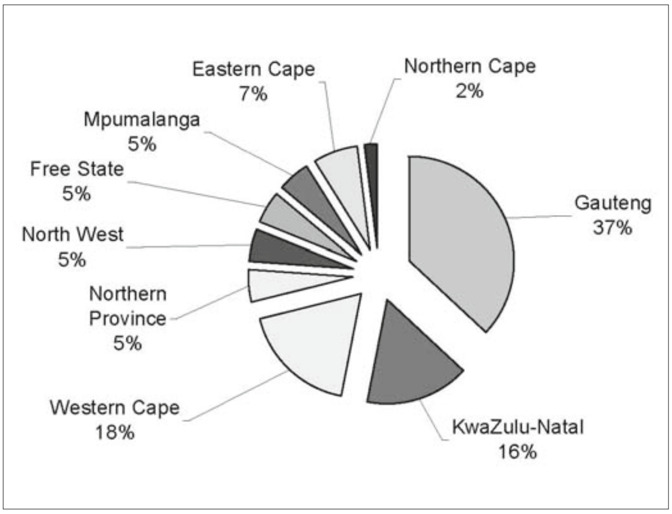
Figure 6.1: South Africa: provincial comparative of population, GDP and land area, 2005



Source: Source: Based on data published by Statistics South Africa.

*ZAR: South African Rand.

Figure 6.2: South Africa: percentage of national household expenditure by province, 2005



Source: Bureau of Market Research.

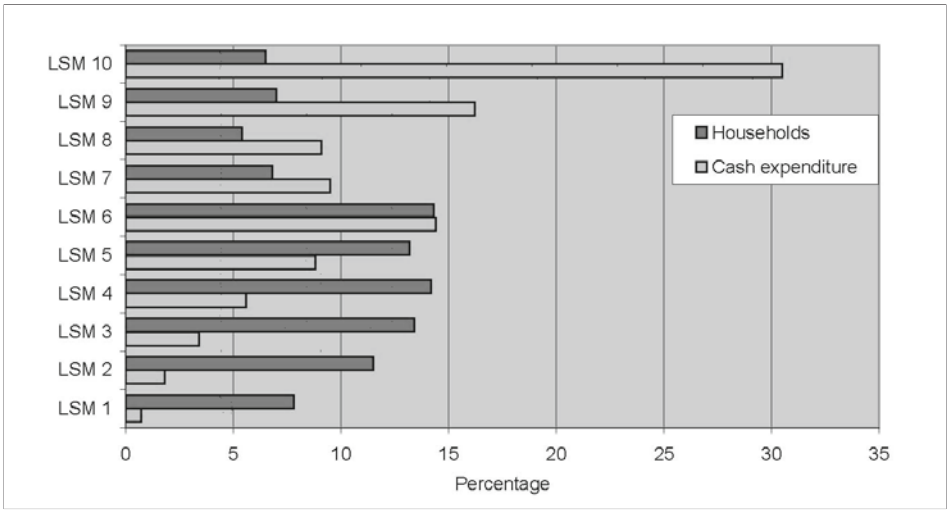
The difference in wealth and density of the population across the nine provinces is marked. Gauteng Province, the most powerful province, houses 19% of the total population and accounts for 33% of national GDP and 35% of national household expenditure, but covers only 1% of the total land area. The average income per capita of Gauteng residents was 93% higher than the national average.[48] The other two key provinces in terms of economic activity and income are the

45 Statistics South Africa.
46 UNAIDS (Joint United Nations Programme on HIV/AIDS).
47 *The Projected Economic Impact of HIV/AIDS in South Africa, 2003–2015*.
48 Bureau of Market Research.

Western Cape and KwaZulu-Natal. The importance of these three areas cannot be underestimated in determining strategies for sales of clothing to South Africa.

As shown in figure 6.3, the provincial disparity is further complicated by the fact that South Africa has one of the most skewed income distribution patterns in the world, with the top 10% of the population accounting for 47% of consumption or income. A report entitled *Poverty and Inequality in South Africa 2004–2014*,[49] focused on current trends and future policy options in narrowing the economic divide and argues that social stability is at risk because of growing inequality. With an estimated 40% of the population living in poverty and a Gini coefficient[50] of 0.6, South Africa has entrenched social problems that, for the purposes of this study, have a direct impact on the market for luxury goods such as clothing.

Figure 6.3: South Africa: distribution of cash expenditure by Living Standards Measure (LSM) group, 2005



Source: Bureau of Market Research.

Note: The South African Advertising Research Foundation (SAARF) developed the Living Standards Measure which classifies households into 10 groups according to living standard. LSM 1 has the lowest and LSM 10 the highest living standard.

Structure of the local industry

The clothing, textiles and leather goods sectors contribute 0.9% to GDP and account for 13% of all manufacturing jobs in South Africa. According to the National Bargaining Council, in June 2004 there were 827 clothing manufacturers in South Africa. Annual value added and gross domestic product for the clothing, textile and leather products industries is R 10.5 billion (US$ 1.6 billion). Although the industry employs only some 145,000 people directly, it is estimated that it sustains close to a million people indirectly. The industry produces over 130 million units per annum and the value of sales in 2005 was R 12.6 billion (US$ 1.9 billion). Sales are projected to continue to show strong growth and the Bureau of Market Research was projecting 5.5% real growth in formal retail sales of women's and girls' clothing in 2006.

49 Compiled by various academics as part of a study by the Ecumenical Foundation of Southern Africa (EFSA).

50 The Gini coefficient varies between 0 and 1 – the closer to 1, the more unequal a society; the closer to 0, the more equal a society.

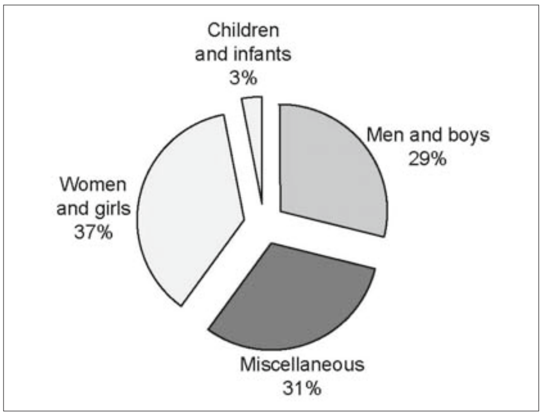
In 2005, households spent 5.6% of their income, or US$ 7.76 billion, on clothing and footwear. The percentage of household income spent on clothing and footwear has declined over the last two decades and this is seen to be attributable to the fact that, in target groups, household budgets are getting larger and hence expenditure on clothing is becoming a smaller percentage of the total budget. Food, clothing and footwear account for 80% of cash budgets in LSM 1, with food alone absorbing about 71% of this. The percentage of expenditure on this category decreases up the LSM scale, although LSM 10 spends the most in absolute terms. Urban households spend a smaller percentage of income on clothing – 5% compared to 7% in rural areas. Again this is attributable to the fact that, in rural areas, household incomes are generally lower than urban incomes and therefore clothing purchases take up a larger percentage of the total.

The South African textile and clothing sector has been in decline for the last decade or so. In the three years to 2006, the industry shed some 62,000[51] jobs as local manufacturers struggled to compete against cheap imports from China and battled with the strengthening of the local currency against the United States dollar. The latter has meant that the large retailers have started sourcing offshore and local manufacturers have found themselves uncompetitive in major export markets. The structural imbalances within the industry itself should, however, not be underestimated and years of low investments in technology and people, coupled with outdated and insufficient management, have led to an industry that is largely uncompetitive in international terms.

Local production

Accurate statistical data are very difficult to obtain owing to the absence of an industry association. The figures and tables that follow will, however, provide a general picture of the South African clothing industry. Statistics released by the Clothing Industry Federation (Clofed) prior to its closure showed that the most important sector of the clothing industry is the sector for women's and girls' clothes which accounts for around 37% of overall production. This is followed by the sector for men's and boys' clothing at 29% of overall production.

Figure 6.4: South Africa: structure of the clothing industry by broad category, 2003



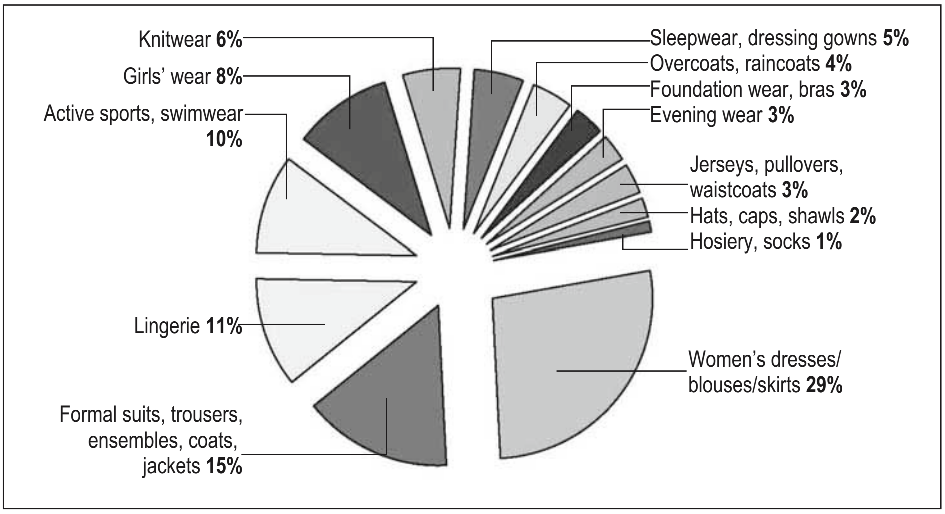
Source: Clothing Federation.

A further breakdown of the broad categories in figure 6.4 is given in figures 6.5–6.7. The breakdown indicates the percentage of manufacturers in each subcategory within the broad categories.

The most recent clothing production statistics available relate to 2003. The statistics show a decline in production across most major categories, with output of a basic item such as men's shirts declining by 41% over a three-year period. The industry faced its greatest pressure in 2004 and 2005 and if statistics for these two years were available they would show a further decline.

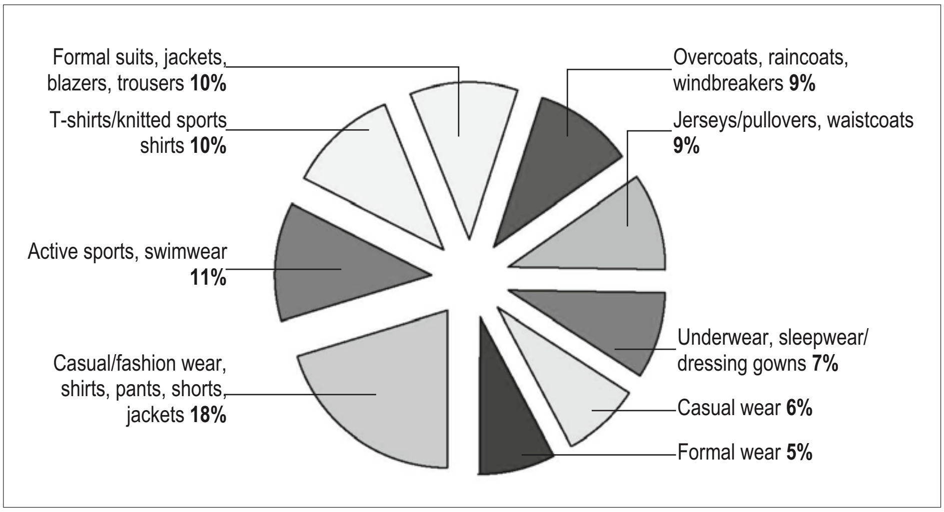
51 *Financial Mail* (23 June 2006).

Figure 6.5: South Africa: percentage of manufacturers by subcategory of product, women's and girls' clothing, 2003



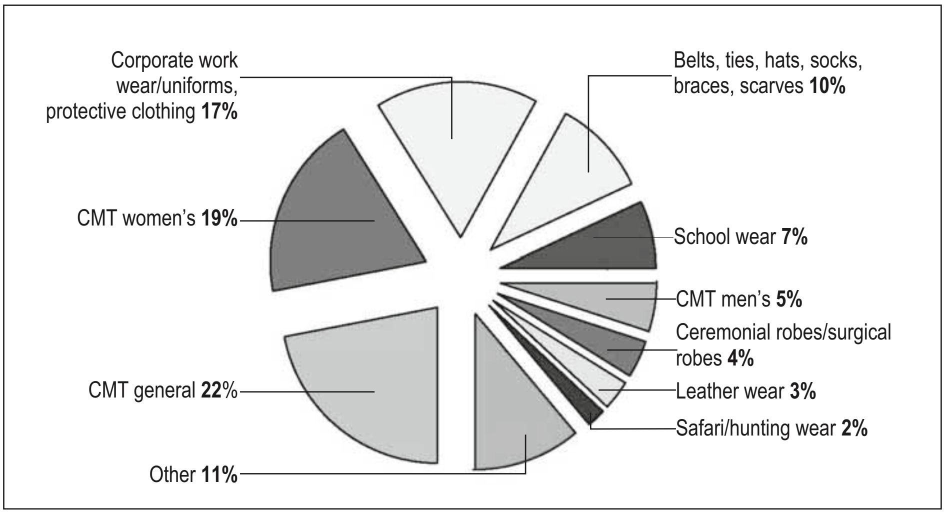
Source: Clothing Federation.

Figure 6.6: South Africa: percentage of manufacturers by subcategory of product, men's and boys' clothing, 2003



Source: Clothing Federation.

Figure 6.7: South Africa: percentage of manufacturers by subcategory of product, miscellaneous items, 2003

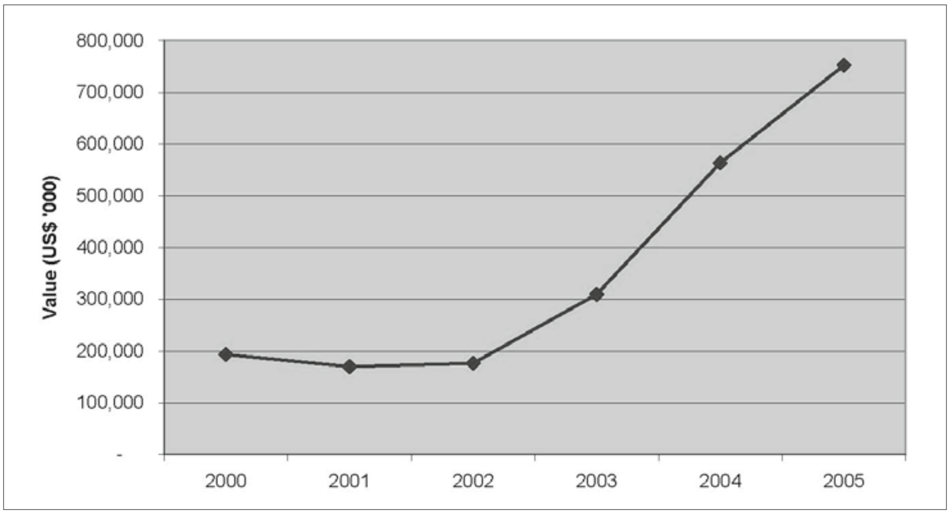


Source: Clothing Federation.
Note: CMT: cut, make and trim.

The import market

In 2005, South Africa's clothing imports amounted to US$ 752 million. As shown in figure 6.8, imports of clothing increased strongly over the 2000–2005 period, rising by 289%. The expansion in imports does not reflect growth in the size of the market for clothing; rather it should be viewed against a backdrop of declining local production.

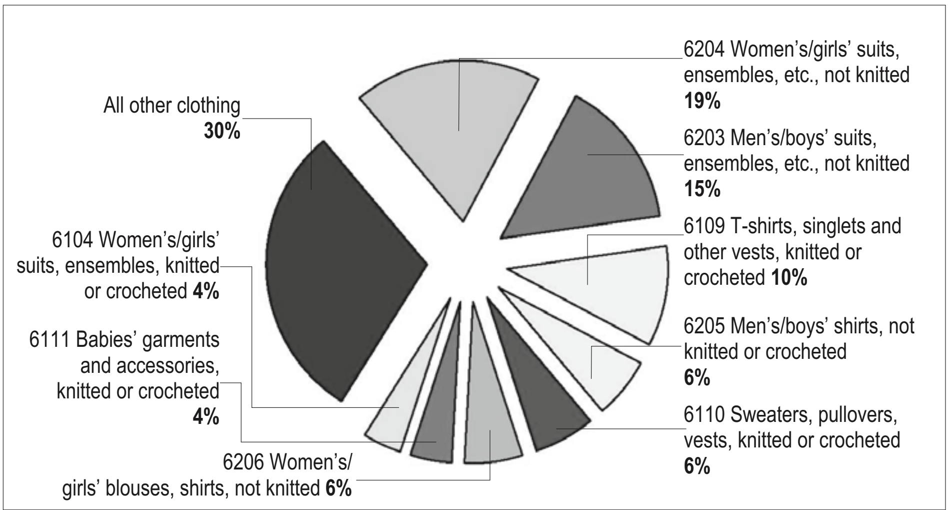
Figure 6.8: South Africa: clothing imports by value, 2000–2005



Source: Based on data from the United Nations Comtrade Database.

The composition of imports is fairly evenly spread across the various tariff categories. In 2005, the largest category of imports in terms of volume was women's and girls' suits and ensembles, not knitted, which accounted for 19% of total imports. The second most important category was men's and boys' suits and ensembles, not knitted (15% of all imports), followed by T-shirts and singlets (10% of total imports). The categories that showed very strong import growth over the five-year period were knitted and woven women's and girls' blouses; knitted and woven women's and girls' suits and ensembles; t-shirts; and men's and women's pyjamas.

Figure 6.9: South Africa: composition of clothing imports, 2005



Source: Based on data from the United Nations COMTRADE Database.

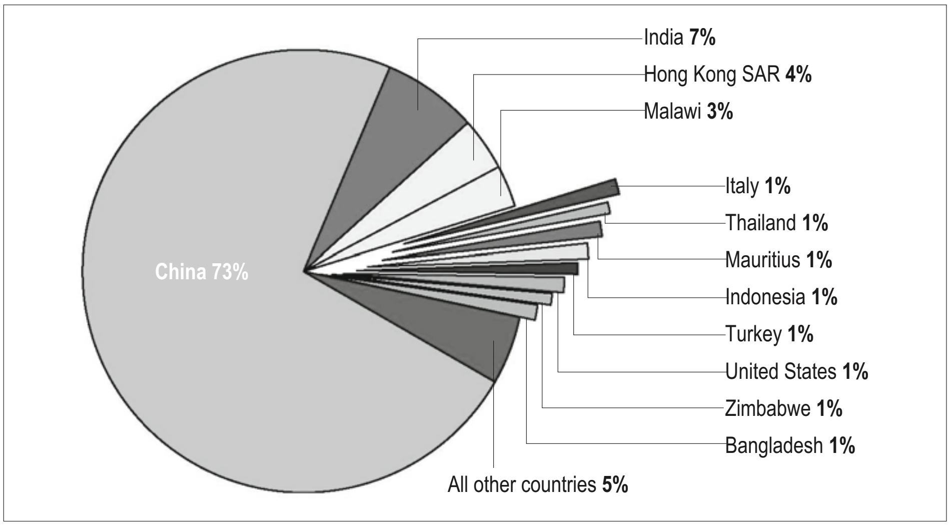
Note: Codes follow those of the Harmonized System. See annex III.

Annex III provides detailed data on South Africa's imports of clothing from 2000 to 2005 at the four-digit level of the harmonized tariff system (HS).

Origin of imports

The South African clothing import market is tied up with a few supplying countries. A group of 12 countries/areas accounted for 95% of total imports in 2005. As illustrated very graphically in figure 6.10, the market is completely dominated by China which held a massive 73% of imports in 2005.

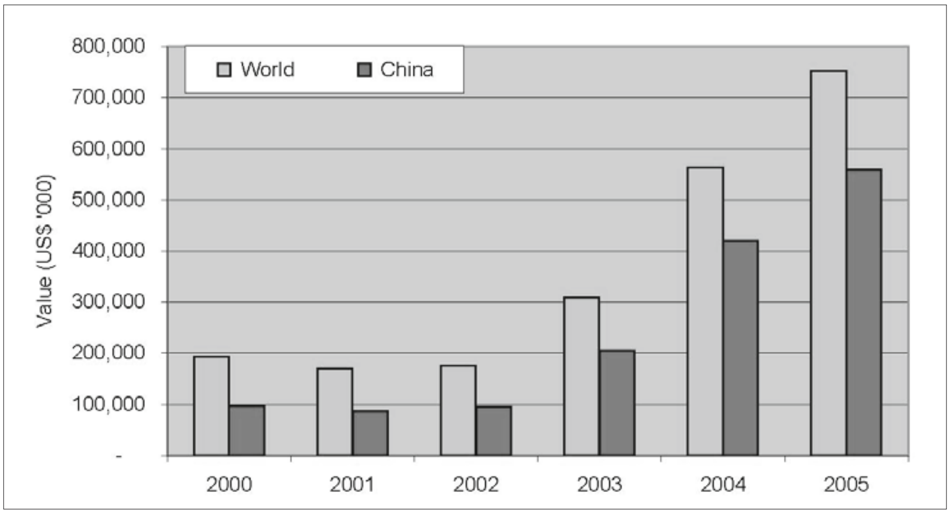
Figure 6.10: South Africa: origins of clothing imports and their percentage share in total imports, 2005



Source: Based on data from the United Nations COMTRADE Database.

What is noticeable about the supply from China is the incredible growth in imports from this country in recent years. In 2000, imports from China totalled US$ 96 million, equivalent to 50% of the import market. By 2005 these imports had grown to US$ 558 million and a 73% share of the market, a massive rise of 480% over the period. The increasing dominance of China in the South African market is reflected in figure 6.11.

Figure 6.11: South Africa: imports of clothing from China and the world, by value, 2000–2005



Source: Based on data from the United Nations Comtrade Database.

Outside of Malawi and Bangladesh which are amongst South Africa's main suppliers of clothing, LDCs feature very low in South Africa's clothing import profile.[52] In 2005, imports from LDCs amounted to US$ 32 million or 4% of the total import market for clothing. Of this US$ 32 million, four countries were responsible for 96%: Malawi (74% of imports from LDCs), Bangladesh (12%), Mozambique (7%) and Myanmar (3%).

An analysis of the tariff structure

Import tariffs

The framework of the external tariff is the two-column Harmonized Commodity Coding and Description System (HS). Import duties are levied ad valorem on FOB values. Virtually all clothing attracts a 40% rate of duty. Exceptions are listed in table 6.1 below. Under the Free Trade Agreement, countries within the SADC[53] enjoy a preferential tariff rate of 0%. Under the Trade and Development Cooperation Agreement with the European Union, EU countries enjoy a preferential rate of 23%.

Table 6.1 South Africa: exceptions to the 40% tariff on clothing

HS code	Description	General rate	EU rate	SADC rate
61079920	Other bathrobes and dressing gowns of wool	Free	Free	Free
61081910	Slips and petticoats of wool	Free	Free	Free
61151120 61151220 61152030 61159315	Pantyhose designed to give relief to people suffering from blood circulatory problems	Free	Free	Free
61151190 61151290 611519 61152090	Other pantyhose	20%	Free	Free
6116	Gloves, mittens and mitts, knitted or crocheted	30%	Free	Free
611710	Shawls, scarves, mufflers, mantillas, veils and the like	30%	23%	Free
62101020	Disposable panties of fabrics of heading 5603	Free	Free	Free
62101030	Sterilized surgical gowns	Free	Free	Free
62104020	One-piece protective suits incorporating outlet valves only, for use with breathing apparatus on the inside	Free	Free	Free
62113110 62113210 62113310 62113910	Suits and overalls, conductive, designed for use by overhead transmission linesmen	Free	Free	Free

52 Lesotho is excluded from this analysis as it is a member of the Southern African Customs Union (SACU) and reliable statistics on trade between SACU members are not maintained. Lesotho is a supplier of clothing to the South African market.

53 Angola, Botswana, Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Madagascar, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe. Angola, the Democratic Republic of the Congo and Madagascar have yet to ratify the Free Trade Agreement and therefore do not qualify for the preferences.

Table 6.1 (cont'd)

HS code	Description	General rate	EU rate	SADC rate
62114110 62114210 62114310 62114910	Saris	25%	Free	Free
62129090	Other brassieres, girdles and corsets	30%	23%	Free
621310 62132090 62139090	Handkerchiefs of silk	30%	23%	Free
62132010 62139010	Handkerchiefs of cotton and flax	30%	Free	Free
6214	Shawls, scarves, mufflers, mantillas, veils and the like	30%	23%	Free
6216	Gloves, mittens and mitts	30%	Free	Free
62171030	Printed labels and tabs	25%	Free	Free
62171090 621790	Other accessories and parts	30%	Free	Free

Source: International Customs Tariff Bureau.

Other taxes payable on imports

A value-added tax of 14% is payable on all imports. VAT is levied on the value for customs duty plus 10% plus any additional duties paid.

Preferential access

Southern African Customs Union (SACU)

SACU is a customs union comprising Botswana, Lesotho, Namibia, Swaziland (the BLNS States) and South Africa. The agreement includes, among other things, the levying of uniform customs and excise duties, free interchange of duty-paid goods imported from outside member countries, imposition of additional protective duties by BLNS States and regulation of the marketing of agricultural produce. There are no duties payable on goods traded between SACU members. The procedures for export between Member States are very simple and the distances to the markets are short and transport links frequent.

Import tariffs imposed on goods from outside SACU generally discourage the switching of BLNS imports to alternative sources of supply, even where the cost of South African products is higher than for comparable items sourced elsewhere. As a result, the BLNS States depend on South Africa for the majority of their imports.

Southern African Development Community (SADC)

South Africa is a signatory to the SADC[54] Free Trade Agreement. Under the terms of the agreement, South Africa reduced tariffs that ranged between 0% and 17% to 0% with immediate effect on entry into force of the agreement (September 2000). Tariffs of between 18% and 24% were reduced to 0% over a three-year period, whilst those that varied between 25% and 50% were phased

54 SADC members are Angola, Botswana, the Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe.

down over a five-year period. Tariffs above 50% are dealt with under separate protocols. Sectors such as textiles, sugar, steel, auto components and red meat are covered separately. Angola, the Democratic Republic of the Congo and Madagascar have yet to ratify the SADC trade protocol and therefore do not enjoy the duty preferences afforded Member States under this agreement. As of September 2005, the import duty on clothing from other qualifying SADC Member States is zero.

Trade and Development Cooperation Agreement

The EU-SA Trade and Development Cooperation Agreement (TDCA) came into effect in January 2000. Under the agreement, the European Union committed itself to reduce its import tariffs to zero over a period of seven years. South Africa undertook to reduce its duties to 50% of the MFN tariff level over an eight-year period. The schedule of reduction of tariffs on textiles and clothing entering South Africa from the European Union is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Textiles – clothing	40%*	37%	34%	31%	29%	26%	23%	20%
Textiles – fabrics	22%	20%	19%	17%	15%	13%	12%	10%
Textiles – household	35%	32%	29%	26%	24%	21%	18%	15%

*This is the normal duty rate on textiles and clothing.

The scheduled reductions were applicable as of 1 July 2000. In the period from year 8 to 12, South Africa will provide the European Union with a preference margin of around 40% compared to the MFN applied tariffs.

European Free Trade Association (EFTA)

A free trade agreement between EFTA[55] and SACU was signed in June 2006. The agreement covers trade in industrial goods, including fish and other marine products, and processed agricultural products. With regard to trade in basic agricultural products, Iceland, Norway and Switzerland have individually signed bilateral agreements with the SACU States. The dismantling of tariffs is generally asymmetrical in that the EFTA States liberalize trade in goods in all fields more rapidly than the SACU States.

Bilateral agreements

South Africa has bilateral trade agreements with Malawi, Zimbabwe and Croatia.

South Africa is in the process of negotiating free trade agreements with China, India and Nigeria.

SACU has signed a very limited trade agreement with the Southern Common Market (MERCOSUR) which covers 1,000 products although this will in all likelihood be expanded to cover other products in the future. At present, the agreement does not cover clothing.

55 EFTA comprises Iceland, Liechtenstein, Norway and Switzerland.

Non-tariff requirements

Special import regulations

The import of clothing into South Africa is subject to very few controls. The International Trade Administration Commission (ITAC), which is the authority responsible for import control, maintains no restrictions on imports of clothing and no specific import licence is required.

On 1 September 2006, the Department of Trade and Industry published proposed quotas on clothing and textile items originating in China. The restrictions cover 31 of the 36 clothing and textile classifications and comprise 200 product types including most apparel items. The quotas came into effect on 1 January 2007 and will be imposed until 2008.

Customs procedures

The import procedures for textiles and clothing are simple. Goods are cleared at the port of entry where all import tariffs will need to be paid. It is important to ensure that all the required import documentation is in order to facilitate clearance through Customs. Once the goods have cleared Customs, they can be transported directly to their final destination.

Official standards

The South African Bureau of Standards (SABS) is the national standards authority. The organization maintains a number of voluntary and mandatory standards for clothing. These are as follows:

- SANS 316:2002 : Industrial hand protectors (leather and fabric) and leather protective clothing
- SANS 1118-1:2003: School clothing – Part 1: General requirements for school clothing
- SANS 1118-2:2004: School clothing – Part 2: Blazers
- SANS 1118-3:2001: School clothing – Part 3: Trousers and shorts
- SANS 1118-4:2000: School clothing – Part 4: Shirts
- SANS 1118-6:2001: School clothing – Part 6: Dresses, tunics and gyms
- SANS 1118-7:2001: School clothing – Part 7: Girls' slacks and skirts
- SANS 1118-9:2000: School clothing – Part 9: Knee-high stockings and ankle socks
- SANS 1118-10:2001: School clothing – Part 10: Jerseys and cardigans
- SANS 1118-11:2000: School clothing – Part 11: Briefs
- SANS 1118-12:2000: School clothing – Part 12: Tracksuits
- SANS 1118-13:2001: School clothing – Part 13: Athletic wear
- SANS 1891-1:2002: Performance requirements for clothing – Part 1: Shirts
- SANS 10011:2001: Care-labelling of textiles and clothing
- SANS 10371:2005: Terms and definitions for clothing

- SANS 50381-1:1993/EN 381-1:1993: Protective clothing for users of hand-held chain saws – Part 1: Test rig for testing resistance to cutting by a chain saw
- SANS 50381-2:1995/EN 381-2:1995: Protective clothing for users of hand-held chain saws – Part 2: Test methods for leg protectors
- SANS 50381-5:1995/EN 381-5:1995: Protective clothing for users of hand-held chain saws – Part 5: Requirements for leg protectors
- SANS 50471:2006/EN 471:2003: High-visibility warning clothing for professional use – Test methods and requirements

In addition there are a number of standards pertaining to fabrics.

Copies of these standards can be ordered directly from SABS or from their website. The contact details are as follows:

Tel: +27 12 428 6666
Fax: +27 12 428 6928
E-mail: info@sabs.co.za
Website: *www.sabs.co.za*

Packaging, marketing and labelling requirements

In an effort to protect consumers and prevent illegal imports, new origin labelling requirements were introduced in May 2005. The new labelling requires:

- Care labelling in accordance with SABS 011;
- Percentage fibre content labelling in accordance with SABS 0235;
- Country of origin labelling;
- If made in South Africa, the garment must be wholly assembled in the country;
- Goods made in South Africa should specify the manufacturing company's tax registration number;
- Imports should state the country the goods were made in;
- Imported goods should feature the importer's customs code number.

Expected market developments

Quotas for clothing and textile imports from China

In June 2006, the South African Government reached an agreement with the Chinese Government under which China agreed to curb clothing exports to South Africa in a bid to give the local clothing and textile industry time to rebuild and restructure. At the beginning of September 2006, the Government gazetted the proposed quota regulations (see Special import regulations on page 253) and gave the retail sector seven days to respond. The reaction from the retail sector was not positive.

The Chief Executive Officer of the Woolworths Group, Simon Susman, responded to the Government's announcement with the following comment: 'The impact will be significant: customers will see higher prices – particularly in sensitive areas like children's clothing [where prices] could go up by 20–25%; shelves will be empty over the holiday season; and ultimately there will be damage to South Africa's textile industry, the industry to which these quotas are adding even further protection. It is a lose-lose situation.'

The CEO of Truworths, Michael Mark, expressed a similar view, commenting that 'if the import quotas were installed they would cause significant inflation upwards of 25% in many categories of product. South Africa is very, very dependent on a wide variety of clothing imports from China, as is the rest of the world. By definition, when you cap the amount you can import from such an efficient producer of clothing there are going to be shortages and price increases.'[56]

South Africa's six largest clothing retailers – Edcon, Truworths, Woolworths, Foschini, Pepkor and Mr Price – issued a press statement on 6 September 2006 calling for an urgent and immediate suspension of the Chinese import quota implementation to stop the chaos and cost that this process was already causing. The retailers also requested the authorities to urgently appoint a task force of independent professionals to talk to all parties and compile an impact study of the consequences to the South African economy for review by the Government before taking the matter any further.

On the reverse side of this argument, the Congress of South African Trade Unions (Cosatu) and the Southern African Clothing and Textile Workers' Union (SACTWU) welcomed the agreement on quotas. The Unions were of the opinion that the quotas would assist in recreating the jobs that had been lost in the clothing and textile industry over recent years.

Although the argument was likely to continue for some time into the future, the reality was that the clothing retailers found themselves in an extremely difficult situation, one that would in all likelihood create opportunities for producers in LDCs. In an interview given soon after the announcement of the quotas, Martin Deall, the Merchandise Logistics Executive of the Edcon Group, stated that 'with the long lead times we probably won't be able to replace product this side of Christmas. We will try our best – because obviously our job is to look after the consumer – but if we can't get it from China we might buy some locally and we will probably start looking at places like Cambodia, Viet Nam, Bangladesh and from any where else where we can replace.'[57]

The Government bowed to pressure at the time and postponed implementation of the quotas to 1 January 2007.

Customized Sector Programme for the clothing and textile industry

In August 2006, the Department of Trade and Industry, the clothing and textile industry, retailers and labour finalized a Customized Sector Programme (CSP) for the industry. Essentially the CSP lays down the blueprint for the rescue and restructuring of the industry. This is seen as a significant development in the industry and will have an impact on foreign suppliers.

The CSP outlines a sector development strategy which has been developed through the process of identifying 26 key action programmes which will manage the current crisis in the industry, re-establish the foundations for future growth and development, and maximize the numerous opportunities that exist. This is based on the recommendations of a report compiled for the Government late in 2005.[58] Two of the critical strategic themes outlined in this report are the recapture of domestic market share by local clothing manufacturers and the maintenance of a strong export focus. The strategic themes and key action programmes identified through the CSP are outlined in table 6.2.

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56 'Retailers Slam China Quota Plan', *Fin24* (4 September 2006).
57 'Classic Business on Classic FM' (4 September 2006).
58 'A Strategic Assessment of the South African Clothing Sector,' compiled for NEDLAC, July 2005 by Dr Justin Barnes, Benchmarking and Manufacturing Analysts SA (Pty) Ltd.

Table 6.2 South Africa: strategic themes and key action programmes (KAPs) identified through the Customized Sector Programme

Strategic theme	KAP	Level
1. Recapturing domestic market share	1. Government engagement with multilateral forums.	Critical
	2. Implement regulations to eliminate under-invoiced and illegal imports.	
	3. Support customs on illegal imports.	
	4. Partnership between SACU members to ensure policy and monitoring consistency.	
	5. Maintain tariffs.	
	6. Country of origin labelling and buy SA clothing and textiles campaign.	
	7. Monitoring of duty credit certificates (DCCs).	
2. Maintenance and growth of exports	8. Confirmation and replacement of interim scheme replacing DCCs.	
	9. Pursue preferential trade agreements with key trading partners.	
	10. African textile exports.	
	11. Export marketing and investment allowance (EMIA) support.	
3. Capital upgrading	12. Textiles and clothing investment support programme.	Foundational
	13. Preferential lending arrangements.	
	14. Labour market investment flexibility.	
	15. Provincial/local government investment support.	
4. Firm-level competitiveness	16. Regional cluster support.	
	17. Facilitation of access to technology.	
	18. Adherence to global standards.	
5. Creating a sustainable skills base	19. Support for the Clothing, Textile, Footwear & Leather Sector Education and Training Authority (CTFL SETA).	
	20 Support for centres of excellence.	
	21. Higher skills development at tertiary education institutions.	
6. Industry transformation	22. Broad-based Black Economic Empowerment (BEE) charter.	Developmental
	23. BEE investment support.	
7. Coordinating value chain opportunities	24. Entrenched support for the Textiles and Clothing Development Council (TCDC).	
	25. Globally competitive materials.	
	26. Niche market value chain working groups.	

Source: 'A Strategic Assessment of the Clothing Sector', prepared for NEDLAC by Dr Justin Barnes of Benchmarking and Manufacturing Analysts SA (Pty) Ltd in July 2005.

Formalization of a business alliance driven by the private sector

Over recent years, clothing and textile companies have organized themselves into two clusters, one based in the Western Cape and one in KwaZulu-Natal. The Clothing and Textile Clusters are private-public partnerships between Provincial Governments and regional clothing and textile manufacturers. South Africa's five major clothing retailers (Edcon, Foschini, Truworths, Mr Price and Woolworths) have now joined the partnership, thereby completing the value chain.

The Clusters are focused on bolstering the competitiveness of the regional clothing and textile industries, thereby ensuring continued viability and future success. The need for the Cluster stems from the strategic difficulties confronting the industry, most notably the growing intensity of global competition in domestic and international markets. By supporting the competitiveness development of clothing and textile companies, the Cluster ensures that firms meet the increasingly demanding requirements of their key customers, most notably the domestic retailers.

Three interlinked programmes, each run by an industry-nominated Technical Steering Committee, underpin this. The three programmes and their subsidiary elements are:

- *World Class Manufacturing (WCM):* firm-level benchmarking, best practices sharing between participating firms and the provision of WCM training to executives and managers.
- *Human Resource Development:* technical skills development and team leader training in WCM.
- *Value Chain Alignment:* strategic and operational alignment of retail buyers and clothing and textile manufacturers.

The growth of the middle class

As shown in the demographic figures earlier in this chapter, South Africa's middle class is growing, and this will have a marked impact on the income and expenditure of this sector of the population. Most of the growth is occurring among the previously disadvantaged black population and is taking place in the township areas built during the apartheid area as labour reservoirs which were not incorporated into the mainstream infrastructure of South Africa's cities. A recent study undertaken by the City of Johannesburg estimated that Soweto, South Africa's most metropolitan township on the outskirts of Johannesburg, commands a buying power of R 10.5 billion (US$ 1.25 billion) per annum and that of this, R 4.3 billion (US$ 680 million) per annum is spent on consumer goods.

As a result, a great deal of retail development is taking place in the townships. For example, developers have recently announced the establishment of Maponya Mall, a 60,000 m² shopping centre in Soweto. National retailers, including clothing retailers, are likely to occupy 75% of the trading space. This is only one of a number of retail areas planned for Soweto: a R 250 million centre with 30,000 m² of trading space is to be set up in Jabulani and a 250,000 m² mall is expected to be built in Protea Gardens. Another R 60 million retail space for Diepkloof Plaza will be announced soon. Such developments are likely to boost sales of clothing in these previously untapped areas.

Proudly South African

The Proudly South African campaign was launched a few years ago and aims to promote the purchase of local products. Proudly South African encourages the local clothing industry and promotes 'buying local' by supporting fashion ventures. It also campaigns for a code of conduct for retailers which calls on them to support the local industry.

This cascades down to the retail level where large retailers are making commitments to buy a certain percentage of products locally and are creating in-house 'stores' to showcase South African designers.

The domestic market: a micro view

Major players in the retail sector

Purchasing power is highly concentrated in the hands of the large retail chains. There are six major retail groups that dominate the clothing sector: Edcon, Foschini, Truworths, Pepkor, Woolworths and Mr Price. These retail groups procure a large portion of their requirements locally and import to make up for the shortfall or in areas where the local industry is either unable to supply or is uncompetitive. To give an indication of the extent of local versus international procurement, the local content of three of the major national retailers is as follows:

Woolworths	Foschini Group	Truworths
75%	70%	65%

Source: *Financial Mail* (23 June 2006).

Outside the market served by the major groups, there is a smaller, higher-end market for speciality stores. These stores either form part of a group or are independently owned and managed. A good example is the Platinum Group which is a Cape-based retailer dealing in leading designer labels (Jenni Button, Hilton Weiner, Urban, Aca Joe and Vertigo). The Group has 57 stores in prime locations in all the premier shopping centres across the country. Another is the Queenspark group, which operates around 40 stores around the country and caters to the needs of the older, more fashionable woman.

Procurement by the independently owned stores is more fragmented and volumes are smaller. These stores generally serve the higher income groups and often carry major international brands which they purchase through local agents. The supermarkets do not sell clothing in a major way. The exception is Pick 'n Pay which retails its own-label clothing through its stores.

Edcon Group

Edcon is the leading clothing, footwear and textiles retailing group in southern Africa. Trading through a range of retail formats, the group has 900 stores in South Africa, Botswana, Namibia, Swaziland and Lesotho. In the 2006 financial year, the group had a turnover of R 16.3 billion (US$ 2.5 billion) and a 31.4% share of the domestic market for clothing, footwear and textiles.

The various clothing retail formats within the group are as follows:

- Edgars Stores. The 168 stores in this subgroup target middle- to upper-middle income families.
- Jet has 283 stores and Jet Mart has 17 stores. These are mass-market departmental stores which focus on the middle- and lower-middle income markets.
- Legit sells fashionable women's wear. The Legit customer is between the ages of 16 and 24, is fashion conscious and works on a very tight budget.

Foschini

Foschini Limited is an investment holding company whose core business focus is retail and financial services. Comprising 13 companies trading in over 1,200 stores throughout South Africa, the group handles a large range of brands. In the 2006 financial year, it had a turnover of R 6.4 billion (US$ 1 billion).

Operating in the retail and personal loans and private label segments, the group's brands cater to the broad middle-income group throughout southern Africa, mainly as a credit retailer.

In the clothing sector, the group operates through several divisions.

- The Foschini division deals in women's fashion and offers the following brands in 356 stores:

  - Foschini: caters for women seeking fashionable, current apparel, footwear and cosmetics which offer good value. Its target customers are women 18–35 years of age within LSM groups 6–10. Its stores are located in prime shopping centres and central business districts.
  - Donna Claire: focuses on larger-sized women, while still offering fashionable clothing. Its stores are found in prime shopping centres, and cater for LSM groups 6–10.
  - FX Fashion Express: this is a value clothing chain sited in smaller towns and B positions in shopping centres, catering for LSM groups 5–9.
- Markham is the largest men's fashion retail chain in southern Africa. Markham stores are located in most major shopping centres and large towns. The stores provide good quality and value clothing suitable for all occasions. The target market is in the LSM 6–10 ranges. There are currently 208 Markham stores.
- Exact! is the group's value chain, targeting LSM 5–8 and providing an affordable range of fashion clothing to suit all ages. There are currently 170 Exact! stores.
- The Sports Division comprises the following brands across 190 stores:
  - Totalsports is positioned as the premier sportswear destination in South Africa. The stores provide a mix of performance sports brands and complementary fashion products for the everyday athlete.
  - Sportscene is a unique brand providing fashion-conscious youth with an offering that blends street, urban and 'free sports' styles. This brand taps into grassroots events, fashion and language to gain credibility with its target market.
  - DueSouth caters for the modern, hi-tech consumer with an outdoor lifestyle. The stores target mid- to upper-income outdoor lifestyle enthusiasts with a range of international adventure brands complemented with its own fashion interpretations.
- The @home Division offers fashionable and practical home ware to the mid- to better-end of the market and caters to the LSM 8–10 population segments. There are currently 41 @home stores.

Truworths

Truworths is a fashion retailer with 257 stores in South Africa and 14 franchise operations elsewhere in Africa and the Middle East. The company's turnover in the 2005 financial year was R 3.8 billion (US$ 590 million).

As with the other retail groups, Truworths operates through various specialized retail formats as follows:

- Truworths;
- Truworths Man;
- Daniel Hechter;
- Inwear;
- Elements;
- LTD.

Pepkor

The Pepkor Group manages a portfolio of retail chains focused on the value market and selling predominantly clothing, footwear and textiles. Its main operating subsidiaries are Pep and Ackermans in South Africa and Best & Less in Australia. All subsidiaries are based on a high-volume/lower-margin business model. There are 2,200 stores in the group.

PEP Stores is the largest single-brand retailer in the country with over 1,300 stores. The target market is the mass lower- to middle-income market. PEP operates on a cash basis only, keeps its margins to the minimum and has a low-cost culture. Its buyers source merchandise both locally and internationally to meet the demands of its customers for a wide range of good-quality, fashionable merchandise.

Ackermans is a value retailer selling everyday, contemporary casual wear at low prices. Its target market is the mass middle market of value-seeking consumers. There are 313 Ackermans stores. Ackermans owns a few other retail chains including Baby Company (branded baby wear), Home Comforts (textiles and home ware) and Hang Ten (retro-contemporary casual wear for the 16- to 24-year age group).

Woolworths

Woolworths is a retail chain that extends throughout Africa and into the Middle East, trading through more than 300 stores. Woolworths is also found in Australia, where the group has a majority share in the Australian retail chain, Country Road. The group's turnover for the 2005 financial year was R 12.9 billion (US$ 2 billion). Clothing is one of the pillars of the Woolworths business. Its clothing ranges cover women's, men's and children's wear. All of its apparel is sold under its own brand name. Over recent years, Woolworths has branched out into home ware and stocks a wide variety of own-brand household textiles.

Mr Price

The Mr Price group consists of five retail chains focusing on clothing, footwear, accessories and house ware. On the apparel side, there are three retail brands namely Mr Price Every day (305 stores selling clothing), Milady's (172 stores selling classic clothing for the older woman) and the newly launched Mr Price Sports (2 stores). On the house ware side, there are two retail brands namely Mr Price Home (130 stores selling a full range of house ware) and Sheet Street (154 stores selling primarily household textiles). In the 2006 financial year, the group's turnover was R 5 billion (US$ 780 million).

Procurement practices

South African clothing importers and retailers will import from any market given an appropriate price first and quality second. Importers stress the price component over any other factor.

The retailers employ a mixed pattern of buying. The companies will buy a proportion of their requirements direct from foreign suppliers and a proportion from local agents based either in South Africa and dealing with foreign suppliers or in the supplying country itself.

There are only two buying seasons in South Africa: summer and winter. Summer takes up approximately 60% of the year (mid-August through to March) and winter 40% (April through to mid-August). The lead time on orders is generally 90–120 days so retailers will start buying their winter stocks in December–January and their summer stocks (normally two deliveries) in May. Exporters in LDCs in close proximity to South Africa have an advantage in that they can reduce the lead time down to 60 to 90 days because of the reduced shipping times.

When dealing with a new supplier, retailers will often place small trial orders to test the supplier's reliability in regard to delivery schedules and quality specifications. Although this is often an irritant to large clothing manufacturers, it is an essential step in getting into the procurement chain of the large South African retailers.

South African retailers look for reasonable quality with a modern design. Since South Africa is in the southern hemisphere, fashions tend to lag one season behind European fashion; this should make it easier for LDC exporters to judge the market. Sometimes retailers and importers provide their own designs; at other times suppliers are expected to submit their own designs for approval.

Sizing in South Africa is along the same lines as the United Kingdom.

The volumes required by the major retailers are often a problem for larger manufacturers in foreign countries. While volumes are fairly small, requirements in terms of styles and colours are highly varied. The larger retailers would generally look at 1,000 to 2,000 units per colour per style for basic items such as T-shirts. Chinese and Indian suppliers have an advantage in that they are happy to be flexible and will at times supply as little as 150 units per style in three colours. It is essential that exporters in LDCs look at flexibility on volumes when approaching the South African market.

Use of e-commerce for procurement

E-commerce is currently not used extensively for procurement although the use of e-commerce is increasing rapidly in South Africa. The Truworths Group has recently created a business portal (TRU-B2B) to improve the speed and efficiency of interactions between themselves and their business partners. It is likely that this trend will carry through to the other major retailers and buyers.

Consumer preferences

The South African textile and clothing market is characterized by a strong demand for variety. This has remained unmatched by the volume of local consumption which has remained low by international standards. In other words, South African consumers like to choose from a wide variety of colours, styles and fabrics but purchase only fairly small volumes of any one type of product. This is the challenge facing retailers and one of the main reasons why order volumes are comparatively low. Consumers are also moving toward more natural fabrics and fibres. Organic fabrics are not yet widely available in the South African market and are not likely to be a major line in the near future given the price differential.

The clothing market is focused on the price-sensitive lower end of the market. Less than 5% of clothing manufacturers target the high-end AB market; the bulk caters for the low-end CD market segment. The same applies in the retail sector.

Total household expenditure in 2005 was R 873 billion (US$ 136 billion). Households spent 5.6% of their income or US$ 7.76 billion on clothing and footwear. The percentage of household income spent on clothing and footwear has, however, declined over the last two decades. This can be attributed to the fact that average incomes have generally increased, pushing expenditure on clothing and footwear down as a percentage of total income.

Food, clothing and footwear eat up 80% of cash budgets in the LSM 1 (lowest level) segment of the population, with food alone accounting for about 71% of the total. The percentage spent on this category decreases up the LSM scale. Urban households devote a smaller percentage of income to clothing – 5% compared to 7% in rural areas. Again this is attributable to the fact that incomes are generally higher in urban areas.

Case studies of large national retailers and importers

Case study 1: TFG Manufacturing

TFG is the manufacturing, sourcing and shipping arm of the Foschini Group, one of the premier retailer groups in South Africa with over 1,200 retail outlets. The group has an annual turnover of around R 5.3 billion (US$ 830 million) and has about 700 staff. The group is diverse, but is clothing-focused. Clothing retail chains within the group include Foschini, RJL, Donna Clare, Markhams, Fashion Express and Exact!. The group also has Total Sports and Sports Scene, which specialize in sporting goods and apparel, and American Swiss which retails jewellery and watches. TFG is responsible for all sourcing for these retail chains.

The company sources a full range of garments – from underwear to outerwear and sportswear utilizing natural and man-made fibres, in both woven fabrics and knits.

Currently TFG imports items from more than 50 countries/areas including Australia, Brazil, China, Colombia, Germany, India, Indonesia, the Republic of Korea, Mauritius, Taiwan Province of China, Turkey, the United Kingdom and Viet Nam. In the main, it imports clothing from China, India and Mauritius. About 70% of the group's clothing requirements (around 5.5 million units) are manufactured in South Africa as the group is committed to supporting the local economy where possible. Mauritius is a large supplier to the group; as a member of SADC no import tariffs are applied to its products. In effect, this allows TFG to save 40% on duty and a further 7% on shipping, making obtaining supplies from Mauritius an attractive proposition.

Procurement of home-ware items is from a more diverse group of countries which includes Australia, India, Indonesia and Turkey.

As is usual in South Africa, the company only has summer and winter buying seasons.

The company has been procuring items from around the world for some time and has an established network of sourcing agents in the countries they operate in. TFG no longer feels the need to attend international trade shows in order to identify new suppliers. This is usually left to the in-country agents. The company is, however, not averse to dealing with new suppliers and constantly strives to identify lower-priced and quality-conscious sources.

Currently the company buys only through in-market agents, who in effect play the role of a representative office in the countries where they are located. In some markets the company will have exclusive agencies, while in other markets the company may have several agents. TFG has no particular view on products coming from LDCs and would judge each submission on the basis of price, quality and delivery. TFG is currently looking at the potential supply of goods from Bangladesh, which appears to be competitive.

TFG expects potential new suppliers to submit sample ranges for its consideration. The company will evaluate these ranges, focusing especially on price and quality, before placing an order. It requires potential suppliers to be abreast of the latest fashion trends and to have the ability to supply a complete turnkey service that includes design, sourcing of fabric and trims, and garment make up. In certain instances TFG may source fabrics and trims, but this is the exception rather than the rule.

TFG would welcome new suppliers provided they meet its price and quality parameters.

Case study 2: Celrose Ltd T/A Celrose Clothing

Celrose is the manufacturing arm of the Edcon Group, a retail grouping of 900 stores which holds 31.4% of the formal clothing, footwear and textile market in South Africa. Retail chains within the Edcon group include Edgars, Jet, Boardmans and Legit. Edcon has recently sold 51% of its shareholding in Celrose to a management team and staff; it retains 49% of the shares. Edcon accounts for 85% of Celrose's order book. Celrose has a turnover of around R 240 million.

Celrose manufactures and sources a full range of outerwear utilizing both wovens and knits, and man-made and natural fibres. The company currently obtains 99% of its garments from China, with the balance coming from India and Mauritius. Orders are placed either through agents or direct with manufacturers on an FOB basis. Celrose has identified potential suppliers by attending trade shows (in China and Cologne) or using directories. The company is well established in the market, and has its own network of contacts which it uses to identify new sources.

Celrose has summer and winter buying seasons. Lead times with Chinese manufacturers are usually 65–120 days.

Celrose expects the manufacturer to provide a full CMT service. Fabrics would either be sourced by Celrose (though this is unusual) or by the manufacturers themselves. In the main, Celrose will provide its own design though it is not averse to manufacturers pitching in with their own ranges.

The company has recently undertaken trips to Bangladesh and Nepal in order to explore new manufacturing opportunities. Celrose was impressed with the industries in those countries although political risk and pricing vis-à-vis China are of concern. The company has placed successful orders with manufacturers in Madagascar. It has its own jeans-manufacturing facility in Lesotho.

Price and quality are critical for Celrose. It suggests that potential suppliers participate in trade shows or contact Celrose directly with sample ranges of garments and price offerings.

Possible niche markets and product groups

South African importers and retailers have considered foreign suppliers other than China although, as is borne out by the statistics, at the time of the writing of this chapter, there was little movement away from China in the clothing sector. The application of quotas on imports on Chinese clothing and textiles has undoubtedly already changed this situation drastically.

On the eve of the imposition of the quotas, preliminary investigation by the major retailers and clothing manufacturers confirmed the retailers' expectations that local companies would be unable to make up the expected shortfall the quotas would inflict. Even where there was some excess capacity locally, retailers were convinced the additional supply would not match the price, quality or fashionability expectations of South African consumers. Price increases in the 20%–25% range could be expected on some necessities such as children's clothing, winter padded jackets and denim, to name just a few. The increases would affect the many other products covered by the quota provisions. The only significant exclusions are t-shirts, knitwear, shoes and accessories.[59]

59 'Retailers call for suspension of Chinese import quotas', *BizZommunity.com* (6 September 2006).

The retailers further estimated that access to up to 60% of their requirements for fabrics not available in South Africa would be restricted by the quota. Locally made fabrics can be as much as 50% more expensive than Chinese supplies and many of the fabrics on the quota list were simply not readily accessible to South African retailers locally.

Table 6.3 details South Africa's imports from China at the four-digit tariff code level. The italics indicate product categories on which quotas are applicable. (As mentioned earlier, the quotas went into effect on 1 January 2007.) Opportunities exist in these areas for competitive LDC exporters to fill the gap in supplies. For example, a gap exists in the category knitted babies' garments and accessories, 96% of South Africa's supply of which used to come from China. Full details of imports from China affected by the quotas at the six-digit level and for which there are opportunities for alternative suppliers are provided in annex V.

Table 6.3 South Africa: imports from China of clothing and accessories, by value, 2000 and 2005 (in United States dollars)

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
Chapter 61 – Articles of apparel and clothing accessories, knitted or crocheted		**37 754 705**	**238 415 167**	**531**	**76**
6101	Men's or boys' overcoats, etc., knitted or crocheted	777 773	2 278 660	193	75
6102	Women's or girls' overcoats, etc., knitted or crocheted	514 842	2 256 041	338	81
6103	*Men's or boys' suits, ensembles, etc., knitted or crocheted*	*2 612 427*	*18 172 634*	*596*	*78*
6104	*Women's or girls' suits, ensembles, etc., knitted or crocheted*	*1 918 239*	*21 633 852*	*1028*	*79*
6105	*Men's or boys' shirts, knitted or crocheted*	*3 210 292*	*12 421 409*	*287*	*52*
6106	*Women's or girls' blouses, shirts, etc., knitted or crocheted*	*1 196 078*	*17 898 511*	*1396*	*69*
6107	*Men's or boys' underpants, pyjamas, etc., knitted or crocheted*	*1 091 060*	*5 601 675*	*413*	*94*
6108	*Women's or girls' slips, pyjamas, etc., knitted or crocheted*	*2 629 155*	*12 741 373*	*385*	*91*
6109	T-Shirts, singlets and other vests, knitted or crocheted	2 862 231	50 360 042	1659	69
6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	3 701 900	34 128 913	822	79
6111	*Babies' garments and clothing accessories, knitted or crocheted*	*8 453 864*	*29 914 399*	*254*	*96*
6112	Track suits, ski suits and swimwear, knitted or crocheted	3 697 609	8 755 545	137	87
6113	Garments, knitted, etc., coated, etc., rubber, plastic, etc.	228 676	334 073	46	65
6114	Other garments, knitted or crocheted	2 828 750	14 115 646	399	89
6115	Panty hose, tights, stockings etc., knitted or crocheted	771 265	2 621 515	240	40
6116	Gloves, mittens and mitts, knitted or crocheted	1 199 757	3 011 063	151	58
6117	Other made up clothing accessories, etc. knitted or crocheted	60 787	2 169 816	3470	77
Chapter 62 – Articles of apparel and clothing accessories, not knitted or crocheted		**58 566 714**	**319 688 568**	**446**	**73**
6201	*Men's or boys' overcoats, etc., not knitted or crocheted*	*7 771 093*	*12 633 537*	*63*	*86*
6202	*Women's or girls' overcoats, etc., not knitted or crocheted*	*3 952 407*	*9 350 010*	*137*	*91*
6203	*Men's or boys' suits, ensembles, etc., not knitted, etc.*	*18 411 235*	*83 742 724*	*355*	*76*
6204	*Women's or girls' suits, ensembles, etc., not knitted or crocheted*	*8 478 485*	*109 062 756*	*1186*	*76*
6205	*Men's or boys' shirts, not knitted or crocheted*	*7 247 323*	*27 715 365*	*282*	*61*
6206	*Women's or girls' blouses, shirts, etc., not knitted or crocheted.*	*2 284 772*	*25 098 952*	*999*	*60*
6207	Men's or boys' singlets and other vests, underpants,, pyjamas, etc., not knitted or crocheted	361 525	2 869 452	694	88

Table 6.3 (cont'd)

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
6208	Women's or girls' singlets and other vests, slips, pyjamas, etc., not knitted or crocheted	1 147 511	6 918 149	503	67
6209	Babies' garments and clothing accessories, not knitted or crocheted	2 790 083	13 147 977	371	95
6210	Garments, of felt, etc., or fabric impregnated, etc.	1 941 028	1 013 608	-48	37
6211	*Track suits, ski suits and swimwear, not knitted or crocheted*	*2 274 941*	*10 231 360*	*350*	*64*
6212	*Brassières, girdles, corsets, etc., knitted or crocheted*	*1 123 679*	*10 674 095*	*850*	*80*
6213	Handkerchiefs	30 546	950 603	3012	79
6214	Shawls, scarves, mufflers, mantillas, veils, etc.	373 354	3 186 280	753	52
6215	Ties, bow ties and cravats, not knitted or crocheted	25 996	349 931	1246	41
6216	Gloves, mittens and mitts, not knitted or crocheted	307 424	1 201 534	291	50
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading no. 6212	45 312	1 542 235	3304	74

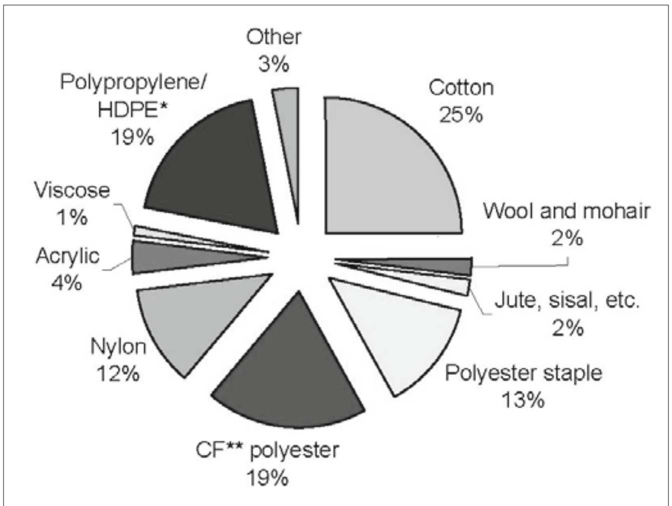
Sources: Computed from data from the United Nations Comtrade Database; *South African Government Gazette No. 29186* (1 September 2006).

There is a more diverse import portfolio for home ware and this may be an avenue for LDCs to investigate. Home-ware items include tablecloths, napkins and bedding (sheets, duvets and pillow cases). In this sector, styling and uniqueness of design are key selling points. There is also a growing market for home ware as the expanding middle class makes its impact felt.

Existing national support schemes

Outside of the tariff preferences afforded fellow SADC Member States, there are no national support schemes that would assist LDC clothing exporters in their efforts to penetrate the South African market.

Figure 6.12: South Africa: fibre consumption, by type of fibre, as percentage of total consumption by quantity



Source: Textile Federation.

* High-density polyethylene. ** CF refers to continuous filament.

Integration of LDC clothing exporters into the value chain

Fibre

According to the Textile Federation, fibre consumption in South Africa is around 26,000 tons per annum and is dominated by cotton and man-made fibres.

South Africa is not self-sufficient in cotton; it imports cotton lint on an annual basis to make up for the shortfall between local supply and demand. In the 2006/07 season, cotton lint production was estimated to be 18,064 tons against an estimated demand for 46,000 tons.

The supply pipeline for cotton is highly regional, with Zambia alone providing 66% of imports in 2005/06. Although imports from Zimbabwe have fallen off markedly, the shortfall has been picked up by Zambia. Other important regional suppliers are Malawi, Mozambique, the United Republic of Tanzania and Uganda. The statistics also reflect the decline in the local textile industry, with consumption of cotton lint declining by 37% over a six-year period. There is not much opportunity for non-regional LDCs to supply cotton lint to the South African industry.

Table 6.4 South Africa: cotton lint production, imports, consumption and exports, 2001/02–2006/07 (in tons)

Marketing year	Production [a]	Imports: from			Total lint consumed	Exports	Average lint prices
		Zimbabwe	Zambia	Other			R c/kg
2001/02	38 634	18 616	9 211	9 901	72 826	0	962
2002/03	21 228	16 864	23 096	11 632	77 427	0	1 179
2003/04	16 349	14 160	18 218	14 266	61 929	0	1 102
2004/05	28 021	9 861	12 897	7 179	69 224	0	1 108
2005/06	22 041	1 550	18 174	7 676	48 186	5 699	737
2006/07 [b]	18 064	Estimated total imports: 30 000			46 000	3 000	800

Source: Cotton South Africa.

a/ Lint produced in South Africa and Swaziland from seed cotton obtained from Botswana, South Africa, Swaziland and Zimbabwe.
b/ Estimates.

Note: R c/kg refers to South African cents per kilogram.

South Africa is self-sufficient in wool and mohair; mohair has a very small niche market. In 2004/05, South Africa produced 46.5 million kg of wool, supplying both the local and the international market. The country is the world's fifth largest producer of wool.

The bulk of demand for fibres in South Africa is for man-made fibres. The country has three local producers but their range is limited and does not fully meet domestic demand. China, Germany, India and the Republic of Korea are the key international suppliers of these fibres to South Africa.

Yarn

South Africa has a fully integrated textile industry and has the capacity to spin yarns. In 2003, its total yarn production amounted to 86,739 tons. The import duty on imported yarns is high and protects the local industry.

Table 6.5 South Africa: production of spun yarn, 2001–2003 (in tons)

	2001	2002	2003
Cotton spinning system	85 914	88 040	78 310
Pure cotton	51 875	54 025	46 109
Pure polyester	2 359	2 268	2 992
Polyester/cotton	22 596	24 798	23 543
Other	9 084	6 949	5 666
Condenser spinning system	8 723	10 053	8 429
TOTAL, ALL YARNS	**94 637**	**98 093**	**86 739**

Source: Statistics South Africa.

Fabric

South Africa produces a range of fabrics for the local industry. As mentioned previously, the local textile industry does not produce the extensive range required by retailers and clothing manufacturers, and the country imports fabrics that are not produced locally.

Table 6.6 South Africa: fabric production, by quantity, 2001–2003 (in '000 m^2)

Description	2001	2002	2003
Woven cloth predominantly of cotton			
Printed cloth	23 379	22 516	23 379
Plain dyed cloth	61 746	63 912	61 686
Other cotton fabrics	72 975	70 596	58 397
Woven cloth predominantly of worsted spun yarns of continuous filament yarns			
	74 917	71 589	57 971
Woven cloth predominantly of discontinued synthetic and man-made spun yarns			
Plain dyed and colour woven	13 119	17 933	16 317
Other cotton fabrics	94 734	96 015	94 745

Source: Statistics South Africa.

As indicated earlier in this chapter, the quotas on imports from China have affected the supply of fabrics in addition to clothing. Local retailers have said that quotas have a negative impact on their business as some of the fabrics they require are not available locally. The fabrics subject to quotas[60] are listed below.

- HS 5208 Woven fabrics of cotton, containing 85% or more by mass of cotton, of a mass not exceeding 200 g/m^2.
- HS 5209 Woven fabrics of cotton, containing 85% or more by mass of cotton, of a mass exceeding 200 g/m^2.
- HS 5210 Woven fabrics of cotton, containing less than 85% of cotton, mixed mainly or solely with man-made fibres, of a mass not exceeding 200 g/m^2.
- HS 5514 Woven fabrics of synthetic and staple fibres, containing less than 85% by mass of such fibres, mixed mainly or solely with cotton, of a mass exceeding 170 g/m^2.
- HS 6005 Wrap knit fabrics (including those made on galloon knitting machines) (excluding those of headings 60.01 to 60.04).
- HS 6006 Knitted or crocheted fabrics.

There is a clear opportunity for competitive exporters in LDCs to take up some of the shortfall that the reduction in imports from China is creating.

60 **Source:** *Government Gazette Notice No. 29186* (1 September 2006).

Recommendations to clothing exporters

There are clear opportunities in the South African market for exporters in LDCs especially in the wake of the imposition by the South African Government of quotas on imports from China in a bid to protect the local textile and garment industry. It has become clear that with the clothing industry's inherent problems, it has not been able to make up for the shortfall in supplies in terms of both volume and variety of products. As for South Africa's retailers and importers, with or without quotas, the reality was that they were going to have to diversify some of their procurement away from China over the succeeding few years. The crisis had highlighted the vulnerability of a trade industry with a single source of supply.

The situation has created a window of opportunity for exporters in LDCs. Companies that are considering taking advantage of this opportunity do, however, need to understand the nature and the dynamics of the local industry. Above all, local retailers and importers will buy on price. They will be prepared to pay a small premium for good quality but the ultimate buying decision is always made on price.

Another key consideration for exporters in LDCs is reliability. Companies supplying the South African market need to honour commitments on quality and delivery. The local industry works on short lead times and delayed deliveries can result in lost contracts. Any shortcomings in regard to delivery and quality will affect a supplier's relations not only with the one South African buyer but eventually also with the entire South African import and retail sector. The country's clothing and textile industry has a small number of players and stories about unreliable suppliers spread rapidly.

Approaching the South African market can sometimes be difficult. LDC exporters need to target specific buyers in the retail chains as well as specific agents. A direct and professional approach outlining products on offer and indicating price ranges would be a good first step. A follow-up with a personal visit is always received well and will help build strong relationships.

There is only one trade fair focusing on the textile and clothing sector. The International Apparel, Textile, Footwear and Machinery Fair[61] is held in Cape Town annually and provides an excellent platform for foreign suppliers interested in the South African market. A number of countries choose to have country pavilions at this fair; this works well as it not only markets a specific company but also the capability of the country as a whole.

61 *www.exportsintoafrica.co.za*.

Annex I

South Africa: useful contacts and addresses

Department of Trade and Industry/Trade and Investment South Africa
Private Bag X84, Pretoria, 0001
Tel: +27 12 394 9500
Fax: +27 12 394 9501
Website: *www.thedti.gov.za*

Activities: This is the government department responsible for industry and trade. The DTI website contains useful information on the South African market.

International Trade Administration Commission of South Africa (ITAC)
Private Bag X753, Pretoria, 0001
Tel: +27 12 394 3590
Website: *www.itac.org.za*

Activities: ITAC is responsible for customs tariff amendments, trade remedies, and import and export control. The ITAC website carries information on import controls and tariffs.

South African Bureau of Standards (SABS)
Tel: +27 12 428 7911
Fax: +27 12 344 1568
E-mail: info@sabs.co.za
Website: *www.sabs.co.za*

Activities: SABS is responsible for quality testing and inspection. It provides comprehensive information on international and foreign national standards.

South African Revenue Service (SARS)
Tel: +27 12 422 4000
Fax: +27 12 422 5181
Website: *www.sars.gov.za*

Activities: SARS is responsible for the Department of Customs and Excise. General Trade statistics, customs information and customs forms are available on the SARS site.

Wesgro
Tel: +27 21 418 6464
Fax: +27 21 418 2323
Website: *www.wesgro.org.za*

Activities: Wesgro is responsible for the promotion and development of regional investment, industry and business in Western Cape. Most of the major retailers are based in Cape Town.

Trade and Investment Kwazulu-Natal
Tel: +27 31 304 4303
Fax: +27 31 304 4471
Website: *www.tikzn.co.za*

Activities: This is responsible for the promotion and development of regional investment, industry and business in Kwazulu-Natal.

Gauteng Economic Development Agency (GEDA)
Tel: +27 11 833 8750
Fax: +27 11 833 8930
E-mail: info@geda.co.za
Website: *www.geda.co.za*

Activities: The agency is responsible for the promotion and development of regional investment, industry and business in Gauteng.

Trade Law Centre for Southern Africa (TRALAC)
Tel: +27 21 883 2208
Fax: +27 21 883 8292
Website: *www.tralac.org*

Activities: TRALAC publishes information on trade law and related issues.

National African Federated Chamber of Commerce and Industry
Tel: +27 11 268 2800
Fax: +27 11 268 2940
Website: *www.nafcoc.org.za*

Activities: This is a federation of a number of business chambers.

Johannesburg Chamber of Commerce and Industry
Tel: +27 11 726 5300
Fax: +27 11 482 2000
Website: *www.jcci.co.za*

Activities: The Chamber carries out activities with an emphasis on international trade.

Cape Town Regional Chamber of Commerce and Industry
Tel: +27 21 402 4300
Fax: +27 21 402 4302
Website: *www.capechamber.co.za*

Activities: Business chamber activities; with a heavy emphasis on international trade.

Durban Chamber of Commerce and Industry
Tel: +27 31 335 1000
Fax: +27 31 332 1288
Website: *www.durbanchamber.co.za*

Activities: Business chamber activities; with an emphasis on international trade.

Annex II

South Africa: clothing production, by quantity, 2000–2003

(in ’000 units unless otherwise specified)

Item	2000	2001	2002	2003	% change 2003/2000
Men’s and boys’ clothing					
Pullovers, jerseys and cardigans	4 038	3 320	3 994	3 720	-8
Socks (1,000 pairs)	35 547	39 018	48 872	48 204	36
Lounge suits	437	288	186	229	-48
Jackets					
Wool, pure	220	290	425	366	66
Wool, mixtures	659	673	810	900	37
Synthetic fabric	914	770	925	938	3
Trousers					
Wool and wool mixtures	2 142	2 999	3 415	3 446	61
Cotton	11 525	9 949	8 057	8 244	-28
Synthetic fabric	5 481	5 607	6 185	6 106	11
Other fibres	1 726	1 655	1 330	2 276	32
Shorts	5 092	3 772	3 404	3 899	-23
Underwear	9 743	10 068	9 056	6 830	-30
Shirts (woven and knitted)	26 813	20 158	17 136	15 913	-41
Pyjamas and other nightwear	915	880	823	742	-19
Overalls, dustcoats and boiler suits	1 363	1 182	1 428	1 420	4
Women’s and girls’ clothing					
Pantyhose	25 129	29 197	33 144	36 008	43
Socks (1,000 pairs)	12 646	17 643	23 409	23924	89
Jerseys and cardigans	3 955	3 917	4 108	3 121	-21
Suits and costumes	249	222	228	174	-30
Slack suits	185	108	148	105	-43
Dresses and frocks	7 657	6 158	5 293	4 442	-42
Shirts and blouses	8 491	7 519	8 084	8 380	-1
Skirts (knitted and woven)	7 151	6 335	7 203	7 142	0
Slacks, jeans and knickerbockers	9 870	10 243	10 955	9 958	1
Shorts	1 525	861	529	595	-61
Underwear	28 061	25 833	24 338	30 017	7
Brassieres	10 594	10 602	8 334	10 414	-2
Nightdresses	2 839	2 123	1 919	2 557	-10
Pyjamas and other nightwear	1 694	1 473	1 740	1 919	13
Dressing and bath gowns	690	575	520	494	-28
Swimwear	1 823	1 958	2 059	2 242	23
Infants’ garments ® 1,000)	133 884	143 654	144 095	149 753	12

Source: Statistics South Africa.

Annex III

South Africa: imports of clothing, by HS category and by value, 2000–2005

(in United States dollars)

HS code	Description	2000	2001	2002	2003	2004	2005	% share in total imports, 2005	% change 2005/ 2000
6101	Men’s or boys’ overcoats, etc., knitted or crocheted	1 786 142	1 587 297	994 002	1 062 463	2 496 967	3 046 650	0.41	71
6102	Women’s or girls’ overcoats, etc., knitted or crocheted	658 447	473 478	544 713	937 257	1 894 844	2 771 415	0.37	321
6103	Men’s or boys’ suits, ensembles, etc., knitted or crocheted	6 885 352	5 731 766	2 912 149	6 043 021	13 927 942	23 221 619	3.09	237
6104	Women’s or girls’ suits, ensembles, etc., knitted or crocheted	3 863 488	4 263 955	3 993 933	8 049 415	23 604 641	27 363 197	3.64	608
6105	Men’s or boys’ shirts, knitted or crocheted	8 789 852	5 883 750	5 706 161	8 969 772	15 353 679	23 677 549	3.15	169
6106	Women’s or girls’ blouses, shirts, etc. knitted or crocheted	2 189 379	2 230 619	3 704 011	8 041 879	20 550 138	25 944 421	3.45	1085
6107	Men’s or boys’ underpants, pyjamas, etc., knitted or crocheted	1 379 268	1 223 600	1 315 586	1 481 775	3 124 772	5 990 682	0.80	334
6108	Women’s or girls’ slips, pyjamas, etc., knitted or crocheted	3 757 979	2 387 831	2 712 878	4 870 018	9 621 307	14 075 359	1.87	275
6109	T-Shirts, singlets and other vests, knitted or crocheted	11 481 106	12 356 061	14 761 605	31 619 679	58 179 805	73 175 431	9.73	537
6110	Jerseys, pullovers, cardigans, etc., knitted or crocheted	7 077 397	11 450 041	9 602 691	11 433 464	26 518 715	43 412 609	5.77	513
6111	Babies’ garments and clothing accessories, knitted or crocheted	9 500 112	8 448 605	7 967 081	12 250 907	21 152 355	31 138 286	4.14	228
6112	Track suits, ski suits and swimwear, knitted or crocheted	4 541 962	4 329 678	4 836 557	5 615 841	8 908 564	10 050 333	1.34	121
6113	Garments, knitted, etc., coated, etc., rubber, plastic, etc.	333 852	792 446	268 987	236 889	540 038	515 537	0.07	54
6114	Other garments knitted or crocheted	4 613 320	3 248 371	3 942 006	7 159 475	14 508 313	15 906 511	2.11	245
6115	Panty hose, socks and other hosiery, knitted or crocheted	4 544 708	3 022 709	1 855 471	2 869 663	4 798 121	6 582 516	0.88	45
6116	Gloves, mittens and mitts, knitted or crocheted	2 684 131	2 738 215	2 682 276	3 230 946	4 261 473	5 233 823	0.70	95
6117	Other made up clothing accessories, knitted or crocheted, etc. knitted or crocheted	241 551	408 110	714 106	951 228	2 141 256	2 826 467	0.38	1070
6201	Men’s or boys’ overcoats, etc., not knitted or crocheted,	9 850 499	8 192 691	6 603 972	10 452 940	13 643 447	14 732 225	1.96	50
6202	Women’s or girls’ overcoats, etc., not knitted or crocheted	4 654 511	3 987 908	3 359 563	6 198 951	11 930 118	10 222 658	1.36	120
6203	Men’s or boys’ suits, ensembles, etc., not knitted or crocheted	31 393 175	27 759 572	30 987 118	49 912 434	89 174 627	110 018 362	14.63	250

HS code	Description	2000	2001	2002	2003	2004	2005	% share in total imports, 2005	% change 2005/ 2000
6204	Women's or girls' suits, ensembles, etc., not knitted or crocheted	20 051 955	15 981 781	21 646 332	54 992 543	105 717 569	143 130 192	19.03	614
6205	Men's or boys' shirts, not knitted or crocheted	21 458 231	16 029 446	17 076 399	25 799 065	33 988 971	45 126 411	6.00	110
6206	Women's or girls' blouses, shirts, etc., not knitted or crocheted	10 285 974	6 863 404	8 054 244	13 616 134	22 965 141	42 059 995	5.59	309
6207	Men's or boys' singlets and other vests, underpants, etc., not knitted or crocheted	876 311	975 662	937 805	1 338 926	2 474 704	3 262 682	0.43	272
6208	Women's or girls' singlets and other vests, slips, pyjamas, etc., not knitted or crocheted	1 910 038	2 614 551	2 136 255	3 437 034	5 279 834	10 330 913	1.37	441
6209	Babies' garments and clothing accessories, not knitted or crocheted	4 010 655	3 115 392	3 878 882	7 483 604	10 061 370	13 862 245	1.84	246
6210	Garments, of felt, etc., or impregnated fabric, etc.	2 655 940	3 048 943	1 332 662	1 109 099	3 182 751	2 723 924	0.36	3
6211	Track suits, ski suits and swimwear, not knitted or crocheted	5 529 345	4 448 073	5 110 867	10 659 706	17 495 933	15 893 884	2.11	187
6212	Brassières, girdles, corsets, etc., not knitted or crocheted	2 453 407	2 978 830	3 087 073	4 316 616	7 744 894	13 296 071	1.77	442
6213	Handkerchiefs	40 291	35 132	54 313	493 505	1 099 749	1 196 357	0.16	2869
6214	Shawls, scarves, mufflers, mantillas, veils, etc.	2 152 821	1 690 671	1 519 655	1 930 071	3 626 831	6 093 361	0.81	183
6215	Ties, bow ties and cravats, not knitted or crocheted	571 040	476 941	392 923	452 817	589 280	848 040	0.11	49
6216	Gloves, mittens and mitts, not knitted or crocheted	798 940	796 623	841 021	1 694 187	1 513 528	2 397 725	0.32	200
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading no. 6212	381 140	391 548	680 934	1 047 348	1 669 044	2 075 743	0.28	445
TOTAL	**CLOTHING**	**193 402 319**	**169 963 700**	**176 214 231**	**309 758 672**	**563 740 721**	**752 203 193**	**100.00**	**289**

Source: United Nations Comtrade Database.

Note: Nesoi: Not elsewhere specified or included.

Annex IV

South Africa: imports of clothing from LDCs, by value, 2000 and 2005

(in United States dollars)

Partner country	2000	2005	% share in total imports, 2005	% change 2005/2000
World	**193 402 320**	**752 203 194**		**289**
Afghanistan	0	66	0.00	
Angola	0	16 680	0.00	
Bangladesh	205 521	3 807 711	0.51	1753
Benin	134	654	0.00	388
Cambodia	8 223	644 424	0.09	7737
Democratic Republic of the Congo	0	3 796	0.00	
Djibouti	0	40	0.00	
Ethiopia	10	1 814	0.00	18040
Haiti	0	1 583	0.00	
Lao People's Democratic Republic	43	63 205	0.01	146888
Liberia	0	30	0.00	
Madagascar	17 335	77 799	0.01	349
Malawi	17 597 151	23 917 174	3.18	36
Maldives	91	631	0.00	593
Mali	357	6 674	0.00	1769
Mauritania	0	107	0.00	
Mozambique	3 530 487	2 250 441	0.30	-36
Myanmar	417	1 145 344	0.15	274563
Nepal	55 624	95 742	0.01	72
Niger	0	62	0.00	
São Tome and Principe	0	211	0.00	
Senegal	1 010	745	0.00	-26
Sierra Leone	27 122	277 447	0.04	923
Somalia	31 004	0	0.00	-100
Tanzania, United Republic of	5	190 453	0.03	3808960
Togo	0	152	0.00	
Uganda	664	47	0.00	-93
Vanuatu	70	0	0.00	-100
Yemen	221	10 180	0.00	4506
Zambia	50 133	21 644	0.00	-57
Total from LDCs	**21 525 622**	**32 534 856**	**4.33**	**51**

Source: United Nations Comtrade Database.

Annex V

South Africa: imports from China on which quotas have been imposed, 2000 and 2005

(in United States dollars)

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
610341	Men's or boys' trousers, overalls, shorts, etc. of wool, knitted or crocheted	0	116 121		88
610342	Men's or boys' trousers, overalls, shorts, etc. of cotton, knitted or crocheted	253 564	6 118 798	2313	87
610343	Men's or boys' trousers, overalls, shorts, etc. of synthetic fibres, knitted or crocheted	1 757 122	3 713 364	111	90
610349	Men's or boys' trousers, etc. of textile materials nesoi, knitted or crocheted	95 769	3 463 012	3516	57
610431	Women's or girls' suit-type jackets and blazers of wool, knitted or crocheted	1 188	8 615	625	21
610432	Women's or girls' suit-type jackets and blazers of cotton, knitted or crocheted	46	497 326	1081043	77
610433	Women's or girls' suit-type jackets and blazers of synthetic fibre, knitted or crocheted	346 693	1 329 497	283	91
610439	Women's or girls' suit-type jackets, and blazers, etc. of textile materials nesoi, knitted or crocheted	657	383 395	58255	62
610451	Women's or girls' skirts and divided skirts of wool, knitted or crocheted	1 023	9 442	823	36
610452	Women's or girls' skirts and divided skirts of cotton, knitted or crocheted	1 506	2 202 104	146122	78
610453	Women's or girls' skirts and divided skirts of synthetic fibre, knitted or crocheted	128 957	1 557 780	1108	92
610459	Women's or girls' skirts, etc., of textile materials nesoi, knitted or crocheted	36 812	790 323	2047	72
610461	Women's or girls' trousers, overalls, breeches, shorts of wool or fine animal hair, knitted or crocheted	489	13 255	2611	66
610462	Women's or girls' trousers, overalls, breeches, shorts of cotton, knitted or crocheted	162 408	4 814 420	2864	85
610463	Women's or girls' trousers, overalls, breeches, shorts of synthetic fibre, knitted or crocheted	679 555	3 228 406	375	90
610469	Women's or girls' trousers, etc. of textile materials nesoi, knitted or crocheted	29 577	2 707 279	9053	70
610510	Men's or boys' shirts of cotton, knitted or crocheted	837 052	6 565 008	684	54
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted	1 940 185	3 474 053	79	82

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
610590	Men's or boys' shirts of textile materials nesoi, knitted or crocheted	433 055	2 382 348	450	32
610610	Women's or girls' blouses and shirts of cotton, knitted or crocheted	73 531	8 287 321	11171	74
610620	Women's or girls' blouses, shirts of man-made fibre, knitted or crocheted	819 267	5 585 497	582	84
610690	Women's or girls' blouses, shirts of textile materials nesoi, knitted or crocheted	303 280	4 025 693	1227	50
610711	Men's or boys' underpants and briefs, of cotton, knitted or crocheted	89 407	3 422 660	3728	94
610712	Men's or boys' underpants and briefs, of man-made fibre, knitted or crocheted	867 601	921 735	6	93
610719	Men's or boys' underpants and briefs, of textile materials nesoi, knitted or crocheted	46 432	127 721	175	89
610821	Women's or girls' briefs and panties, of cotton, knitted or crocheted	90 264	3 825 535	4138	89
610822	Women's or girls' briefs and panties, of man-made fibre, knitted or crocheted	1 954 768	2 340 653	20	87
610829	Women's or girls' briefs and panties, of textile materials nesoi, knitted or crocheted	421 132	696 919	65	85
611110	Babies' garments and clothing accessories, of wool, knitted or crocheted	0	2 497		19
611120	Babies' garments and clothing accessories, of cotton, knitted or crocheted	3 395 084	14 774 377	335	95
611130	Babies' garments and clothing accessories, of synthetic fibres, knitted or crocheted	4 958 636	9 409 148	90	98
611190	Babies' garments and clothing accessories, of textile materials nesoi, knitted or crocheted	100 144	5 728 377	5620	97
620191	Men's or boys' anoraks, ski jackets and similar articles of wool, not knitted or crocheted	0	1 313		4
620192	Men's or boys' anoraks, ski jackets and similar articles of cotton, not knitted or crocheted	430 219	1 776 390	313	92
620193	Men's or boys' anoraks, ski jackets and similar articles of man-made fibre, not knitted or crocheted	3 250 629	6 326 275	95	93
620199	Men's or boys' anoraks, ski jackets and similar articles of other textile material, not knitted or crocheted	85 623	391 821	358	54
620211	Women's or girls' overcoats, raincoats and similar articles of wool, not knitted or crocheted	4 227	70 937	1578	53
620291	Women's or girls' anoraks, ski jackets and similar articles of wool, not knitted or crocheted	0	31 614		88
620292	Women's or girls' anoraks, ski jackets and similar articles of cotton, not knitted or crocheted	233 412	793 037	240	92
620293	Women's or girls' anoraks, ski jackets and similar articles, not knitted or crocheted	1 852 082	2 550 985	38	94
620299	Women's or girls' anoraks, ski jackets and similar articles of other textile material, not knitted or crocheted	25 154	340 701	1254	54
620311	Men's or boys' suits of wool, not knitted or crocheted	0	5 471		1
620312	Men's or boys' suits of synthetic fibres, not knitted or crocheted	18 643	420 155	2154	85
620319	Men's or boys' suits of textile materials nesoi, not knitted or crocheted	26 049	596 660	2191	8
620331	Men's or boys' suit-type jackets and blazers of wool, not knitted or crocheted	81	239 761	295901	50
620332	Men's or boys' suit-type jackets and blazers of cotton, not knitted or crocheted	349 331	2 889 342	727	75

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
620333	Men's or boys' suit-type jackets and blazers of synthetic fibre, not knitted or crocheted	913 483	4 863 543	432	81
620339	Men's or boys' suit-type jackets and blazers of textile materials nesoi, not knitted or crocheted	347 517	2 773 453	698	75
620341	Men's or boys' trousers, overalls breeches, shorts of wool, not knitted or crocheted	0	232		0
620342	Men's or boys' trousers, overalls breeches, shorts of cotton, not knitted or crocheted	9 550 304	30 983 685	224	76
620343	Men's or boys' trousers, overalls breeches, shorts of synthetic fibre, not knitted or crocheted	5 626 138	30 164 550	436	91
620349	Men's or boys' trousers, overalls breeches, shorts of textile materials nesoi, not knitted or crocheted	1 477 135	9 026 072	511	84
620431	Women's or girls' suit-type jackets and blazers of wool, not knitted or crocheted	4 820	77 888	1516	31
620432	Women's or girls' suit-type jackets and blazers of cotton, not knitted or crocheted	286 580	5 683 555	1883	80
620433	Women's or girls' suit-type jackets and blazers of synthetic fibres, not knitted or crocheted	655 370	3 470 214	430	85
620439	Women's or girls' suit-type jackets and blazers of textile materials nesoi, not knitted or crocheted	358 455	3 388 492	845	78
620441	Women's or girls' dresses of wool, not knitted or crocheted	0	0		0
620442	Women's or girls' dresses of cotton, not knitted or crocheted	196 293	1 743 419	788	42
620443	Women's or girls' dresses of synthetic fibres, not knitted or crocheted	583 528	1 963 739	237	67
620444	Women's or girls' dresses of artificial fibres, not knitted or crocheted	13 232	44 541	237	13
620451	Women's or girls' skirts and divided skirts, of wool, not knitted or crocheted			-93	0
620452	Women's or girls' skirts and divided skirts, of cotton, not knitted or crocheted	167 700	15 790 001	9316	63
620453	Women's or girls' skirts and divided skirts, of synthetic fibres, not knitted or crocheted	586 775	6 830 682	1064	81
620459	Women's or girls' skirts and divided skirts, of textile materials nesoi, not knitted or crocheted	93 908	3 504 024	3631	67
620461	Women's or girls' trousers, overalls, breeches, shorts, of wool, not knitted or crocheted	28	3 112	11014	4
620462	Women's or girls' trousers, overalls, breeches, shorts, of cotton, not knitted or crocheted	2 604 177	39 878 223	1431	85
620463	Women's or girls' trousers, overalls, breeches, shorts, of synthetic fibre, not knitted or crocheted	2 018 573	12 815 981	535	92
620469	Women's or girls' trousers, overalls, breeches, shorts, of textile materials nesoi, not knitted or crocheted	515 474	9 390 140	1722	83
620510	Men's or boys' shirts, of wool, not knitted or crocheted	703	28 937	4016	48
620520	Men's or boys' shirts, of cotton, not knitted or crocheted	1 791 843	13 929 508	677	53
620530	Men's or boys' shirts, of man-made fibres, not knitted or crocheted	4 423 708	10 233 206	131	89
620590	Men's or boys' shirts, of textile materials nesoi, not knitted or crocheted	1 031 069	3 523 714	242	49

HS code	Description	2000	2005	% growth in imports from China, 2005/2000	Imports from China as a percentage of total for HS code
620610	Women's or girls' blouses, shirts and shirt-blouses, of silk, not knitted or crocheted	124 819	320 509	157	34
620620	Women's or girls' blouses, shirts and shirt-blouses, of wool, not knitted or crocheted	0	10 445		16
620630	Women's or girls' blouses, shirts and shirt-blouses, of cotton, not knitted or crocheted	523 694	11 760 650	2146	57
620640	Women's or girls' blouses, shirts and shirt-blouses, not knitted or crocheted	1 370 464	7 900 737	477	73
620690	Women's or girls' blouses, shirts and shirt-blouses, of other textile materials, not knitted or crocheted	265 795	5 106 611	1821	54
621131	Other garments, men's or boys', of wool, not knitted or crocheted	570	186 686	32652%	80
621132	Other garments, men's or boys', of cotton, not knitted or crocheted	10 973	708 772	6359%	80
621133	Other garments, men's or boys', of man-made fibres, not knitted or crocheted	1 454 529	3 610 726	148%	92
621139	Other garments, men's or boys', of other textile materials, not knitted or crocheted	158,943	1,331,902	738	82
621141	Other garments, women's or girls', of wool or animal hair excluding track suits, swimwear and ski suits, not knitted or crocheted	0	19,883		19
621142	Other garments, women's or girls', of cotton, excluding track suits, swimwear and ski suits, not knitted or crocheted	2,642	952,645	35958	54
621143	Other garments, women's or girls', of man-made fibres, excluding track suits, swimwear and ski suits, not knitted or crocheted	225,810	1,471,784	552	44
621149	Other garments, women's or girls', of other textile materials, not knitted or crocheted	19,928	1,302,294	6435	46
621210	Brassieres, knitted or crocheted, or not	1,058,233	10,260,381	870	81

Sources: Data computed from the United Nations Comtrade Database and the South African Government Gazette Notice No. 29186 (1 September 2006).

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