

# THE CHINESE MARKET FOR CLOTHING

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Survey on Chinese market for clothing - describes the structure and characteristics of the domestic Chinese market for clothing; provides an analysis of the tariff structure of imports by product group; outlines special import regulations, customs procedures, transport, as well as requirements relevant to packaging, labelling, standards, and ethical trading; examines the market potential, the consumer preferences and behaviour; provides an overview of the distribution channels, the major brands, the procurement practices including the use of e-commerce and ICT procurement; highlights the key players in China's textiles and garment market, the possibilities for cooperation along the value chain, and the existing national support schemes; appendices include contacts details of sector related companies in China.

Descriptors: **Clothing, Standards, Packaging, Distribution, Procurement, Electronic Commerce, Consumer Behaviour, Market Surveys, China.**

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English

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## Abbreviations

The following abbreviations are used:

GPNs	Global production networks
APTA	Asia–Pacific Trade Agreement
AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
CAFTA	China-ASEAN Free Trade Area
CNTAC	China National Textile and Apparel Council
CPI	Consumer price index
CSR	Corporate social responsibility
FAO	United Nations Food and Agriculture Organization
FOCAC	Forum on China–Africa Cooperation
FTA	Free trade area
ICT	Information and communications technology
IPPC	International Plant Protection Convention
ISO	International Organization for Standardization
ISPM	International Standards for Phytosanitary Measures
LDCs	Least developed countries
MFN	Most favoured nation
MOFCOM	Ministry of Commerce
NBSC	National Bureau of Statistics of China
NDRC	National Development and Reform Commission
PBOC	People’s Bank of China
R&D	Research and development
RMB	Chinese renminbi
TRQs	Tariff rate quotas
WTO	World Trade Organization



## 1. Executive summary

### 1.1. Background

During the first decade of the new millennium, China's textile and clothing industry has been undergoing dramatic changes, and so has the market.

When China became a WTO Member in 2001, it committed to lowering its 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 China's second-tier cities. So far, China has practised all these commitments.

Since the WTO Agreement on Textiles and Clothing (ATC), which replaced the Multifibre Arrangement (MFA), was phased out at the end of 2004, China has accelerated its integration into global production networks (GPNs).

Now China is not only the biggest producer and exporter of textiles and clothing, accounting for 50% of world's total fibre production and 58% of world textiles and clothing trade in 2009, but also a potential buyer and importer, backed by a fast-growing market.

In 2008, influenced by the financial tsunami, the world trade in textiles and clothing declined sharply, consequently affecting China's industry. However, domestic clothing retailing performed well and enjoyed a 18.8% increase in 2009 compared with 2008. Furthermore, government policy to stimulate domestic demand will certainly enlarge the market and provide opportunities for the development of the industry in future.

The sustained opening-up and relaxing of entry regulations into China's domestic market, which can be seen by its rising imports, have been beneficial not only to the world market, but also to China's own economy. Chinese consumers today are provided with many more choices within their home market and are exposed to fashionable value-added imports.

### 1.2. The scale and characteristics of China's clothing market

China is involved with almost all activities in the textile and clothing industry value chain. It exports textile products ranging from raw materials, fibre (natural and manmade) and fabrics to ready-to-wear, as well as purchasing cotton, wool, yarn, fabrics and textile machinery from others.

With a population of 1.3 billion and rapid economic growth, China offers the world potentially the largest consumer market for clothing and home textiles. China's large population, with its increasing textile and clothing consumption per capita year by year, also provides a lucrative business opportunity for the rest of the world.

China's per capita fibre consumption increased from 4.1 kg in 2000 to 20.3 kg in 2008. Though the average per capita clothing consumption is low, with its large population and an economy that is likely to continue to grow in the coming years, China provides a promising market with unprecedented potential to many exporters.

China is in the process of urbanization and industrialization, and is gradually moving towards being a market-based economy. During this transitional period, large numbers of people previously living in rural areas have become urban residents. This gives a unique dual structure to its current consumer market. On the one hand, demand for branded luxury goods is increasing quickly, while on the other hand, major suppliers meet the needs of the medium and low-end markets. Consumers in the medium and low-end market are more sensitive to prices, and fast fashion with lower prices has become popular in recent years. In 2009, China's per capita GDP reached US\$ 3,678. But if one takes into consideration a probable appreciation of the RMB, the Chinese consumer will have even stronger purchasing power in the near future. 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. Geographically, 80% of China's apparel manufacturing capacity is clustered around the coastal area. Consumption of fashion products is centred in Yangtze River Delta, the Pearl River Delta, and the Bohai Gulf Rim, but is gradually expanding into inland China.

### **1.3. Key players in China's clothing market**

On the whole, the high-end domestic clothing market in China is dominated by brands of European origin and other imported products, such as Giorgio Armani, Cerruti 1881, Hugo Boss, Dunhill, Chanel, Dior, Ermenegildo Zegna and Salvatore Ferragamo. The middle and low end of the market has a product mix of foreign and domestic brands, with most of the goods being manufactured in China. A small portion of these products are sourced from developing countries and least developed countries (LDCs), and imports from LDCs are growing steadily. To be specific, brands such as Nike, Adidas, Tommy Hilfiger, Zara and H&M are sourced from developing countries and LDCs. For example, in Zara's stores in Shanghai, over 90% of stock-keeping units (SKUs) are imported, with Bangladesh, Egypt, Morocco, Portugal, Spain, Turkey, and Viet Nam and being the main import sources. Bangladesh, Cambodia, India and Indonesia are also important procurement target countries. Shoes made in Viet Nam and Spain account for a high proportion in Zara. New H&M stores in Shanghai attracted thousands of consumers when they opened in April 2007. Of H&M's SKUs, 75% are imported, with Bangladesh, Cambodia, India, Indonesia and Turkey being the main source countries. Most of H&M's shoes, hats and scarves are procured in China. The situation for C&A is similar. Nevertheless, China's clothing industry still possesses great competitive advantage in terms of labour cost, lead time, vertical integration of the industry, the variety of products, and political stability from a Chinese perspective.

Giant retailers, such as Wal-mart and Carrefour, are also expanding their business in China.

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

However, relatively few local Chinese retailers, importers and brand owners choose to import or source clothing from other developing countries or LDCs, because of a perceived level of risk involved with this. The other factor is a lack of supply chain management skills in these countries.

Home retailers are importing more and more luxury brands from developed countries to meet high-end demand in China.

### **1.4. Market entry strategies of developing countries and LDCs**

In addition to the advantages of low cost and price, exporting countries should take into account the demand and preferences of consumers in China and the requirements of Chinese buyers. They should improve their competitiveness by utilizing advantages such as market proximity and trade preferences, in order to meet the purchasing criteria and priorities of the buyers, which mainly include: social accountability, environmental protection, processing and transport costs, delivery time, flexibility of order quantity, quality, production capacity, product development and design, after-sales service and product assortment.

The new operational models of 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 have to understand these trends in the market well in order to successfully gain market share and be competitive. Due to the homogeneity of LDC garment industry products, competition among them is intense. However, since international brands such as Zara, H&M, Adidas and Tommy Hilfiger are increasing their sourcing through GPNs for goods to be sold in China, opportunities exist for LDCs to enter this market by serving these buyers. Therefore, LDC suppliers should:

- Differentiate their products;
- Take advantage of the free trade, zero tariff scheme agreement and integrate the industrial chain vertically and horizontally to make the pipeline more effective and hence enjoy cost savings;
- In 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) in design and pattern making, speeding up the supply of samples, providing a variety of products and services, and enhance credit;
- Make good use of their proximity and accessibility to the market;
- Update their product/process/quality through advanced facilities, online systems, digital technology etc., and improve management levels.

Governments of exporting countries should take measures to:

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

## **2. The structure and characteristics of the domestic market: a macro view**

### **2.1. Market size**

#### **2.1.1. Population and GDP growth**

China is one of the largest consumer markets in the world. At the end of 2009, China has a population of 1,334.74 million, a net increase of 6.72 million people over the end of 2008.

China's GDP rose to RMB 34.05 trillion in 2009, with a 9.11% increase from the previous year. Even though affected by economic recession, GDP per capita reached RMB 25,575 in 2009 (see figure 1). This acceleration of economic growth will further stimulate apparel consumption and expand the potential of China's apparel market.

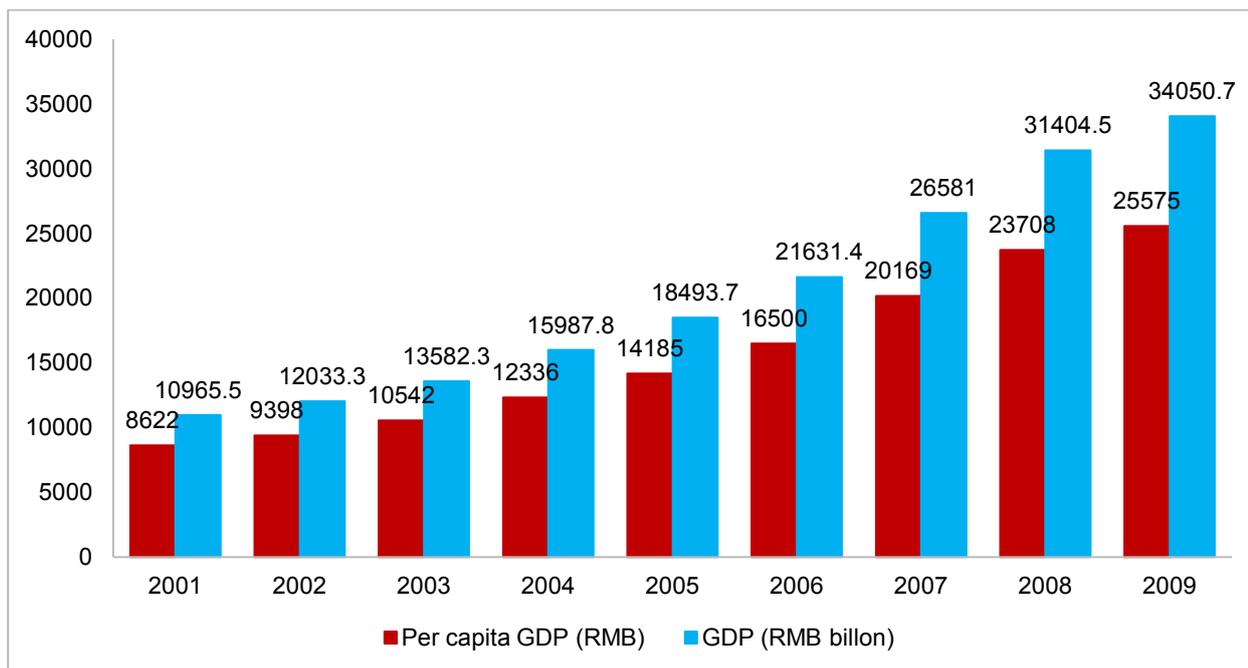
#### **2.1.2. Growth of income and clothing consumption**

The per capita annual disposable income of urban households of 2009 reached RMB 17,175, much higher than that of 2005, which was RMB 10,493. The per capita annual net income of rural households rose from RMB 3,255 in 2005 to RMB 5,153 in 2009, another increase, although less dramatic (see figure 2).

As for the expenditure on clothing, that increased in line with the growing GDP and disposable income. The per capita consumption expenditure on clothing of urban households rose from RMB 801 in 2005 to RMB 1,284 in 2009. At the same time, the proportion of clothing expenditure in urban disposable income dropped slightly from 7.63% in 2005 to 7.48% in 2009 (see figure 3).

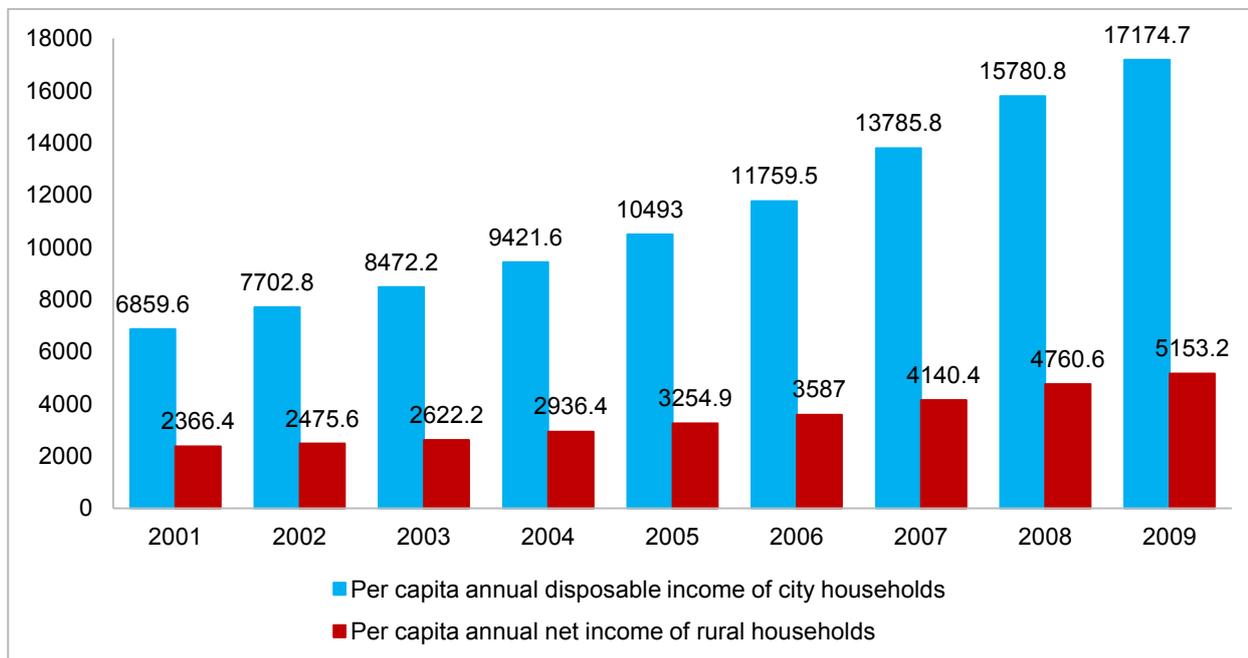
China has already become the world's biggest fibre consumer. The amount of fibre consumption per capita increased from 14.87 kg in 2005 to 20.34 kg in 2008.

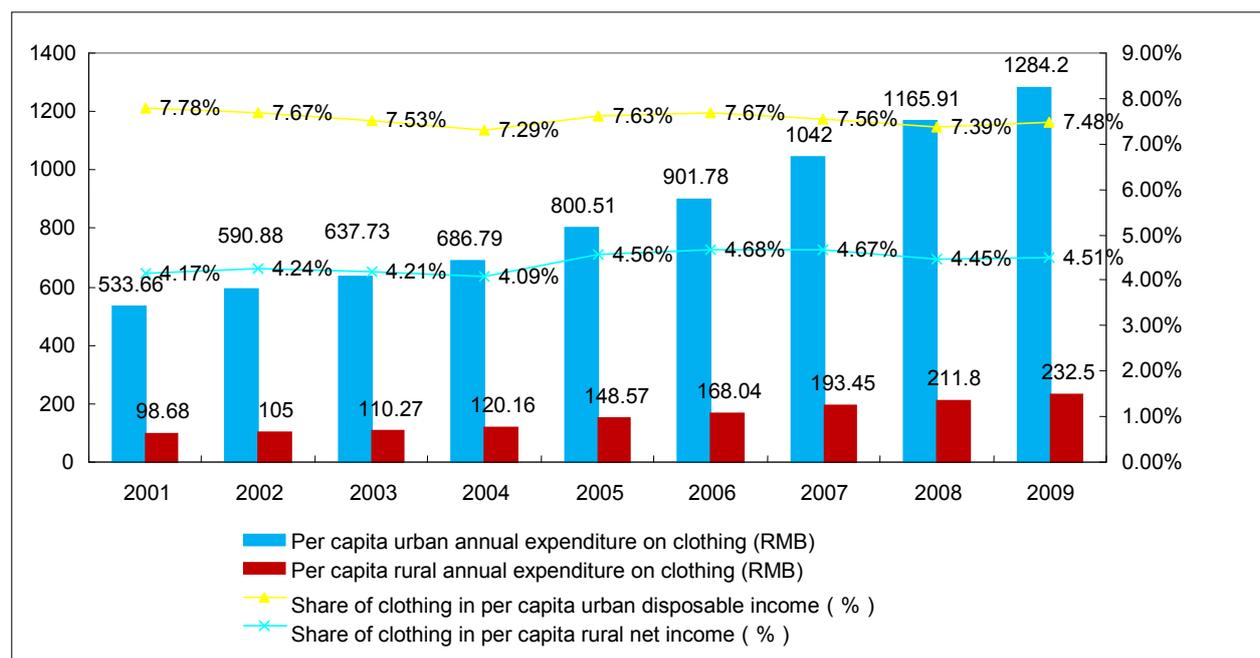
**Figure 1. GDP and per capita GDP, 2001–2009**



Source: National Bureau of Statistics of China.

**Figure 2. Per capita income of urban and rural households, 2001–2009**



**Figure 3. Per capita annual consumption expenditure on clothing**

Note: According to the National Bureau of Statistics definition, 'clothing' includes garments, shoes, hats, accessories, and tailoring.

### 2.1.3. Retail sales in the domestic market

In recent years, China has seen a relatively sustained development of retail sales. Total retail sales of goods rose from RMB 6,717.7 billion in 2005 to RMB 13,267.8 billion in 2009, with an average annual growth rate of 19%.

Retailing is becoming more and more important in China (see table 1) given an overview of retailing in China; table 2 shows the diversity in sectors and business categories.

**Table 1. Chain retail enterprises, 2009**

Year	Number of head stores	Number of stores	Employees at year end (1 000 persons)	Retail space at year end (1 000 m <sup>2</sup> )	Total sales (billion yuan)	Total purchase value (billion yuan)
2005	1 416	105 684	1 601.0	86 875	1 258.8	1 073.5
2006	1 696	128 924	1 871.0	89 790	1 495.2	1 344.7
2007	1 729	145 366	1 861.9	100 440	1 775.4	1 591.7
2008	2 457	168 502	1 970.8	101 978	2 046.7	1 719.3
2009	2 327	175 677	2 108.8	118 092	2 224.0	1 934.4

Source: National Bureau of Statistics of China.

**Table 2. Chain retail enterprises by sector and business category, 2009**

Item		Number of head stores	Number of stores	Employees at year end (1 000 persons)	Retail space at year end (1 000 m <sup>2</sup> )	Total sales (billion yuan)	Total purchase value (billion yuan)
Market total		2 327	175 677	2 109	118 092	2 224.0	1 934.4
By sector	Integrated retail	790	56 568	1 255	56 707	911.2	765.1
	Food, beverages and tobacco	179	9 105	53	789	25.4	20.9
	Textiles, garments and daily consumer articles	114	11 192	89	926	22.3	17.4
By business category	Convenience store	96	15 779	93	1 443	27.0	23.5
	Supermarket	458	33 224	489	19 249	257.0	206.8
	Hypermarket	134	2 493	327	18 448	244.4	194.2
	Department store	105	5 304	239	13 384	249.8	206.1
	Specialty store	1 203	82 704	753	60 753	1 337.4	1 214.6
	Franchised store	268	24 075	161	2 471	69.7	54.7

Source: National Bureau of Statistics of China.

**The eastern region outstrips the central and western regions**

With over RMB 1,000 billion in retail sales, Guangdong, Shandong and Jiangsu are the top three provinces, all three of them located in the coastal area. Zhejiang, which is also an eastern city, ranks fourth. Henan, a central city with a large population, is in fifth place, but sales there are less than half of those in Guangdong. Apart from Sichuan and Guangxi, none of the western cities are in the top 20. However, some gaps are closing, and the rate of growth in the central and western regions is a little higher than that in the eastern region. For example, Tibet has a growth rate of 20.5%, Shaanxi and Sichuan of 16.5%, and Hunan of 16.4%.

**Table 3. Comparison of total retail sales of consumer goods in 31 provinces**

Region	2009		2008	
	Total retail sales of consumer goods (billion yuan)	Growth rate (%)	Total retail sales of consumer goods (billion yuan)	Growth rate (%)
National total	13 267.84	15.5	11 483.01	22.7
Eastern region	7 966.18	15.4	6 913.44	22.4
Central region	3 562.41	16.0	3 069.65	24.2
West region	1 739.27	16.0	1 499.91	22.4

Source: National Bureau of Statistics of China.

Note: The eastern region includes 12 provinces: Guangdong, Shandong, Jiangsu, Zhejiang, Liaoning, Hebei, Beijing, Shanghai, Fujian, Guangxi, Tianjin and Hainan. The western region includes 10 cities: Sichuan, Shaanxi, Chongqing, Yunnan, Guizhou, Gansu, Xinjiang, Ningxia, Qinghai and Tibet. The central region includes nine provinces: Henan, Hubei, Hunan, Anhui, Heilongjiang, Jilin, Inner Mongolia, Shanxi, Jiangxi.

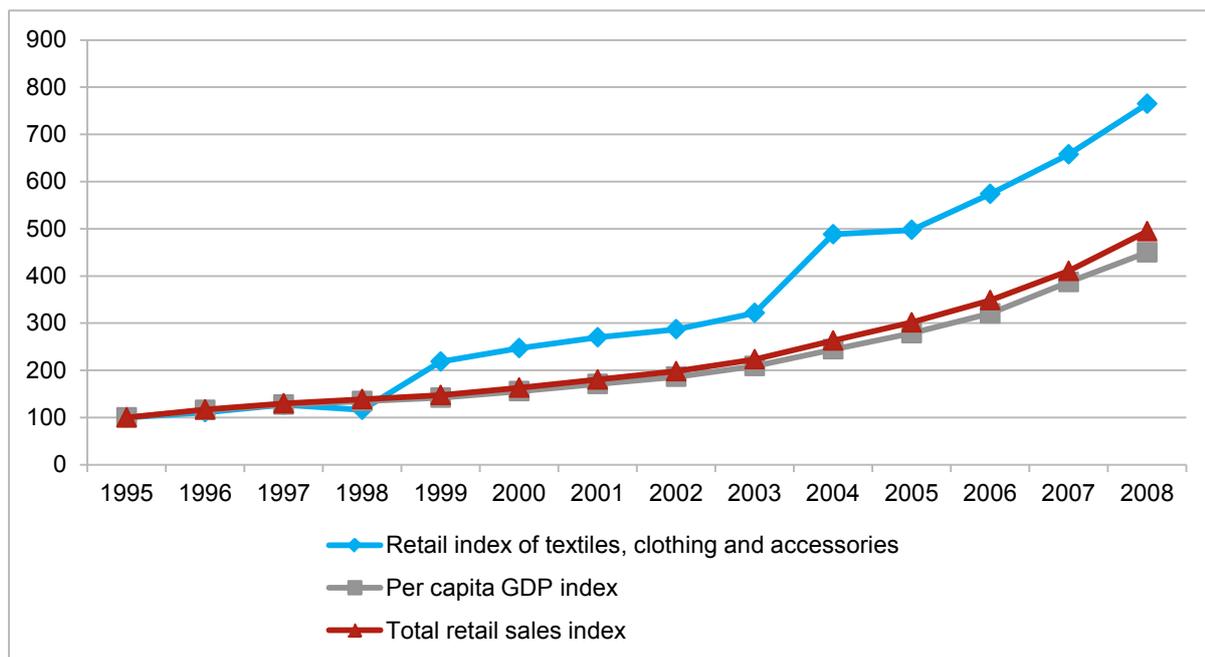
### The urban regions outstrip the rural regions

Because rural residents have lower purchasing power, retailing has developed more slowly in rural areas than in urban regions.

### Retail sales of clothing

The worldwide financial tsunami during 2008 and 2009 brought about a considerable decrease in exports of textiles and clothing. Nevertheless, domestic retail sales of clothing have increased continuously in recent years, and the per capita consumption expenditure on clothing has grown constantly, showing the remarkable potential of China's domestic market.

**Figure 4. Retail sales of clothing in China, 1995–2008**



Source: National Bureau of Statistics of China.

Note: According to the National Bureau of Statistics definition, 'clothing' includes garments, shoes, hats and knitting textiles. Market characteristics: dualism in consumption patterns.

#### 2.1.4. Market characteristics: dualism in consumption patterns

Currently, of the 1.3 billion people in China, 53.41% are rural residents. Although the income level of rural residents has been greatly improved during recent years, the majority of them are within the lower to middle income group. In 2009, the rural annual net income per capita was RMB 5,153.20, which was a little over a third of that of urban residents (see figure 2). In spite of the fact that urban consumers play a dominant role in the current growth of the apparel market (see figure 3), it is expected that rural income will be significantly improved in the near future. This will subsequently stimulate rural consumption and unleash the huge potential in this market.

The contribution of rural residents to the total consumption of textiles and clothing could be twofold. On one hand, their gradually increasing income could result in growing purchasing power, and larger expenditure on clothing, especially on goods with higher demand elasticity such as fashion goods. On the other hand, a considerable proportion of current rural residents are becoming urban residents; urban living standards and lifestyle will have an overwhelming impact on their attitudes towards fashion, and this change could also promote domestic demand.

## Regional diversity

China has a distinct characteristic of regional diversity. Economic status differs in different cities, and both geographically and economically the cities can be considered as forming three tiers. This regional diversity has important implications for enterprises trying to enter the Chinese market.

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

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

The third tier are cities in the west, including northwest and southwest China, which are far from coastal areas. Some are cities with a population of less than 1 million.

Eastern coastline cities are the wealthiest part of China, where a high concentration of apparel stores can be found. Many famous international brands set up mainly in first-tier cities and then establish their presence in affluent second-tier cities. Currently, the tendency is for famous brands to penetrate into more second-tier cities.

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

## Consumption drivers

### Decreasing CPI

**Table 4. Consumer price index and retail price index, 1990–2009**

Year	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CPI (preceding year =100)	103.1	100.4	100.7	99.2	101.2	103.9	101.8	101.5	104.8	105.9	99.3
RPI (preceding year =100)	102.1	98.5	99.2	98.7	99.9	102.8	100.8	101.0	103.8	105.9	98.8

Source: National Bureau of Statistics of China.

Meanwhile, the consumer price index (CPI) for garments dropped by 1.9% from the previous year in 2005, 1.0% in 2006, 0.6% in 2007, and 1.7% in 2008 (see table 5). The continual deflation is largely attributable to the oversupply of mass-produced garments. Homogeneous products and intense competition have prompted apparel retailers to resort to cutting prices and offering different kinds of promotional activities such as big sales to attract consumers.

**Table 5. Consumer price index for garments, 2001–2009**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
CPI of garments (preceding year =100)	97.6	97.4	97.6	98.3	98.1	99.0	99.4	98.3	97.9
Year on year percentage change in garment prices	-2.4	-2.6	-2.4	-1.7	-1.9	-1.0	-0.6	-1.7	-0.4

Source: National Bureau of Statistics of China.

## RMB appreciation

On 21 July 2005, the People's Bank of China (PBOC) announced an appreciation of the Chinese renminbi (RMB). The slight appreciation of the RMB will help stabilize domestic prices and might make imported commodities cheaper. Outbound travellers particularly could find shopping less expensive and more convenient. This will make Chinese apparel enterprises pay more attention to the domestic market.

Since the exchange rate reform in July 2005, the RMB has appreciated 19.76% against the United States dollar. In July 2010 the exchange rate was one United States dollar to RMB 6.7735.

## High savings

As shown in table 6 China's deposits have steadily increased in recent years. In 2009, total deposits surged to RMB 26.1 trillion. The high saving rate indicates a lack of motivation for investments and consumption, mainly due to the pressure of expenditure on healthcare, education and housing.

**Table 6. Savings deposits (RMB billion)**

Year	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total	712	6 433	7 376	8 691	10 362	11 956	14 100	16 159	17 253	21 789	26 077

Source: National Bureau of Statistics of China.

## 2.2. Supply by domestic and overseas industry

**Table 7. Leading apparel brands in China**

Products	Leading brands	
	Overseas brands	Domestic brands
Menswear	Ermenegildo Zegna, Dunhill, Hugo Boss, Armani, Valentino, Ralph Lauren, Cerruti 1881, Gieves & Hawkes	Youngor, Firs, Lilang, Septwolves, KingBoxing, Romon, SevenBrand, Conch, Rouse
Womenswear	Dior, Chanel, Prada, Gucci, Only, Celine, Etam, New Yorker, Esprit, MaxMara, Versace, Trussardi, Burberry, Only, G2000, Giordano Lady	White Collar, Kaiser, Lily, Girdear, JNBY, Peacebird, Sierli, Gloria,
Children's wear	Mickey's, Les Enphants, BobDog, Bossini Kids, Esprit Kids	Balabala, Paclantic, Goodbaby Wahahakids, Boshiwa, Yaduo, Yeeshow, Shuihaier, M-linge
Casual wear	Levi's, Lee, Wrangler, Jack & Jones, Tony Wear, Uniqlo, Baleno, Jeanswest, U2, Zara, Tommy, Giordano, Bossini, H&M, C&A	Metersbonwe, Tonlion, Boboo, Fairwhale, Yishion, Semir Exception
Sportswear	Nike, Adidas, Puma, Umbro, Reebok, Converse, Mizuno, Fila, New Balance, Kappa	Li-Ning, Anta, Peak, 361°, Xtep, Adivon, Wandanu
Underwear	Triumph, Wacoal, Embry Form, CK, Pierre Cardin, Chilier, Audrey, Aubade, Ordifen, Esprit Underwear,	Aimer, Sunflora, Gujin, Maniform, Three Gun, Gracewell, Yiselle, AB

In China's clothing market, domestic brands play a critical role in the mass segment, such as men's shirts, knitted underwear, down coats, jackets, pants and sweaters. However, the high-end market is dominated to a large extent by overseas brands, which are expected to accelerate their expansion into China. Most of the domestic and overseas brands are manufactured in China, while garments of high-end luxury brands such as Ermenegildo, Zegna and Armani are still imported.

### **2.2.1. Menswear**

#### **Suits**

Overseas brands currently dominate the premium market in China's suit sector. Many well-known premium brands such as Ermenegildo Zegna, Dunhill, Hugo Boss and Armani have already established a strong presence in the market. Meanwhile, some domestic brands are taking the lead in terms of sales volume in the same market segment. Domestic brands such as Youngor, Romon and Firs are also very popular. Almost all the domestic brands are made in China.

#### **Shirts**

In the market segment of men's shirts, domestic brands enjoy the 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 a substantial amount of effort into upgrading the production standard of shirts. However, in aspects of design and style there is still ample space for improvement.

### **2.2.2. Womenswear**

With a female population of over 644 million by the end of 2008, China provides the largest consumer market for womenswear in the world. With a rising number of working women, the demand for women's clothing, both business and casual, is expected to experience a great increase. It can be estimated that the women's office wear and business casual wear markets will be the fastest growing segments.

In womenswear, top overseas brands such as Dior, Chanel, Prada and Gucci dominate the premium market segment. The quantity of imported womenswear is small in China, but it is widely accepted that there is a great market prospect for womenswear.

### **2.2.3. Children's wear**

Overseas brands have captured the majority of the market share in children's wear and are dominating the premium market, with LawLandee, Mickey's and Les Enphants occupying the top three positions. These brands distribute their products mainly in specialty stores and outlets in mid-end to high-end department stores.

There are a few well-known domestic brands. The prominent ones include Yaduo, Shuihaier, M-linge and Yeeshow. Most of them are usually much cheaper than the foreign brands and are distributed via different channels.

The children's wear market has become one of the fastest growing markets in China. With rising income levels and China's one-child policy, it is believed that Chinese parents are more willing and able to spend money on children's clothing. In addition, there is an even bigger potential market in rural China because of the huge rural population of young age.

Because of the promising future market in children's wear, a number of domestic brands which previously focused on adult clothing are attempting to enter this market by expanding their product lines. Obviously natural fibres, such as cotton, are preferred as fabrics for children's wear.

### **2.2.4. Casual wear**

Many enterprises in China are adopting more relaxed clothing 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.

The mass market is partly dominated by domestic brands, such as Metersbonwe and Jeanswest, which are the top two in sales volume. Table 8 shows the rank of market share of domestic casual brands across the nation. The most preferred brand for 16–25 year old consumers is Metersbonwe, which is far ahead of other casual wear brands.

Nevertheless, overseas brands such as Levi's, Lee, Jack & Jones and Tommy Hilfiger still play a fashion leader in the segment. Most of the casual wear in China is manufactured locally.

**Table 8. Market share of domestic casual brands, 2009**

Market share rank	1	2	3	4	5	6
Brand name	Metersbonwe	Jeanswest	Semir	Yishion	Giordano	Baleno

Source: Investigation in 2009.

### 2.2.5. Sportswear

Since the 2008 Beijing Olympic Games, sport has become a part of lifestyle and fashion attitudes in China, which is making a booming market for sportswear as well as clothing and footwear for outdoor activities. The world's two dominant brands, Nike and Adidas, are brand leaders in China's sportswear market. Other foreign brands such as Reebok, Puma, Mizuno and Umbro are also prominent. These overseas brands are mostly sourced globally. For example, Adidas products in the Chinese market come from India, Thailand, Turkey and Viet Nam. However domestic brands such as Li-Ning, Peak, 361 and Anta are gaining a larger share of the domestic market compared with previous years.

### 2.2.6. Lingerie and underwear

The premium brands of ladies' underwear entered the China market early, targeting urban high-income women. Mass consumers favour the brands with a relatively low price and guaranteed quality.

With limited number of brands and narrow channels, the market for men's underwear is still in the preliminary stages of development. Because of the huge demand for men's underwear and growing fashion awareness, this market is projected to have a great development in the near future.

## 2.3. National apparel clusters

Total factory output of apparel in 2009 dropped to 40 billion pieces, a decrease in volume of 13.04% compared with the previous year. Production of knitwear dropped to 26.2 billion pieces, a 14.10% decrease compared with 2008, and woven clothes dropped to 13.8 billion pieces, a decrease of by 10.97% (see table 9).

**Table 9. Garment production volume**

Products	Output (billion pieces)		Annual growth rate (%)	
	2008	2009	2008	2009
Woven clothing	15.5	13.8	-12.92%	-10.97%
Knitted clothing	30.5	26.2	-8.68%	-14.10%
Total	46	40	-10.16%	-13.04%

Source: China Textile Industry Development Report.

According to the China National Textile and Apparel Council (CNTAC), there are 146 major apparel clusters in China. Of these, 25% are located in Zhejiang and 21% in Jiangsu, with Guangdong, Fujian and Shandong other important centres. Jiangsu, Zhejiang, Shandong and Guangdong accounted for 23.23%, 19.71%, 17.09% and 10.57% respectively of the total national industrial output in 2009.

## 2.4. Import developments over the last five years

### 2.4.1. Growth of imports

China's textile and clothing imports have grown steadily since 2001 (see table 10). In 2008, the value of imports hit US\$ 18.51 billion, among which textile imports accounted for US\$ 16.23 billion and clothing imports US\$ 2.28 billion. Because of the great increase in market demand in accordance with national income growth and the economic recovery after the financial crisis, it can be anticipated that textile and clothing imports will continue to increase in the future.

**Table 10. Growth of China's textile and clothing imports, 2000–2008**

Unit: US\$ billion

Year	Textiles	Clothing	Total
2000	12.83	1.19	14.02
2001	12.57	1.27	13.64
2002	13.06	1.36	14.42
2003	14.22	1.42	15.64
2004	15.30	1.54	16.84
2005	15.50	1.63	17.13
2006	16.36	1.72	18.08
2007	16.65	1.98	18.63
2008	16.23	2.28	18.51

Source: China Textile Industry Development Report.

### 2.4.2. Imports from LDCs

China's textile and clothing imports from LDCs have increased sharply since 2001, although the gross value increase is still very small. In 2009, total imports from LDCs increased to US\$ 34.81 million, among which Bangladesh ranking first with US\$ 19.79 million (see table 11).

Table 11. China's imports of textiles and clothing from LDCs, 2001–2009 (US\$)

Countries	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bangladesh	335 150	238 544	486 710	2 317 798	2 994 911	6 466 932	9 644 632	10 997 529	19 785 848
Cambodia	138 478	52 100	50 909	755 749	2 069 011	3 031 452	4 465 345	10 333 271	10 778 024
Myanmar	41 885	43 113	144 079	27 109	148 420	144 625	281 138	221 648	474 748
Nepal	1 971	10 972	16 319	51 667	283 149	360 179	323 540	303 269	291 531
Lao PDR	14 467	18 522	91,874	34 495	201 556	260 576	76 197	2 390 735	251 158
Madagascar	1 720	1 112 635	21 202	109 212	141 439	254 040	421 719	1 347 728	1 517 626
Haiti	85	595	0	680	3 366	7 703	191 118	701 359	1 633 630
Lesotho	0	0	1 030	547	8 376	156	0	762	0
Mauritania	0	8 340	591	317	644	0	2 096	224	0
Ethiopia	337	113	234	622	631	221	7 636	507	352
Sudan	0	0	0	0	346	0	0	0	0
Mali	0	22 543	0	173	0	0	0	0	0
Maldives	3 105	2 112	17	4 320	4 659	15 392	1 371	4 454	77 351
Afghanistan	0	0	0	28	1 306	0	0	3 378	310
LDCs	537 198	1 509 589	812 965	3 302 717	5 857 814	10 541 276	15 414 792	26 304 864	34 810 578

Source: Comtrade Database.

### **3. An analysis of the tariff structure of imports by product group**

#### **3.1. Tariff system**

The basic legal framework for China's tariff is provided by the Customs Law and related regulations. The tariff schedules are part of the Regulations on Import and Export Tariff of China (promulgated by Decree No. 392 of the State Council on 23 November 2003 and effective from 1 January 2004). The tariff is set by the Tariff Commission, an inter-ministerial body under the State Council, based in the Ministry of Finance. In 2009, tariff revenue accounted for 2.5% of China's total tax revenue, down from 3.3% in 2008.

The tariff is one of China's main border measures pertaining to imports. Under the regulations on import and export tariff, import duties are categorized as most favoured nation (MFN) tariff rate, conventional tariff rate, special preferential tariff rate, general tariff rate and tariff-rate quota (TRQ) rate.<sup>1</sup> Where goods from countries or customs territories fit into more than one of these categories, the more favourable rate applies. A temporary tariff rate may be applied to imported goods for a specified period of time.

MFN tariff rates are applied to imported goods originating from members of the World Trade Organization that are subject to the common application of the most favoured nation clause, imported goods originating from countries or regions with which China has concluded a bilateral trade agreement to reciprocally grant most favoured nation treatment, and imported goods originating from the customs territory of China.

Conventional tariff rates are applied to imported goods originating from countries or regions with which China has concluded a regional trade agreement that includes preferential duty clauses.

Special preferential tariff rates are applied to imported goods originating from countries or regions with which China has concluded a trade agreement that includes special preferential duty clauses.

The general tariff rate is applied to goods imported from and originating in countries or regions with which China has concluded no agreements for reciprocal tariff preference, or goods with non-origin or no definite origin.

In addition, customs duties shall be reduced or exempted in accordance with the provisions set out in the relevant regulations by the state council.

#### **3.2. Tariff structure for textiles and clothing**

China has been committed to substantial annual reductions in its tariff rates since WTO accession in 2001, and in 2010 it met the commitment it made on WTO accession. The average applied tariff rate has fallen to 9.8% as of 1 January 2010.

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<sup>1</sup> Regulations of China on Import and Export Duties. From the website of General Administration of Customs of PRC. <http://english.customs.gov.cn/publish/portal191/tab3972/module21538/info69437.htm>.

**Table 12. China's tariff structure for textiles and clothing (%)**

	2001	2002	2003	2004	2005	2007	2009	2010 (final bound rate)
Bound tariff								
Simple average bound rate	n.a.	12.4	11.3	10.4	10.0	9.9	9.9	9.9
Textiles and clothing	n.a.	17.6	15.1	14.9	11.5	11.5	11.5	11.5
Applied tariff								
Simple average applied rate <sup>a/</sup>	15.6	12.2	11.1	10.2	9.7	9.7	9.5	9.8.
Textiles and clothing <sup>b/</sup>	21.1	17.5	15.1	12.9	11.5	11.5	11.5	n.a.

Source: WTO Secretariat calculations.

<sup>a/</sup> The simple averages not including temporary rates are 15.9%, 12.3%, 11.2%, 10.3%, 9.9%, 9.8% and 9.8% for 2001, 2002, 2003, 2004, 2005, 2007 and 2009 respectively.

<sup>b/</sup> The tariff rate for clothing is the average level of 61 and 62 of the Harmonized Commodity Description and Coding System (HS).

n.a. = not available.

Note: The 2001 tariff is based on HS 1996 nomenclature. The 2002–2005 tariff is based on HS 2002 nomenclature. The 2007 and 2009 tariffs are based on HS 2007 nomenclature consisting, respectively, of 7,645 and 7,867 tariff lines.

Although clothing is among those products where tariff levels remain comparatively high, the applied tariff level has been greatly cut and reached its final bound rate of 11.5% in 2009 (see table 12).

China's current effective applied tariff rates for clothing (61 and 62 of the Harmonized Commodity Description and Coding System (HS)) ranges from 14% to 25%, except for the nine product lines – mostly underwear products<sup>2</sup> – which are subject to a reduced rate from 1% to 3% lower than the bound level. The tariffs applied to overcoats, men's and women's suits, and woollen suits are as high as 25%.

Moreover, nine product lines under 61 and 61 HS were unbounded according to China's WTO accession commitment. These products include jerseys and pullovers made of wool, cashmere and goat hair, as well as gloves and mittens made of different materials.<sup>3</sup>

### 3.3. Tariff systems for textiles and clothing from LDCs

Among the tariff rates described above, conventional tariff rates and special preferential tariff rates are most applicable to imported goods originating from LDCs. There are three preferential systems that are applicable to textile and clothing products from LDCs: the Asia–Pacific Trade Agreement (APTA), the China-ASEAN Free Trade Area (CAFTA), and the unilateral preferential system for African, Asian and Pacific LDCs. Countries to which preferential tariffs are applied are listed in table 13.<sup>4</sup>

<sup>2</sup> The product lines for which the applied tariff is lower than the bound tariff are: 611220, 620429, 620719, 621010, 621120, 621210, 621220, 621230, 621290.

<sup>3</sup> 611011, 611012, 611019, 611693, 611699, 611710, 611720, 611780, 611790. LDC clothing exports to China – Tariff structure and trade flows.

<sup>4</sup> The Customs Import and Export Tariff of China 2010, published by the State Council of China in January 2010.

**Table 13. Countries to which China applied non-MFN tariff, 2010**

Tariff species	Countries applied to
Conventional tariff rate	APTA (2): Bangladesh, the Lao People's Democratic Republic
	ASEAN (3): Cambodia, the Lao People's Democratic Republic, Myanmar
Special preferential tariff rate	Africa (31): Angola, Benin, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Sudan, Somalia, Togo, Uganda, the United Republic of Tanzania, Zambia
	South East Asia (4): Bangladesh, Cambodia, the Lao People's Democratic Republic, Myanmar
	Other countries (6): Afghanistan, Timor-Leste, Maldives, Samoa, Vanuatu, Yemen

### 3.3.1. Conventional tariff rate

#### APTA

The Asia-Pacific Trade Agreement (APTA), previously known as the Bangkok Agreement, was signed in 1975. Its aim is to promote economic development and cooperation through the adoption of mutually beneficial trade liberalization measures. Member nations are China, Bangladesh (LDC), India, the Republic of Korea, the Lao People's Democratic Republic (LDC) and Sri Lanka. Under APTA, 1767 tariff lines originating from Bangladesh and the Lao People's Democratic Republic are given conventional tariff rates for exports to China. These countries are trading with a preferential tariff 0.5% to 5.0% lower than the applied MFN tariff for 50–63 HS.

#### CAFTA

The China–ASEAN Free Trade Area (CAFTA) is a free trade area covering the ten member States of the Association of Southeast Asian Nations (ASEAN) and China. The initial framework agreement was signed on 4 November 2002 in Phnom Penh, Cambodia, with the intent of establishing a free trade area among the eleven nations by 2015.

Under the framework agreement, China began to reduce tariff rates from 1 January 2005. Then China gradually had the tariff rates reduced or eliminated in accordance with specified schedules and rates (mutually agreed by the parties) over a period from 1 January 2005 to 2010 for ASEAN 6,<sup>5</sup> and over a period from 1 January 2005 to 2015 in the case of newer ASEAN member States,<sup>6</sup> with higher starting tariff rates and different staging.

Products for which tariff rates need to be reduced are put in two categories: normal products and sensitive products. The main difference is that the tariff rates for normal products must be reduced to zero in the end, while those for sensitive products need not.

A free trade area (FTA) was established between China and ASEAN 6 in 2010. Since 1 January 2010, more than 90% product lines have zero-rate tariffs, and almost all textile and clothing product lines at the 8-digit HS code level are tariff-free. China's average tariff on imports from ASEAN nations has reduced from 9.8% to 0.1%. The newer ASEAN member States will be included in this FTA in 2015, realizing the goal of 90% tariff-free products.

<sup>5</sup> ASEAN 6 refers to Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

<sup>6</sup> The newer ASEAN Member States refers to Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam.

**Table 14. Detailed list of clothing products with duty free access<sup>7</sup>**

HS code (2-digit)	Content	Sub codes (4-digit)	Number of tariff-free products
61-	Articles of apparel and clothing accessories, knitted or crocheted	6101	4
		6102	4
		6103	15
		6104	25
		6105	3
		6106	3
		6107	11
		6108	15
		6109	3
		6110	9
		6111	4
		6112	9
		6113	1
		6114	4
		6115	9
		6116	5
		6117	4
61 Total			128
62-	Articles of apparel and clothing accessories, not knitted or crocheted	6201	12
		6202	12
		6203	21
		6204	30
		6205	5
		6206	5
		6207	12
		6208	12
		6209	5
		6210	8
		6211	16
		6212	8
		6213	6
		6214	5
		6215	3
6216	1		
6217	4		
62 Total			165

<sup>7</sup> These lists apply to China's imports from three LDCs: Cambodia, the Lao People's Democratic Republic and Myanmar.

### 3.3.2. Special preferential tariff rate

Special preferential tariff rates applied to LDCs are annually adjusted subject to trade or tariff agreements with various countries. On 30 December 2009, China published a new tariff implementation scheme to apply special preferential tariff rate to LDCs in 2010.

#### For African LDCs

Since 1 January 2010, China has unilaterally granted zero tariff rates to 80 textile product lines and 61 clothing product lines on imported goods originating from 31 African LDCs, at the 8-digit HS code level.

#### For Asia-Pacific LDCs

Bangladesh and the Lao People's Democratic Republic are charged zero tariff for 53 textile and clothing product lines under the framework of APTA. Some special preferential tariff rates lower than the applied MFN tariffs are applicable to another 25 product lines, mostly in 61 and 62 HS at the 8-digit HS code level.

Goods originating from Cambodia (93 product lines), the Lao People's Democratic Republic (106 product lines) and Myanmar (83 product lines) enjoy zero tariffs on imports into China under CAFTA.

For Yemen and another five LDCs, China has granted zero tariffs for 121 product lines of textiles and clothing at the 8-digit HS code level; 66% of the lines involve clothing.

Approved by the State Council, Tariff Implementation Scheme 2010 came into effect on 1 January 2010, showing that China is continuing to apply special preferential tariff rates to 4 Southeast-Asian LDCs, 31 African LDCs and 6 other LDCs (41 LDCs in total). Three kinds of tariff rates for specific LDCs can be compared in table 15.

**Table 15. Summary analysis of the Chinese preferential tariff (%)**

	2005		2007		2009	
	Overall average	Textiles and clothing	Overall average	Textiles and clothing	Overall average	Textiles and clothing
MFN	9.7	11.5	9.7	11.5	9.5	11.5
Agreement tariff rates						
APTA <sup>a/</sup>	9.5	10.6	9.1	10.4	8.9	10.4
ASEAN						
Cambodia	9.0	11.5	8.8	11.5	8.6	11.5
Lao PDR	9.2	11.5	9.0	11.5	8.8	11.4
Myanmar	8.9	11.5	6.0	7.2	2.5	3.3
Unilateral preferential tariff rates for LDCs						
Special rates for African LDCs <sup>b/</sup>	9.5	11.1	9.5	11.1	8.9	9.9
Special rates for:						
Bangladesh	9.5	11.0	9.5	10.7	9.3	10.6
Cambodia	9.0	10.9	9.3	10.7	8.8	10.5
Lao PDR	9.1	10.7	9.0	9.7	8.8	9.7
Myanmar	9.3	11.0	9.1	10.5	9.1	10.6
Special rates for some Asian and Pacific countries <sup>c/</sup>	n.a	n.a.	9.2	10.1	9.0	9.9
Memorandum:						

	2005		2007		2009	
	Overall average	Textiles and clothing	Overall average	Textiles and clothing	Overall average	Textiles and clothing
Bangladesh <sup>d/</sup>	9.2	10.2	8.9	9.7	8.7	9.7
Lao PDR <sup>e/</sup>	8.5	9.9	8.0	8.8	7.8	8.9
Cambodia <sup>f/</sup>	8.5	10.9	8.6	10.7	8.2	10.5
Myanmar <sup>f</sup>	8.6	11.0	5.9	7.1	2.5	3.3

Source: WTO Secretariat calculations.

<sup>a/</sup> The Bangkok Agreement was renamed the Asia–Pacific Trade Agreement on 2 December 2005. Preferential rates under APTA are applicable to the Republic of Korea, Sri Lanka, Bangladesh, India, and Lao People's Democratic Republic.

<sup>b/</sup> There were 28 countries in 2007: Angola, Benin, Burundi, Cape Verde, Central African Republic, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Sudan, Togo, Uganda, the United Republic of Tanzania and Zambia. In 2009, the number increased to 31.

<sup>c/</sup> In 2007 these were Afghanistan, the Maldives, Samoa, Vanuatu and Yemen; Timor-Leste was added in 2008, and Nepal in May 2010.

<sup>d/</sup> Including APTA preferential rates and special preferential tariff rates.

<sup>e/</sup> Including APTA preferential rates, ASEAN preferences and special preferential tariff rates.

<sup>f/</sup> Including ASEAN preferences and special preferential tariff rates.

Note: Calculations exclude in-quota rates, and specific rates, and include interim duty rates.

## 4. Non-tariff requirements in the market

### 4.1. Special import regulations

According to the protocol for 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.

#### 4.1.1. Import license

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.

Details of commodities subject to import licensing, except those goods subject to tariff rate quotas (TRQs), are published annually by the Ministry of Commerce (MOFCOM) in the Catalogue of Goods Subject to Import License Administration and the Catalogue of Goods Subject to Automatic Import Licensing Administration.

According to the latest catalogues, textile machines are the only goods related to textiles and clothing listed as being subject to import licensing.

#### 4.1.2. Import quotas

Import quotas concerning textiles have been eliminated in China.

Certain textile 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<sup>8</sup> categories of textile and clothing products in chapter 51 to 55 HS.

<sup>8</sup> As calculated according to protocol on the accession of China, annex 3, non-tariff measures subject to phased elimination.

### 4.1.3. Tariff rate quotas (TRQs)

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 Chinese authorities, as since the elimination of import quotas in January 2002, TRQs have been used to monitor trade in wool, woollen tops and cotton. The National Development and Reform Commission (NDRC) and MOFCOM are jointly responsible for administering TRQs for cotton, and MOFCOM is solely responsible for wool, and woollen tops.<sup>9</sup>

The allocation of quotas is based on the applicant's capacity for production, sales and 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.

Since 2004, there has been no change in China's TRQs on cotton, wool and woollen tops.

**Table 16. China's TRQs for cotton, wool and woollen tops, 2004–2010**

Year	Cotton TRQ (tons)	Wool TRQ (tons)	Woollen tops TRQ (tons)
2004–2010	894 000	287 000	80 000

Source: Data based on the Ministry of Commerce of China, the administrator of TRQs for cotton, wool and woollen tops from 2004 to 2010.

China's TRQ on cotton

On cotton imports within quota there is a tariff rate of 1%. A sliding rate system, implemented in May 2005, is applied to any over-quota amount; currently the tariff rate ranges from 5% to 40% according to the price of the imported cotton.

This is done with the aim of achieving of a stable after-tax price; specifically, a lower tariff rate will be imposed on higher-priced cotton, and a higher tariff rate on lower-priced cotton. The sliding tax system on cotton helps to adjust the cost of imported cotton and maintain stable prices in the domestic market, ensuring that farmers receive an adequate price.

## 4.2. Customs procedures

### 4.2.1. Customs procedures

Since 2005, China's customs procedures have remained largely unchanged. Importers (and exporters) must register with MOFCOM or its authorized bodies before filing customs declarations.<sup>10</sup> Import declarations can be made either in person, or by an enterprise authorized to do so, in paper or electronic form.<sup>11</sup> Declarations must be made to Customs at the port of entry within 14 days of the goods' arrival,<sup>12</sup>

<sup>9</sup> Previously all the quotas except 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).

<sup>10</sup> Under the rules for the registration of foreign trade operators, issued by MOFCOM and effective from 1 July 2004, the registration documents include: a registration form; a copy of the business certificate and a copy of the organization code certificate of the enterprise; the certificate of approval of the foreign-invested enterprises, if the trader is an enterprise with foreign investment; a self-employed entrepreneur must submit a notarized property certificate, while a foreign enterprise (registered outside China) must submit a notarized certificate of creditworthiness.

<sup>11</sup> Although almost all declarations can be submitted in electronic form, a paper copy must also be submitted.

<sup>12</sup> Customs Law. Viewed at: [www.customs.gov.cn/YWStaticPage/433/69eabfa8.htm](http://www.customs.gov.cn/YWStaticPage/433/69eabfa8.htm) (in Chinese) [11 February 2008].

and must be accompanied by: contract of import (or export), invoices, bill of lading, authorization agreement if declared by agents, import (or export) approval documents, and processing trade handbook (paper or electronic form). At the time of the customs declaration, importers must meet the requirements of customs and the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).

#### 4.2.2. Customs valuation

Customs value is determined on the basis of the transaction value, which includes the costs of transport and insurance and other related charges.<sup>13</sup> Under the Rules Regarding Determination on Customs Value of Imported and Exported Goods, where it is impossible to determine the transaction value, the customs value is based on (in sequential order): the transaction value of identical goods; the transaction value of similar goods; the deductive value; the computed value; or the value determined on a 'reasonable' basis.

#### 4.2.3. Pre-shipment inspection requirements

China introduced a pre-shipment inspection (PSI) requirement by the revision of the implementing regulation of the law on import and export commodity inspection; the revised version entered into force on 1 December 2005.<sup>14</sup> China has not yet notified this requirement to WTO. Under the regulation, pre-shipment inspection is required for imports of: certain commodities related to national security, with high value or complicated technology; equipment exceeding a certain height, length or volume; solid waste used as raw materials; and certain used electronic products that are deemed to affect public health and the environment. The authorities state that the PSI requirement was introduced to, *inter alia*, protect public health, improve the phytosanitary situation, protect the environment, and prevent counterfeit goods from entering China.<sup>15</sup> China has designated 23 foreign institutions to conduct PSIs and to issue certificates. PSI certificates are not used for customs valuation.

### 4.3. Freight forward and transport requirements

#### Rules of origin

China applies non-preferential rules of origin in accordance with the Regulations on Rules of Origin of Import and Export Commodities (State Council Decree No. 416, 2004). Under article 3 of the Regulations, for goods produced or manufactured wholly within one country or region, origin is defined as that country or region; for goods produced in two or more countries or regions, the place of origin is the country or region where 'substantial transformation' has been made and finalized. 'Substantial transformation' is defined either as a change in the tariff heading of the product transformation' is defined either as a change in the tariff heading of the product according to China's tariff classification, or as the value added being at least 30% of the total value of the product.

Preferential rules of origin are applied in accordance with the various regional and bilateral trade agreements China has concluded (see table 17), and to certain imports from LDCs. Preferential rules of origin tend to vary from agreement to agreement, and sometimes across product groups, which could add to the complexity of China's import regime.

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<sup>13</sup> Rules Regarding Determination on Customs Value of Imported and Exported Goods. See WTO document G/VAL/N/1/CHN/5, 11 April 2008.

<sup>14</sup> Implementing Regulation of the Law on Import and Export Commodity Inspection (State Council Decree No. 447, 2005). Viewed at: [www.chinacourt.org/flwk/show1.php?file\\_id=104565](http://www.chinacourt.org/flwk/show1.php?file_id=104565) (in Chinese) [11 February 2008].

<sup>15</sup> The authorities consider that the PSI requirement can function as a precautionary measure against counterfeiting.

**Table 17. China's preferential rules of origin related to LDCs**

Agreement/party	Rules
APTA	Products must be wholly produced or obtained in the country, or the value of non-originating parts or components used in the manufacture must be less than 50% of the FOB value of the product. The country of origin is defined as the country where the last manufacturing operation takes place. In addition, goods must enter China directly.
ASEAN	Products must be wholly produced or obtained in ASEAN countries; or the content of products originating in any one of the ASEAN countries should be no less than 40% of total content; or the value of the non-originating parts or components used in the manufacture of the products must be no more than 60% of the FOB value of the product. The country of origin is defined as the country where the last manufacturing operation takes place. In addition, goods must enter China directly.
LDCs	Products must be wholly produced in the country of origin, or the value of non-originating parts used in the manufacture of a product may be up to 60% of the FOB value of the product. Goods under the APTA (originating in Bangladesh, and the Lao People's Democratic Republic) must enter China through 'direct transportation'.

Source: Information provided by the Chinese authorities.

#### 4.4. Packaging, marketing and labelling requirements

Labelling requirements are maintained under 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.

Imported textiles and clothing for domestic sales must conform to the mandatory standards on identification as well as instructions for use written in Chinese, and the identification must also agree with the characteristics of the commodity. The effective regulations on instructions include: GB5296.4-1998, Instructions on consumptive textiles and clothing, and GB/T8685-88, Graphical symbols for textiles and clothing instructions for use.

Early in 2006, China enacted legislation to implement the International Plant Protection Convention (IPPC) Wood Packaging Mark and Rules. This new legislation mandates that all wood packaging materials must 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 Customs will destroy or return to the exporter of record any shipments containing non-conforming packaging.

#### 4.5. Standards and other technical requirements

Among China's notifications to WTO under the TBT Agreement from 1 January 2002 to 30 June 2010, there were nine notifications relating to textiles and clothing.

**Table 18. WTO TBT notifications, 2002–2010**

Notification number	Notified documents
G/TBT/N/CHN/20/Rev.1	National general safety technical code for textile products
G/TBT/N/CHN/249	National standard of China, cotton – upland cotton
G/TBT/N/CHN/127	National standard of China, environmental protection control standard for imported solid waste as raw materials – waste and scrap of fibres
G/TBT/N/CHN/183	Announcement No. 177 of 2005 made by the general administration of quality supervision, inspection and quarantine (AQSIQ)
G/TBT/N/CHN/336	AQSIQ Notice on implementing the administrative measures on registration of overseas supplying enterprises exporting cotton to China
G/TBT/N/CHN/317	National standard of China, seed of economic crops – Part 1: fibre species
G/TBT/N/CHN/427	National standard of China, Instructions for use of products of consumer interest – Part 4: textiles and apparel
G/TBT/N/CHN/441	National standard of China, conventional moisture regains of textiles
G/TBT/N/CHN/624	National standard of China, directions for use and labels for carpets

Source: [www.tbt-sps.gov.cn/tbtsps/Notification](http://www.tbt-sps.gov.cn/tbtsps/Notification).

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

The general administration of quality supervision, inspection and quarantine of China adopted a new national general safety technical code for textile products, GB 18401 (2003), on 27 November 2003; it came 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 its own product categories and its own quality assurance system.

As GB 18401 is the national safety standard for textile products, if products fail to meet the safety requirements they are not allowed to be manufactured in China, or sold in or imported into the China market. Therefore, the importance of safety testing according to GB 18401 can not be overlooked.

The standard is applicable to wearable and upholstery textile products produced, sold and used in China (including yarns, fabrics and their made-up products) 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 protection, 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. Products involved in the standard are divided into three categories – Category A: products for babies and children; Category B: products with direct contact to skin; and Category C: products without direct contact to skin. Corresponding basic safety technical requirements are also specified.

Relevant documents include:<sup>16</sup>

- GB/T 2912.1 Textiles – Determination of formaldehyde – part 1: Free and hydrolyzed 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 color 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
- GB/T 23344 Textiles – Determination of 4 amino azobenzene

#### **4.5.2. National standard of China, cotton – upland cotton (GB 1103)<sup>17</sup>**

Since 1 April 2003, short fibre content (SFC) and nep count have been included in the quality requirements of National Standard GB1103 (1999), Cotton – Upland Cotton. Test for SFC must be conducted according to GB/T6098.1 (1985), Test Method of Cotton Fibre Length, using a roller analyser. Test of neps must be conducted 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 trade practices.

#### **4.5.3. National standard of the P.R.C., environmental protection control standard for imported solid waste as raw materials – waste and scrap of fibres<sup>18</sup>**

Cotton waste, waste fibres, rags and scrap of textile materials are covered in this standard. It stipulates the requirements for the control of the carried-wastes in the imported waste and scrap of fibres, and radioactive pollution control. The purpose is for environmental protection.

#### **4.5.4. Announcement No. 177 of 2005 made by the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)<sup>19</sup>**

This announcement concerns paper clothing. From 1 January 2006, commodities such as toilet paper, tissue paper, paper handkerchiefs, napkins, paper napkins, paper diapers, paper clothing and paper bed sheets (covered in 6 HS) have been included in the Catalogue of Commodities Subject to Mandatory Inspection and Quarantine. The mandatory inspection and quarantine are carried out on the entry of these commodities.

#### **4.5.5. AQSIQ Notice on implementing the administrative measures on registration of overseas supplying enterprises exporting cotton to China<sup>20</sup>**

This notice specifies the administrative measures on registration of overseas supplying enterprises exporting cotton to the mainland of China. No cotton exported from the supplying enterprises shall be permitted to enter into the mainland of China without such registration. The registered supplying

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<sup>16</sup> World Trade Organization G/TBT/N/CHN/20/Rev.1, 10 February 2010.

<sup>17</sup> World Trade Organization G/TBT/N/CHN/249, 9 March 2007.

<sup>18</sup> World Trade Organization G/TBT/N/CHN/127, 18 August 2005.

<sup>19</sup> World Trade Organization G/TBT/N/CHN/183, 16 January 2006.

<sup>20</sup> World Trade Organization G/TBT/N/CHN/336, 20 February 2008.

enterprises are subject to the administration of quality credit evaluation. There is no charge for the relevant registration from overseas supplying enterprises.

China is the world's largest producer and consumer of cotton. It imports more than 3 million tons of cotton each year, and the total value exceeds US\$ 4 billion. The inferior quality of some imported cotton was a problem for many years. Problems such as plant diseases and insect pests, hazardous substances, very poor quality, short weight, using poor-quality cotton to replace good cotton, adulteration and so on, were rather severe. The disqualification rate of inspection lot was over 70%. This administrative measure is aimed at preventing inferior quality cotton from entering into the mainland of China, putting an end to deceptive practices and protecting the legitimate interests of honest enterprises.

**Table 19. Cotton imports, 2000–2009**

Year	Cotton imports (tons)	Year	Cotton imports (tons)
2000	251 000	2005	2 745 000
2001	1 997 000	2006	3 980 000
2002	245 000	2007	2 740 000
2003	1 075 000	2008	2 264 000
2004	2 114 000	2009	1 759 000

Source: United Nations Commodity Trade Statistics Database.

AQSIQ registration of cotton:

Since 15 September 2008, overseas supplier enterprises need to submit applications for registration to AQSIQ.

A supplier enterprise should meet the following conditions when applying for registration.

- (1) The company should be a legally registered company in its country or area.
- (2) The company should have stable premises and a certain scale of operations.
- (3) The company should have stable sources of goods and relevant measures of control over the goods.
- (4) The company should be familiar with Chinese inspection and quarantine rules and regulations on imported cotton.
- (5) There should have been no serious quality problems, no harmful substances and no bad records causing serious consequences in the company's most recent year of trade activities.

When an overseas supplier enterprise submits an application, written copies of the following information should be submitted in Chinese version or Chinese and English according to the related regulations:

- (1) Registration application for overseas supplier enterprises of imported cotton.
- (2) Effective and legal business registration documents or copy.
- (3) Basic operating procedures and quality control of supplier enterprise.
- (4) Other related materials required by AQSIQ.

An overseas supplier enterprise which meets all requirements after examination will be informed by AQSIQ, and the application will be accepted at that time.

If extra information is required, the applicant will be informed in five working days. The information should be provided within 20 working days, otherwise the application will be cancelled.

AQSIQ will organize an evaluating team in two months to evaluate the information supplied in the applications of accepted overseas supplier enterprises. If necessary, AQSIQ will implement on-the-spot evaluation of the enterprises. The on-site evaluation includes processing ability, quality control and management, testing ability, and packaging and storage management.

AQSIQ will register enterprises that meet all the requirements after examination, issue a registration certificate, and publish notice of registration. An enterprise which is not qualified after the examination cannot re-apply for registration within two months.

The registration certificate is valid for three years. The enterprise should submit an application for certification change and re-examination three months before the date of the expiry of the certificate. If there is any change in registered data during the validity of the certificate, the enterprise should submit a revised application.

After examination, if the applicant has not submitted true information, the enterprise can not be registered. Any enterprise already registered will have its registration cancelled if its submitted materials are found to be false.

From 15 March 2009, when a company imports cotton from a registered overseas supplier enterprise, the consignee should provide a copy of the registration certification to the entry port inspection and quarantine institution; the goods can then be inspected at the destination after arrival.

When importing cotton from unregistered overseas supplier enterprises, the consignee should stipulate pre-shipment inspection in the trade contract. Then an inspection and quarantine institution, or the inspection institution approved by AQSIQ, performs pre-shipment inspection. Basic information about the overseas supplier enterprise and its goods should be submitted when a company makes a declaration for inspection on entry of the commodities. After the arrival of the goods, the inspection and quarantine institution unpack the goods and perform on-site inspection at the first arrival port.

AQSIQ applies quality credit evaluation management to overseas supplier enterprises. In accordance with the actual quality of the imported goods based on inspection of the Chinese customs, ASQIQ will rank suppliers in three categories. Category A contains fully trustworthy suppliers. Category B contains suppliers that had delivered cotton which was not fully in line with contractual agreements. Category C suppliers are suppliers that repeatedly supplied cotton that were not in accordance with quality parameters. The surveillance of category C suppliers by AQSIC is the highest and requires improvements on the side of the supplier.

The registration of cotton supplier enterprises from Hong Kong China, Macao China and Chinese Taipei is covered under this bulletin.

#### **4.5.6. National Standard of China, seed of economic crops – Part 1: fibre species<sup>21</sup>**

This document amends National Standard GB 4407.1 (1996), Seed of Economic Crops – Fibres. The details of the amendments include: the addition of cotton hybrid seed quality requirements, and the amendment of some quality requirements and evaluating rules. The purpose is to avoid losses caused by using low quality seeds and to protect the interests of farmers.

#### **4.5.7. National standard of China, instructions for use of products of consumer interest – part 4: textiles and apparel<sup>22</sup>**

This standard specifies the scope, normative references, terms and definitions, basic principles, label contents, forms and positions of the instructions etc. for textiles and apparel. This standard applies to the instructions for all kinds of textiles and apparel. It aims at regulating the market and protecting consumers' safety and health.

#### **4.5.8. National standard of China, conventional moisture regains of textiles<sup>23</sup>**

This standard specifies the conventional moisture regain of common textiles. It applies to textile materials, and can be used for calculating the conventional mass of textiles, linear density of yarn, mass per unit area

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<sup>21</sup> World Trade Organization G/TBT/N/CHN/317, 30 November 2007.

<sup>22</sup> World Trade Organization G/TBT/N/CHN/427, 15 July 2008.

<sup>23</sup> World Trade Organization G/TBT/N/CHN/441, 29 August 2008.

of fabric, and fibre content in blended products for quantitative analysis. The purpose is to regulate the market and facilitated trade convenience.

#### 4.5.9. National standard of China, directions for use and labels for carpets<sup>24</sup>

The standard is applicable to woven wall-to-wall pile carpets (including carpet tiles), pile rugs and carpet strips (ICS 59.080.60; HS 8413).

Chapter 5 of this standard is mandatory, while the remaining chapters are recommendations. Chapter 5 specifies the normative identification and description for the specification of carpet products, the name and content of the surface pile fibre, mass of pile per unit area of the substrate, thickness or height of the pile, name and address of the manufacturer and other basic information. The purpose is to regulate the market, prevent fraud and protect consumer interests.

### 4.6. Specific ethical trading requirements

No nationwide ethical trading requirement for general imports has been promulgated in China yet. However, the China National Textile and Apparel Council is promoting CSC9000T – an industry-specific management system for social compliance for China's textile and apparel sector, which is based on Chinese laws and regulations and the relevant international conventions.

CSC9000T (China Social Compliance 9000 for the Textile and Apparel Industry) applies to all Chinese enterprises running businesses related to textiles and apparel on a voluntary basis. Given the increasing concerns of social compliance, it is expected that labour standards as such may be further adopted in China in the years to come.

The core of CSC9000T is to establish a social compliance system based on moral principles, meaning that it will be able to effectively guarantee the legal benefits of employees, empower employees to become the owners of their companies, and make a job not just a necessity for living but a valued part of existence and an embodiment of life. Considering safety conditions in domestic enterprises, CSC9000T especially reinforces the management criterion of occupational health and risk management. Furthermore, compared with other international social compliance tools, CSC9000T adds regulations about labour contracts, which helps employees to safeguard their own rights and benefits effectively and legally.<sup>25</sup>

## 5. Expected market development (market prospects)

### 5.1. Market potential

#### 5.1.1. Diversity of consumer group

As part of the process of market development and personalization, the disposable income of Chinese residents is increasing, and a population group of affluent people is emerging. On one hand, the differentiation of consumer groups is becoming clear. The population of Chinese residents with annual income above RMB 120,000 reached 1.63 million in 2007, according to the National Taxation Bureau. On the other hand, people with low to middle income are the majority. This phenomenon is resulting in a fast increase in consumption of both low-end and high-end goods. China is one of the largest markets for luxury consumption, while it still has a great market capacity for mass fashion. The rapid growth rate of mass fashion provides a larger market space to affordable fast fashion brands such as Zara.

<sup>24</sup> World Trade Organization G/TBT/N/CHN/624 29 April 2009.

<sup>25</sup> <http://www.csc9000.org.cn/>.

<http://www.csc9000.org.cn/en/CSC9000T.asp>.

[www.csc9000.org.cn/PDF/SystemDocuments/CSC9000T\\_ENG\\_2005.pdf](http://www.csc9000.org.cn/PDF/SystemDocuments/CSC9000T_ENG_2005.pdf).

[http://info.worldbank.org/etools/antic/docs/Resources/InitiativeType/AntiCorruption%20Declarations/China\\_Declaration.pdf](http://info.worldbank.org/etools/antic/docs/Resources/InitiativeType/AntiCorruption%20Declarations/China_Declaration.pdf).

[www.fytest.com/fztest/fzzlk/qyglz/200606/4629.asp](http://www.fytest.com/fztest/fzzlk/qyglz/200606/4629.asp).

According to the thirteenth annual World Wealth Report, the number of affluent people in China in 2008 ranked fourth in the world, with the middle class already accounting for about 22–23% of the Chinese population and that figure increasing by 1% per year. McKinsey revealed that the growth of the middle class would reach to a peak in 2015, with a surprising purchasing power of RMB 4.8 trillion.

### 5.1.2. The growing purchasing power

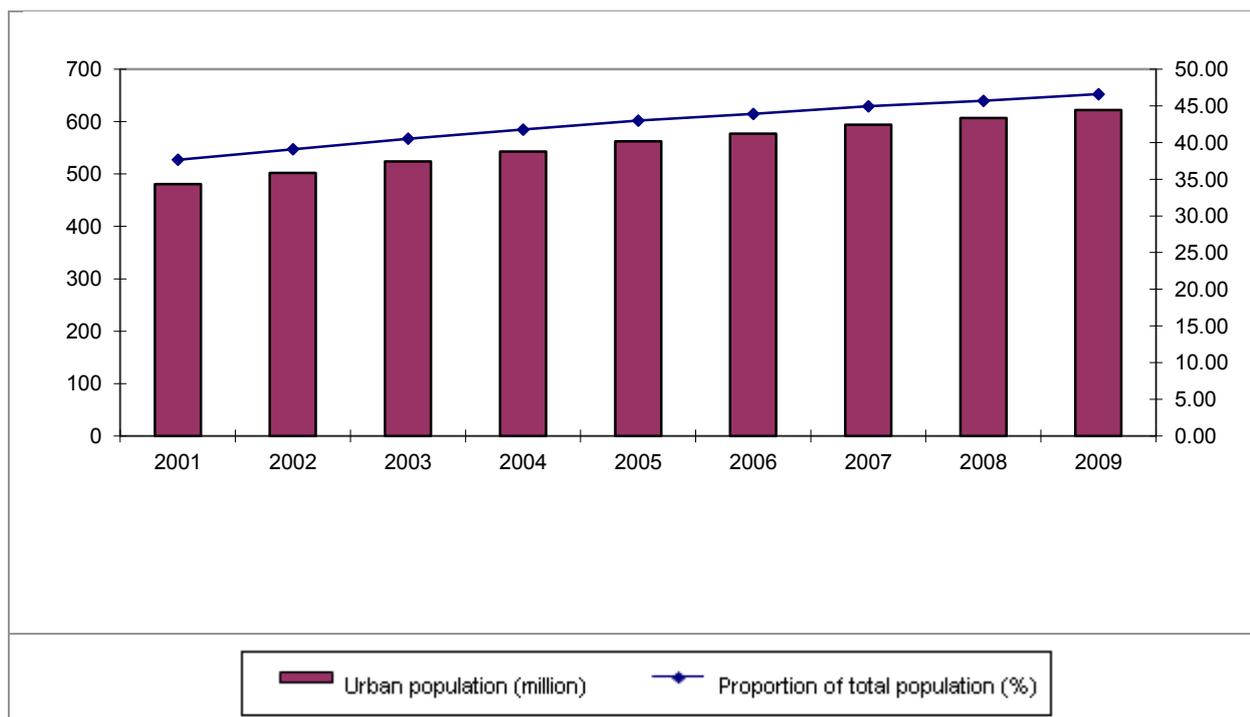
According to the Report of China business development (2009–2010), published by the China Academy of Social Sciences, the total consumption of luxury goods increased to US\$ 9.4 billion in 2009, accounting for 27.5% of global market share, making China the world’s second largest consumer of luxury goods. The World Luxury Association China Office estimates that China’s luxury goods market is likely to reach US\$ 14.6 billion, making it the single largest consumer of luxury goods, in the next five years.

A distinguishing characteristic of luxury goods consumption in China is that a large number of people consider luxury goods to make excellent presents in business circles.<sup>26</sup>

### 5.1.3. The process of urbanization

The percentage of the population living in urban areas rose from 36.22% in 2000 to 45.68% in 2008, with more than 10 million people moving to cities every year. During the process of urbanization, the lifestyles and fashion goods consumption patterns of these people have experienced great changes as they adapt to their new residences. It is anticipated that the mass market for such a group will expand at a faster pace.

**Figure 5. Urban population, 2001–2009**



Source: National Bureau of Statistics of China.

<sup>26</sup> China Textile Information Center and China Textiles Development Center. 2010 s/s China Textile Development Report, February 2010.

## 5.2. Consumer behaviour

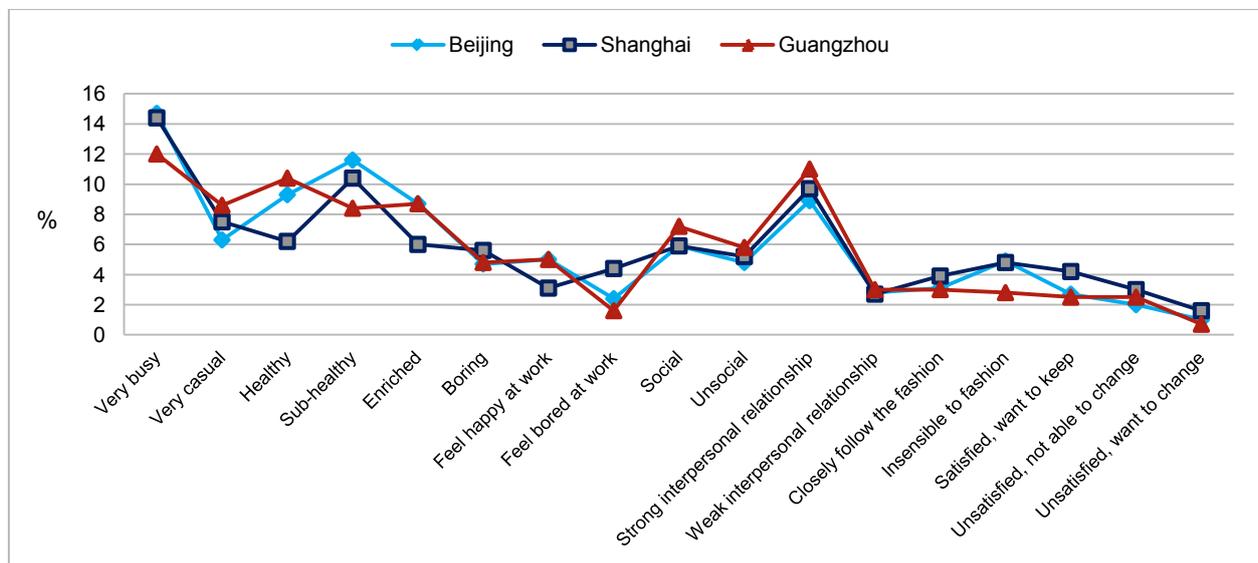
### 5.2.1. The change of lifestyle

Currently, consumers focus on both improving basic living conditions and enhancing their overall quality of life. According to consumer lifestyle surveys conducted by China Textiles Information Center and China Textiles Development Center during the last three years, consumers are attaching more importance to a better life and personal image. They tend to be more reasonable, mature and less price-sensitive.

#### Living conditions

It is observed that 'very busy', 'sub-healthy' and 'strong interpersonal relationships' rank top three in work and life for consumers in the three big cities of Beijing, Shanghai and Guangzhou. It can be speculated that positive attitudes and a busy life are common among consumers (see figure 6).

**Figure 6. Comparison of consumer living conditions in Beijing, Shanghai and Guangzhou**

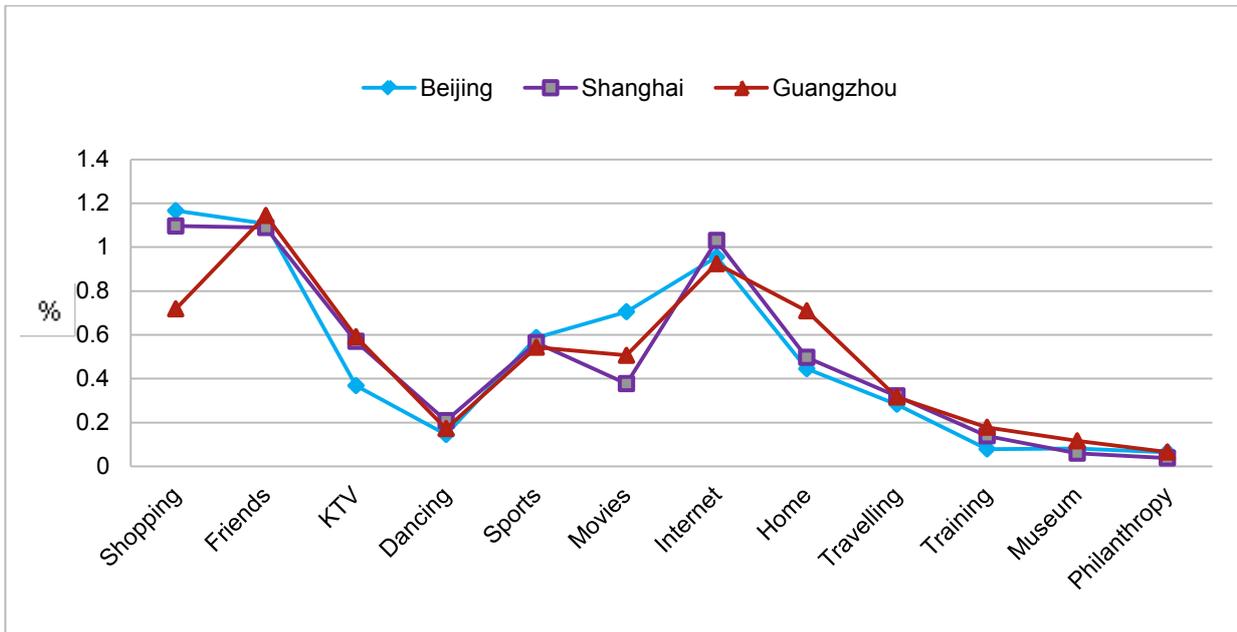


Source: China Textile Development Report 2010 S/S.

#### Leisure activities

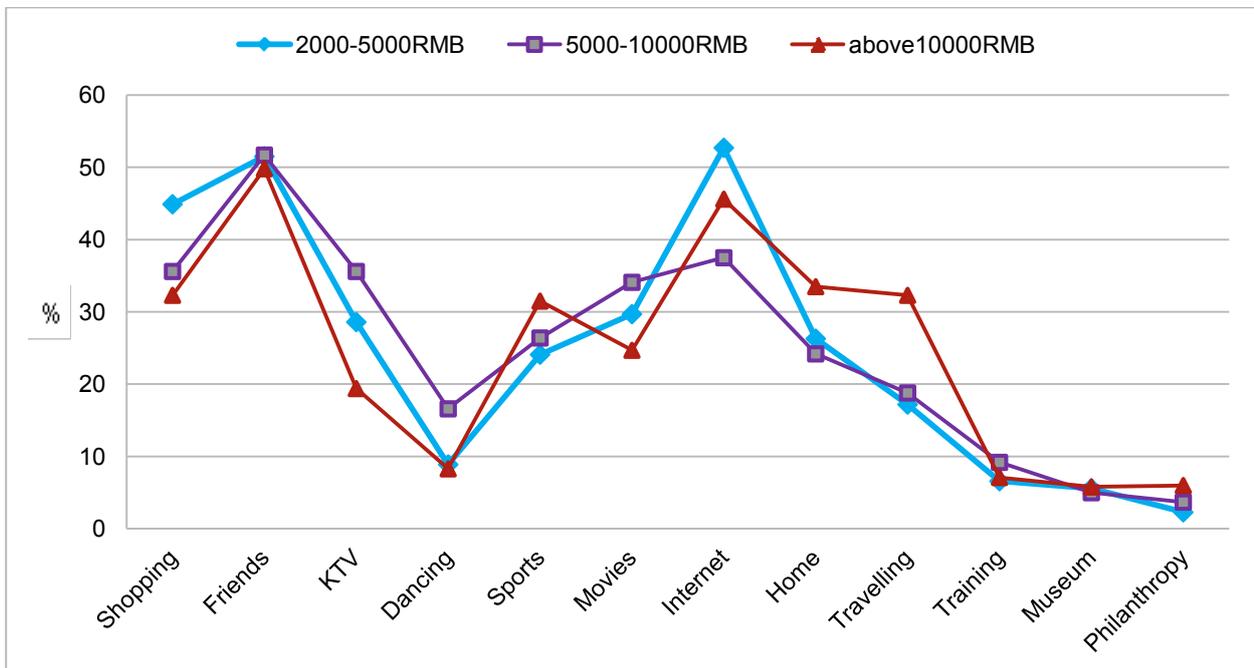
Leisure activities are experiencing a revolution, from material comfort to spiritual enjoyment, from physical to virtual entertainment. More people are choosing to stay at home surfing the Internet, watching movies and meeting friends. They tend to organize social activities at home, which raises requirements for home textiles (see figure 7 and figure 8).

**Figure 7. Comparison of the importance of leisure activities in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

**Figure 8. Comparison of the importance of leisure activities in different income groups**



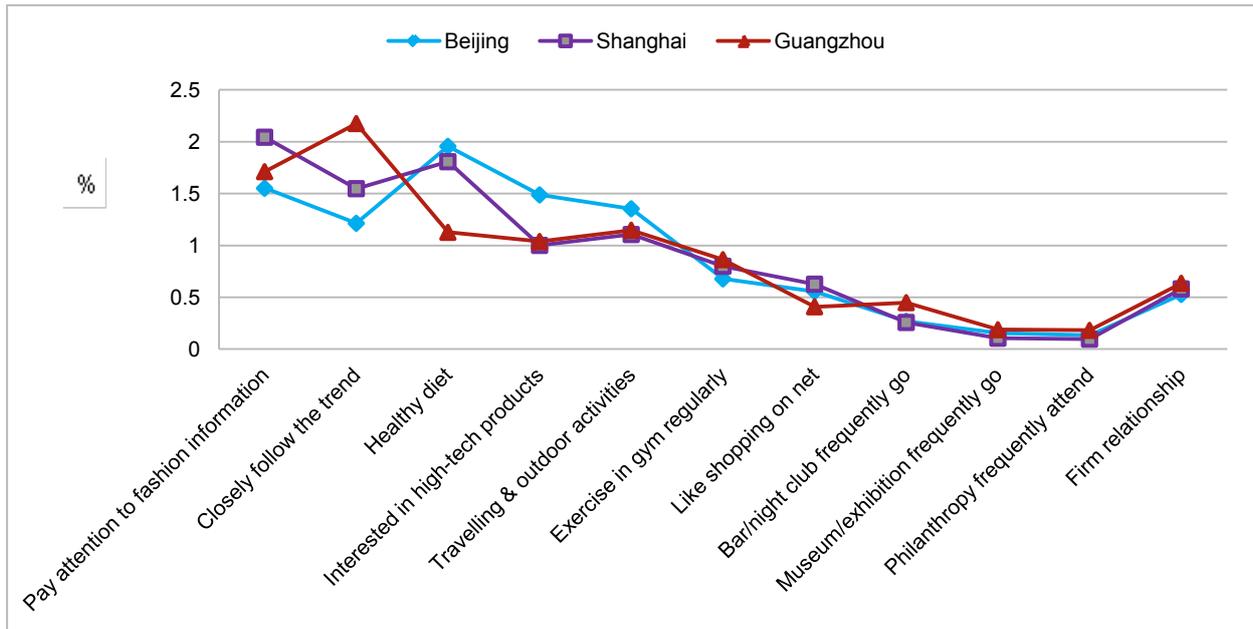
Source: China Textile Development Report 2010 S/S.

**Awareness of fashionable lifestyle**

Figure 9 reveals that a considerable number of people in all three cities follow a lifestyle in which they ‘pay attention to fashion info’, ‘closely follow the trend’, eat a ‘healthy diet’, are ‘interested in high-tech products’, and ‘like travelling and outdoor sports’.

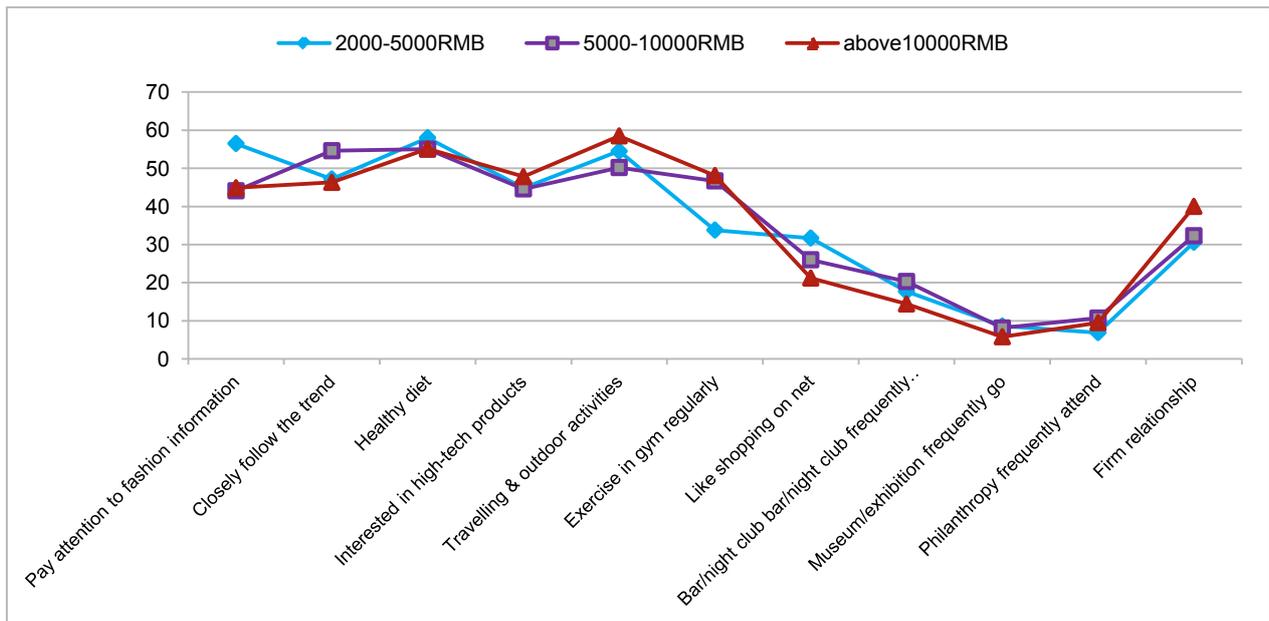
Such awareness makes consumers put more emphasis on fashionable sportswear and casual wear, and maintain an interest in new and stylish goods.

**Figure 9. Comparison of awareness of fashionable lifestyle in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

**Figure 10. Comparison of awareness of fashionable lifestyle in different income groups**

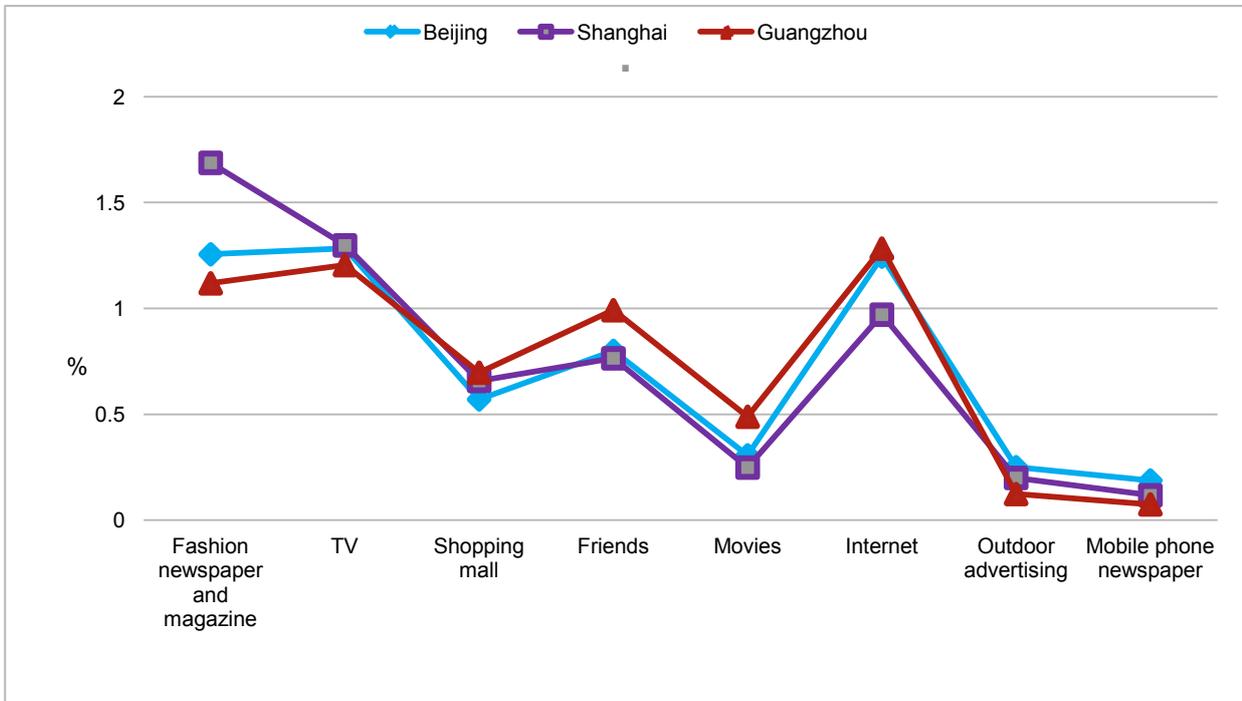


Source: China Textile Development Report 2010 S/S.

**Fashion information channels**

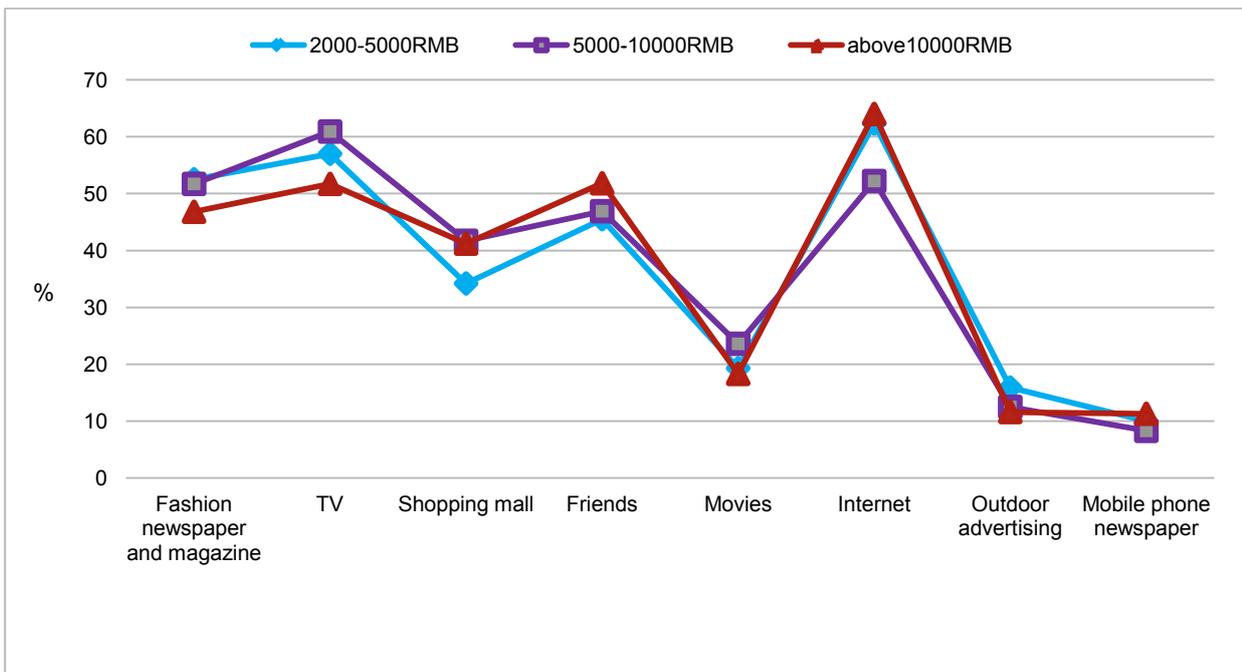
'Fashion newspaper and magazine', 'TV', and 'Internet' are the top three ways for people to get fashion information, and there are only slight differences among the three cities or the three income groups.

**Figure 11. Comparison of fashion information channels in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

**Figure 12. Comparison of fashion information channels in different income groups**

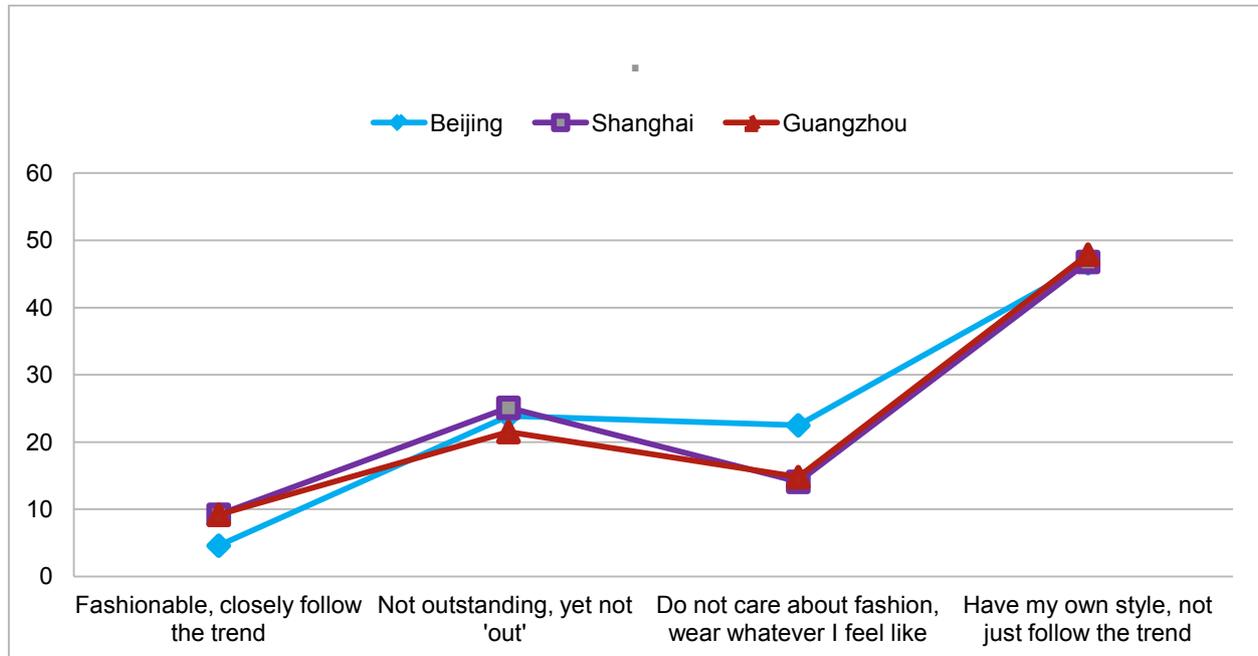


Source: China Textile Development Report 2010 S/S.

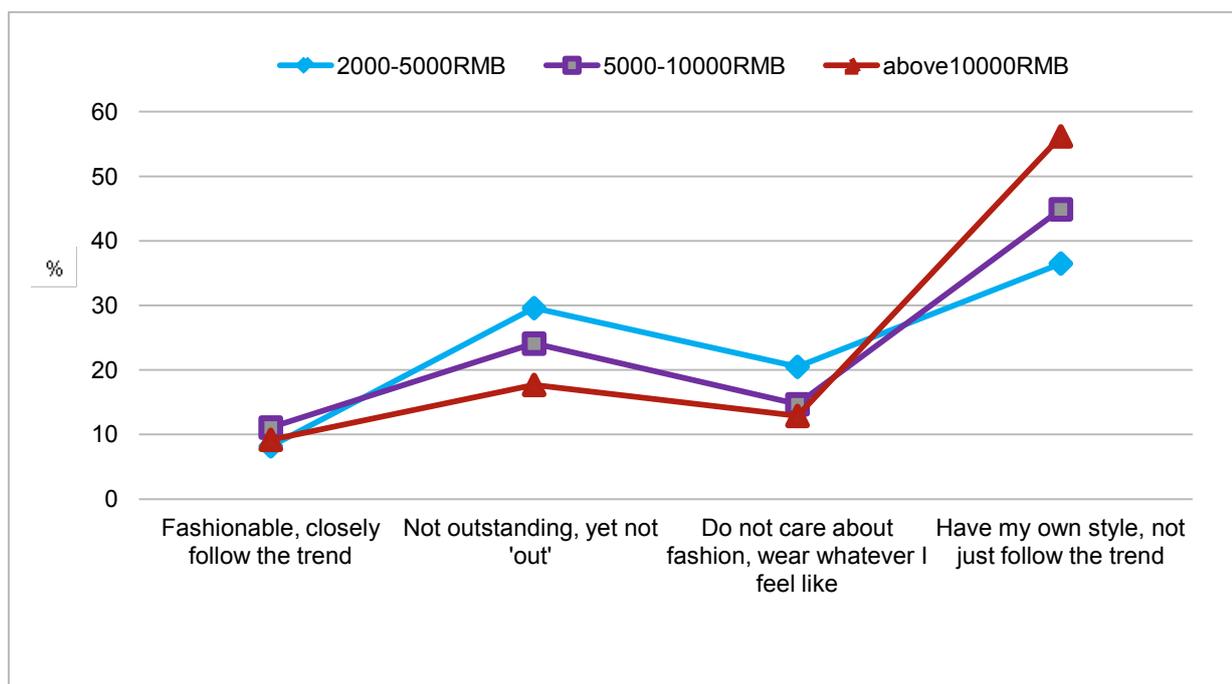
### Consumer self-evaluation on dressing

A surprisingly high percentage (above 45% in all three cities) of people consider themselves to have their own style and not just follow the trend. This implies that fashion brands and enterprises should attach more importance to product differentiation and brand positioning, to further enhance brand identity and customer loyalty.

**Figure 13. Comparison of consumer self-evaluation in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

**Figure 14. Comparison of consumer self-evaluation in different income groups**

Source: China Textile Development Report 2010 S/S.

### 5.2.2. Diversification of demand

As consumers' demands have diversified, they are employing different consumption behaviours. The luxury market is growing, attracting brands such as LV and Armani. High-end consumers, who are often loyal buyers, attach great importance to style, quality and brand image. Brand apparel also appeals to mid-end consumers, but they tend to have a weak brand loyalty, while price continues to be the determining factor influencing the buying behaviour of low-end consumers.

Polarization is a distinct characteristic of the consumption of textiles and clothing in China. Because of increasing income and rising living conditions, markets for both high-end and low-end clothing are increasing sharply, with an overall trend of becoming more fashionable, functional and differentiated. China is the largest mass fashion market in the world.

### 5.3. Channels and distribution

With the Administrative Measures on Foreign Investment in Commercial Areas announced in April 2004, a more liberalized business environment is available for retailers, who are expected to expand at an even faster rate in China. Retailers such as Zara and H&M are growing rapidly.

In addition to improving efficiency, giant foreign retailers in China will accelerate their expansion – mostly through direct investment or franchising. Whatever practices they adopt, they usually handle merchandising, sourcing and distribution themselves.

In this post-WTO accession transition period, foreign retailers are itching for a chance to expand their businesses. A typical example is Carrefour. Affected by the financial crisis in 2008 and 2009, Carrefour earned total gross revenues of 96 billion euros in 2009, 1.4% down from the previous year. Nevertheless, its performance in China is outstanding: Carrefour's gross revenue increased by 16% in 2009.

The fast expansion and excellent performance of global retailers in China during the global financial tsunami has proved the growth and market prospects in China. What is more important is that most of these retailers are sourcing from developing countries and LDCs.

## 6. The domestic garment market: a micro view

### 6.1. The players in the market

After the transition period following China's accession to WTO, the Chinese market has opened up further, which is encouraging international giant retailers to explore the inland market and expand market share there as well. New retail formats such as fast fashion (like Zara and H&M) have been booming, and these newcomers have developed a new channel of importing from LDCs.

#### 6.1.1. Garment retailers

Retailers play a vital role as distribution channel, buyer and importer. In the last decade, clothing consumption has diversified: both high-end and low-end markets have been expanding and becoming more fashionable. New retail formats are emerging; outlet, fast fashion and outdoor specialty stores have created new demand for textiles and clothing.

The department store was once a well-established retail format in China. Few department stores sell brands originating from LDCs. They focus on high fashion goods, mostly processed in the European Union and United States. In department stores, major categories sourced and manufactured in LDCs are casual wear and sportswear brands such as Lee, Tommy Hilfiger, Adidas, and Nike.

The department store in China is not exactly the same format as it is in Western countries. In China, operating a department store is more like venue rental and management, rather than brand or goods selection.

There are two typical types of department stores in China. One is the state-owned department store, such as Brilliance Group's Oriental Shopping Center. The other type is the joint-venture department store, such as Shanghai Jin Jiang Dickson Center, the Beijing Yansha and Citic Square.

Marks and Spencer, a United Kingdom department store, arrived in China and began its business in Shanghai in 2008.

Shanghai Brilliance Group was co-established by four big public companies in 2003. With a turnover of RMB 97.9 billion, Brilliance Group became the biggest distributor in China in 2009. Thanks to its particular background in Hong Kong, China, 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-class department stores in China. Invested in by Beijing Government and Lufthansa German Airlines, it is the store of first choice for middle-class consumers.

Specialty stores and chain stores are becoming increasingly popular in China. During the first phase of entering China, many international brands, especially casual wear and sportswear, choose to set up chain stores in the central business district to reinforce brand image.

Casual wear brands entered the Chinese market in the early 1990s. Baleno, Giordano, and Jeanswest were the main competitors and experienced a quick development. The number of Jeans West stores in China exceeded 2000 in 2009. Meanwhile, some domestic brands like Metersbonwe have expanded even faster. Now Metersbonwe ranks first in sales in the casual wear market.

The Specialty Store Retailer of Private Label Apparel (SPA) represented by Uniqlo and Muji from Japan has grown in recent years. By mid-2010, Uniqlo had opened 47 stores in the mainland, plus 13 stores in Hong Kong, China and the 'taobao shop' e-retailing website, bringing its total number of stores in China to 61.

The specialized superstore, such as Decathlon – a French specialty superstore for outdoor sports – is a newly emerging retailing form. So far, Decathlon has 23 stores in China and more than 400 around the world. As a well-known specialized sportswear superstore, Decathlon has more than 15 production factories in Shanghai, and many more production bases in LDCs such as Thailand, Cambodia and Viet

Nam. One third of its products are procured within China. Consequently, customers could purchase apparel and outdoor supplies in China's Decathlon sourced from all over the world.

Hypermarkets and discount stores are booming, and are key players for imported goods. They take up an increasing market share in China's retail sector and have become popular shopping places for mass consumers. In hypermarkets, the majority of local apparel brands are made domestically, although some globally sourced sportswear brands are generally made in LDCs, such as Nike shoes made in Viet Nam, and T-shirts made in Sri Lanka.

In the transition period after China's accession to the WTO in 2001, hypermarkets such as Carrefour and Wal-Mart achieved great growth in the Chinese market. With the first-tier cities market becoming saturated, large-scale supermarkets have gradually entered the second-tier and third-tier cities. Since the outbreak of the global financial crisis in 2008, the performance of the Chinese market and its ability to recover rapidly have made foreign hypermarkets pay more attention to their business in China. In 2009, 'expansion' became the keyword for Carrefour, Wal-Mart, Lotus and others.

Carrefour had the biggest turnover among all the hypermarkets, while Wal-Mart had the greatest number of stores in China (see table 20).

**Table 20. Hypermarkets in China, 2009**

Hypermarkets	Turnover (billion yuan)	Rank*	Number of stores
Carrefour	36.6	7	109
Wal-Mart	34.0	9	146
Tesco	13.3	26	58
Metro	12.0	29	43
Lotus	11.1	33	77

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

\* Rank in mainland China.

Fast fashion and low-priced fashion as a new model of fashion retailing is becoming more and more popular in the Chinese apparel market. Although fast fashion is not a typical kind of retail format, the stores with fast fashion philosophies represented by Zara, H&M, C&A, Next and UR still achieved good results in China. This kind of store attracts consumers with more choices of style, shorter product cycles and lower price ranges. The fast fashion business model is changing the Chinese clothes market and inspiring some Chinese apparel retailers. Some local brands, such as Metersbonwe, Nuoqi and Peacebird, have given fast fashion a try. But there is still a long way to go for Chinese local brands and retailers. Zara realizes the fast fashion business model through its strong design capacity and highly effective global supply chain management, which is the core of its business model and cannot be easily copied. Unlike multinational retailers, the Chinese fast fashion retailers tend to source domestically or rely on their own private brand. Most Chinese apparel brands and retailers they have just started their first steps towards this business model.

Zara procurement overseas accounted for 90% of the total. Origins including Morocco, Bangladesh, India, Cambodia, Indonesia, Turkey and Viet Nam make up its large purchasing base around the world.

The rapid development of fast fashion also reflects the consumption characteristics in modern China. The low-priced fashion market is growing fast; meanwhile, the high-end fashion (including luxury) market is also expanding. In low-end clothing, people demand not only low prices but also better presentation of fashion, function and quality. The new brand of fashion market requires high quality, special designs, fast delivery and reasonable prices.

Since the beginning of the new century, the reform of housing policy has made great changes of living, and many large residential communities have been built. Shopping malls have been built in China in the past decade at an amazing speed, and are performing 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 by Chia Tai Group is one of the biggest corporations in Thailand.

The outlet store is a form of mass sales which helps to rapidly decrease inventories. There are two types: factory outlets and brand outlets. The factory outlet is directly set up by the brand factory. Its main products are surplus, overstocked products and samples. The brand outlets generally sell well-known brands. In the big cities of China, people drive to outlets in the suburbs during the weekend. This is becoming a lifestyle of urban residents. Famous brands with discounts and a variety of choices work together to make this distribution channel a major preference for many customers. Outlets sell a wide range of brands, including top brands, casual wear and sportswear, which could also be procured from LDCs (Adidas and Nike). Shanghai Outlets, for example, an investment by the Brilliance Group and Wharf (China), covers a land area of 160,000 square metres. There are 150 brands in it, of which most are well-known brands such as Zegna, Dunhill, Givenchy, Reebok and Nike.

In 2009, the scale of national online shopping reached RMB 267 billion, while the number of people shopping online reached 130 million. Garments are the best-selling products online. In 2009, online garment retail sales increased by 97% from the previous year. The market increased from RMB 15 billion in 2007 to RMB 64 billion in 2009. It is estimated that online garment retailing in 2010 will increase by 80% over 2009, reaching RMB 115 billion yuan.

### **6.1.2. Major brands**

Different sectors use different sourcing strategies.

- Sportswear and casual wear are the most common types procured in LDCs.
- Little international children's wear is sourced from LDCs.
- For menswear, the majority is processed in clusters in China with large-scale, advanced facilities and skilled workers. Developed countries such as Italy and the United Kingdom offer high-quality suits in fashionable designs and unique fabrics.
- Womenswear is generally produced domestically. If sourcing from LDCs, it is complicated to manage the supply chain due to the fast changing demand, small batch quantities, and large variety of accessories and styles.
- The production of underwear requires skilled workers, so most underwear is procured in China.

Figure 15. Main foreign apparel brands in the Chinese market

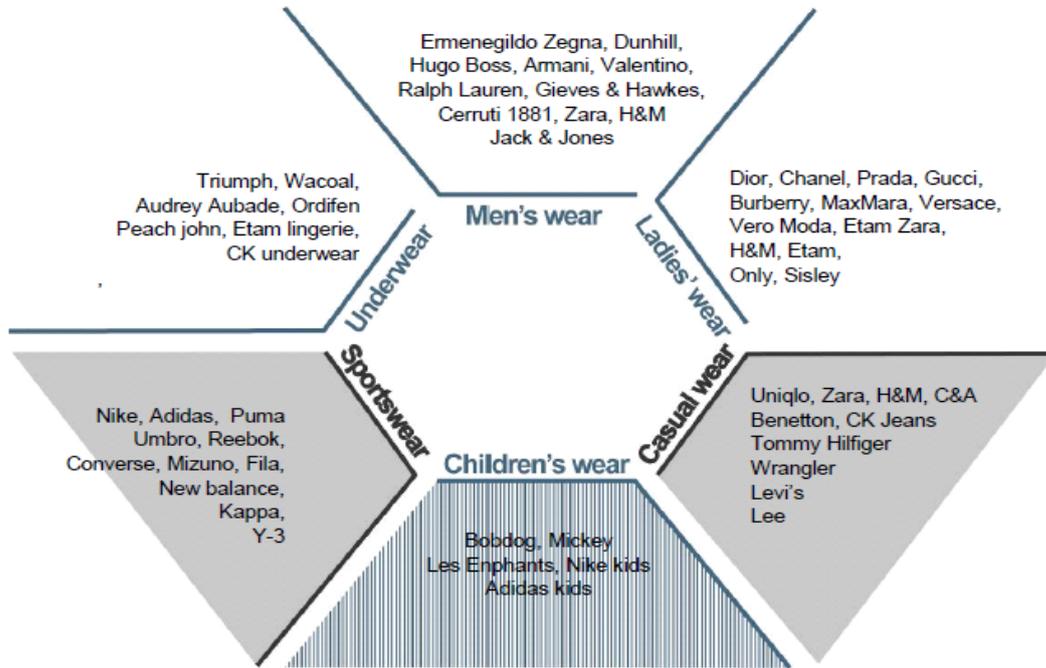
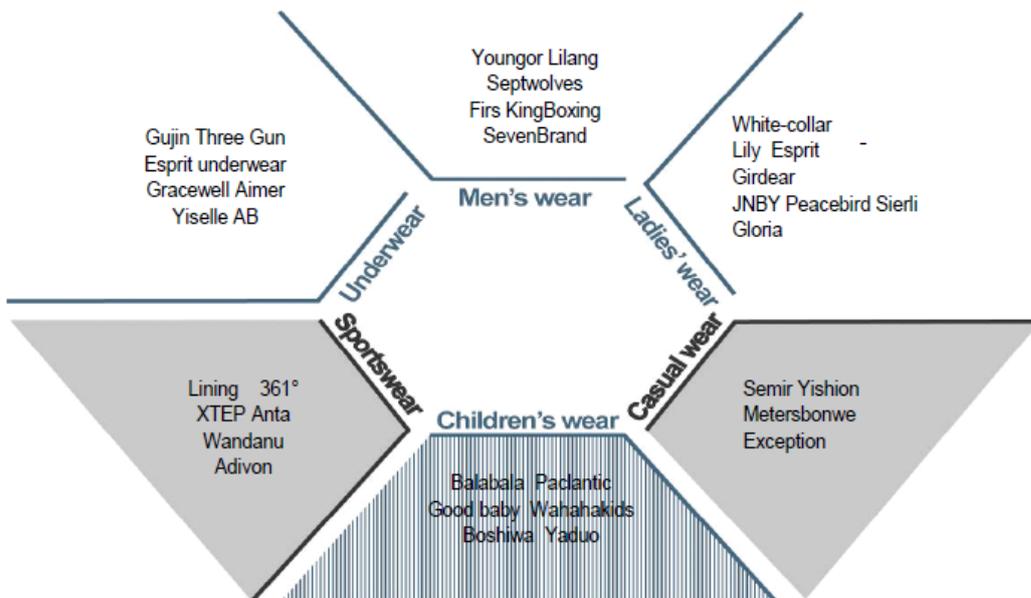


Figure 16. Main local apparel brands in the Chinese market



## 6.2. Apparel procurement practices

The typical procurement criteria and procedures of some big global sourcing distributors such as Carrefour, Decathlon, Jin Jiang Dickson, Brilliance Group and manufacturers like Donglong, obtained through in-depth interviews with their business executives, are the guiding principles for LDCs in evaluating and enhancing their competitiveness.

### 6.2.1. Global sourcing for the Chinese market

The ASEAN countries include the main developing countries and LDCs exporting to China. Countries performing well in the aspects described below will be preferred by global sourcing companies, though some big companies will intentionally allocate orders to different LDCs with the aim of spreading risk.

#### 6.2.1.1. Comprehensive investment environment

Infrastructure, trade policy, labour skills and cost are vital for the comprehensive investment environment. A complete supply chain from raw material to textiles, from manufacturing to finishing is strongly preferred, since this achieves one-packaging service and one-stop sourcing. Being close to the market also helps to reduce lead times and cost. Speed and efficiency is crucial when clearing customs.

#### 6.2.1.2. Overall vendor qualification

Corporate social responsibility (CSR) and environment protection are first priorities when evaluating the vendor. The draft of the Social Responsibility Standard (ISO 26000) formulated by the International Organization for Standardization was finalized in July 2010 as planned. Versatility and processing technologies are becoming important in addition to cost.

#### 6.2.1.3. Political and social factors

Labour working behaviour and worker motivation have a strong influence on efficiency. Political stability reduces the transaction costs and risks for suppliers and buyers as well.

As an export-processing powerhouse, China outperforms many LDCs in certain aspects. For example, a retailer can achieve delivery of goods from any place inside mainland China to its Shanghai stores in 24 hours and even less – in approximately 10 hours – from neighbouring Jiangsu and Zhejiang Provinces. By contrast, goods from LDCs may take weeks to arrive in Shanghai. However, some LDCs have compensating strengths, as shown in table 21.

### 6.2.2. Vendor selection

When selecting vendors, sourcing companies are paying increasing attention to factors such as cost, services, CSR compliance, products, and environment protection.

Brands do not design themselves. Factories have to recommend their collections to buyers. Design and research and development (R&D) capability are important in this regard.

A factory must provide a guarantee that it passes toxicity tests for harmful elements such as formaldehyde and heavy metal. Sourcing enterprises will invite a third party to conduct spot checks every year.

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

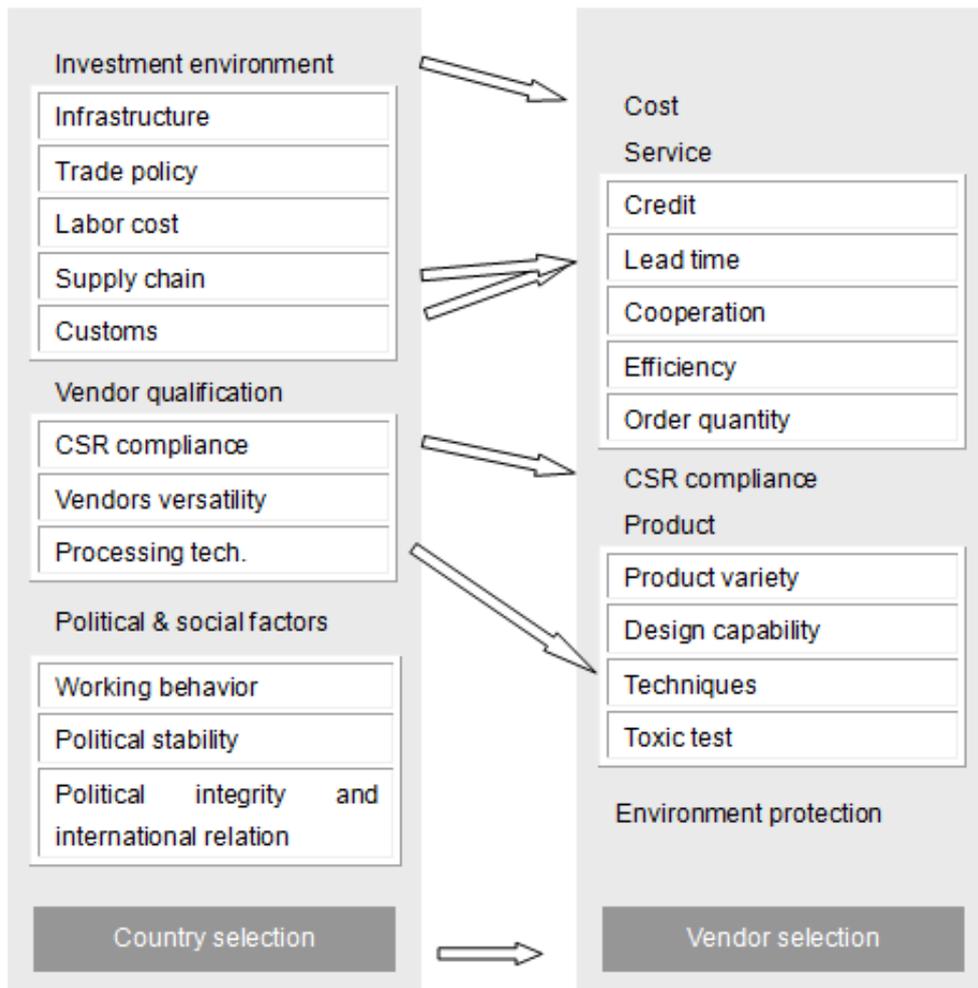
To enhance their competitiveness, vendors in developing countries and LDCs have to meet buyers' criteria in the Chinese market (see table 22).

**Table 21. Comparative advantages of Chinese and LDC vendors**

China	LDCs and other developing countries
Better infrastructure Complete supply chain Variety of products, full range of sectors, One-stop buying Industrial clusters Skilled and well trained labour Political stability	Lower labour cost Favourable trade policy, fewer trade barriers and disputes Close to natural fibre suppliers Industrial clusters in some areas  Proximity to world markets

**Table 22. The priority of market demand**

Brands/retailers		Characteristics	Consumers' value	Vendors' value
MNEs	Chinese			
Louis Vuitton, Chanel, Versace, Dior, Gucci, Prada, Guess		High fashion product	Fashionable style design	Design lead time
			Unique patterns	Skilled labour
H&M Zara Benetton	Youngor Firs Gloria JNBY	Fashion basic product	Durable/workmanship	Flexible facilities
			Fitness	ICT/EDI
			Comfort	High efficiency/advanced facilities
OEM (original equipment manufacturer),		Basic product	Super value	Productivity
			Affordable price	Lower cost

**Figure 17. Criteria for vendor evaluation**

### 6.2.3. Procurement procedure

The procedure of apparel sourcing is almost the same except for the complicated size, colour and material confirmation before the regular order is made (see figure 17).

To reduce risks, factory audits are sometimes carried out by a third party, such as ITS-Intertek, SGS or CSCC. The audit mainly covers three aspects: corporate social responsibility (CSR), quality systems and processing authentication.

CNTAC issued CSC9000T (China Social Compliance 9000 for the Textile and Apparel Industry) in 2005, and there has been one revision so far. More than 200 enterprises are implementing this management system.

SA8000 is the most frequently used CSR authentication. Up to 31 March 2009, 223<sup>27</sup> enterprises had acquired SA8000 authentication in China, among which 105 are manufacturers of accessories, apparel, footwear and textiles.

<sup>27</sup> Corporate Social Responsibility Alliance. [www.sa-intl.org](http://www.sa-intl.org).

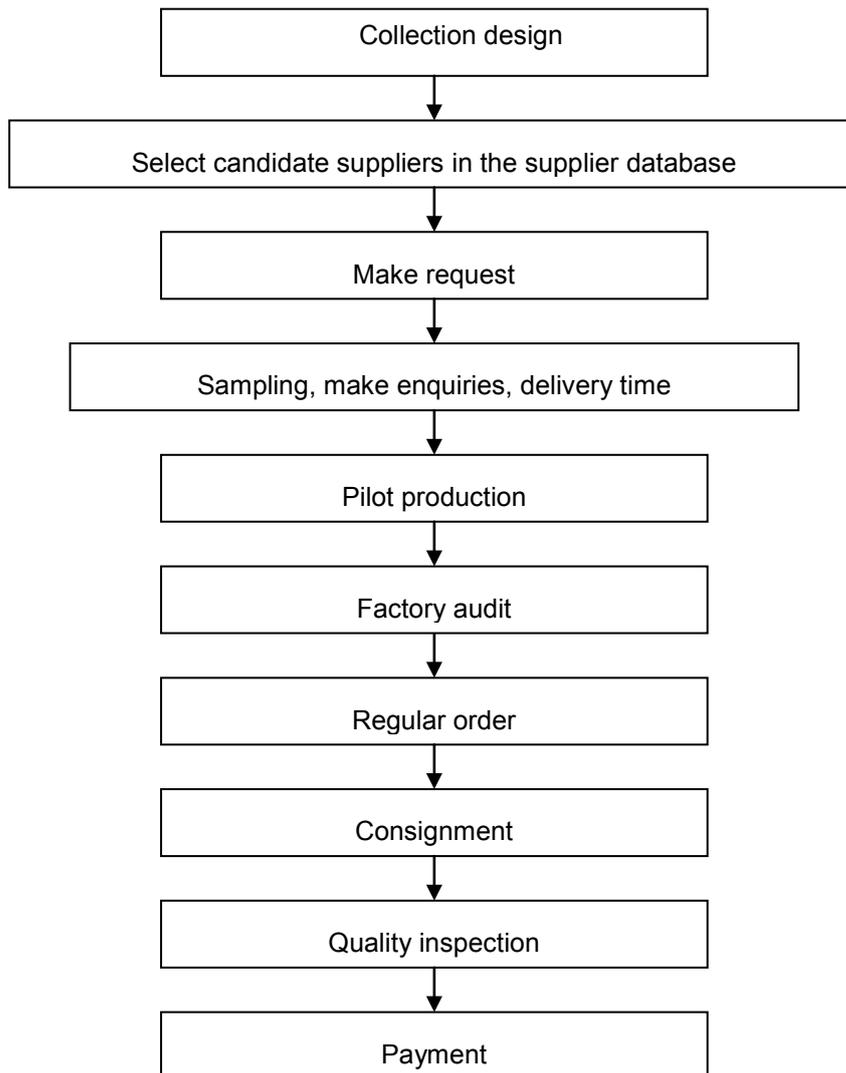
**Figure 18. Material procurement procedure**

Figure 18 shows a common procurement procedure. For Chinese companies, a lot of enterprises directly purchase ready-made material without placing an order.

### 6.3. Use of e-commerce and ICT procurement

Information and communications technology (ICT) is a necessary competence for buyers and suppliers, as fashion and market changes are critical for success.

ICT in global sourcing companies often covers the aspects described below.

#### 6.3.1. Information platform and database

##### Enterprise portals

Textile enterprise portals are the main platform for electronic commerce. Table 23 shows 10 leading textile and garment enterprises in China in 2009 for reference.

**Table 23. Leading textile and garment enterprises in China, 2009**

Name	Website	Sales in 2009 (million yuan)	Product lines	Telephone
Shandong Ruyi Group Co., Ltd	www.chinaruyi.com	10 710	Rabbit hair spinning, textiles and clothing, cotton textiles, cotton printing and dyeing, knitting, fibre, jeans and real estate.	
Huafu Top Dyed Melange Yarn Co., Ltd	www.e-huafu.com	3 196	Melange yarn, high quality new style raw yarn, solid yarn, semi-worsted yarn, and open-end spinning yarn.	86-755-8373-5522
Nanshan Textile Garment Co., Ltd	www.nanshanchina.com	8 706	Largest production base of worsted woollen and compact spinning fabrics in the world, and the most modern production base of high-class suits in China.	
Wujiang Fuhua Weaving Co., Ltd	www.texfuhua.cn	—	Chemical fibre fabrics and woven fabrics.	86-512-6350-0999
Tongkun Group Co., Ltd	www.zjtkjt.com	13 800	Polyester and terylene filaments. Leading products include polyester chip PET and terylene filaments including POY, DTY and FDY.	86-573-8818-7815
Shanxi Hongji Sci-Tech Co., Ltd	www.hjfw.com	—	Ring spinning frame series, combing frame series, uni-lappers, uni-lapper combines, rotor spinning frames, roving frames and jet looms.	86-354-3966-668
Shanghai Luolai Home Textile Co., Ltd	www.luolai.com.cn/	902 (year 2008)	Home textiles.	86-21-5481-1111
Ningbo Shenzhou Knitting Co., Ltd	www.shenzhouintl.com	6 000	Fabric knitting, dyeing and finishing, embroidery, cutting and sewing.	86-574-8698-0888
Geron Co., Ltd	www.geron-card.com	300	Metallic card clothing, flexible flat-top, flexible woollen card clothing, stationary flat, integrated cylinder, top	86-513-8517-8888

Name	Website	Sales in 2009 (million yuan)	Product lines	Telephone
			comb and combing roller and other carding parts.	
Xinyuan Co., Ltd	www.haiansilk.com	2 050	Quality cocoon silk, silk clothing, silk textiles.	86-513-8881-3706

### Large scale e-procurement websites

China's textile and garment enterprises mainly use the major comprehensive and specialized websites for e-procurement (see table 24).

**Table 24. Main trading platforms in China**

Website	Average daily traffic (week average)	Products and services	Notes
www.globalsources.com	270 000	Provides both buyers and sellers with verified supplier systems, efficient domestic trade promotion and one-stop shopping service.	Comprehensive website Tel.: 800-870-8886
www.hktdc.com	94 800	A global trade promotion agency, mainly for SMEs.	Comprehensive website Tel.: 800-820-5188
http://exporter.alibaba.com	69 966	'Gold supplier' system helps SMEs to expand international trade and gain business opportunities and orders, including demonstration to overseas buyers.	Comprehensive website Tel.: 400-600-2688
www.chinabidding.com	54 600	An influential B2B e-procurement trading platform in bidding area, featuring independent procurement.	Comprehensive website Tel.: +86-10-5885-1111 ext. 801/808
www.tradekey.com	50 400	A world-renowned B2B website, practical and export-oriented, specifically for SMEs.	Comprehensive website Good performance in Southeast Asia Tel.: +1-800-983-4724
www.texindex.com	25 200	Service provider to China's textile enterprises, traders and exporters.	Specialized website China's largest online textile trade website Tel.: +86-571-9765-8000
www.tnc.com.cn	16 200	Serving a wide range of customers from more than 80 countries in the world; covering raw materials, fabrics, home textiles, clothing and 13 other textile areas.	Specialized website Tel.: +86-571-5683-1366
www.ebnew.com	9 600	A website where purchasers can release procurement information, conduct price negotiations, obtain information about partners and market conditions, and so on.	Specialized website No English-language website Tel. (for suppliers): +86-10-5885-1111 ext.

Website	Average daily traffic (week average)	Products and services	Notes
			801/808; Tel. (for purchasers) +86-10-5885-1133 ext. 830
www.sinotex.cn	8 400	For the past 10 years, it has served 100,000 textile manufacturers in over 100 countries and regions in the world. It also provides one-stop e-commerce solutions for textile enterprises.	Professional website No English-language website Tel.: +86-532-6688-6655
www.bcnq.com	1 440	Offers various textile and clothing product information to textile and apparel buyers.	Specialized website

**Table 25. Some Chinese garment retailers**

	Name	Website	Contact
Department store	Shanghai Brilliance (Group) Co., Ltd	www.bianliangroup.com	Address: 19F of New-century Building, 501 Zhangyan Road, Pudong District, Shanghai Tel.: +86-21-5836-363 E-mail: bl@bianliangroup.com
	Shanghai Jin Jiang Dickson Center	www.shjld.com	Address: 400 Chang Le Road, Shanghai Tel.: +86-21-6472-6888
	Beijing Youyi Shopping City Co., Ltd	www.yansha.com.cn	Address: No. 52, Liangmaqiao Road, Chaoyang District, Beijing Tel.: +86-10-6465-1188
	Shanghai Citic Square	www.citicsquare.com	Address: No. 1168 West Nanjing Road, Jing'an District, Shanghai Tel.: +86-21-6218-0180
Specialty store and chain store	Jeanswest	www.jeanswest.com	Address: 10F, Xuri Mansion, Juhuayi Road, Jiangbeiyunshan, Huizhou, Guangdong Tel.: 4008-872-872
	Metersbonwe	www.metersbonwe.com	Address: No. 800 East Kangqiao Road, Shanghai 201319 Tel.: +86-21-3811-9999 E-mail: gys@metersbonwe.com

	Name	Website	Contact
Shopping mall	Shanghai Outlets	www.bloqp.com	Address: No. 2888 Huqingping Highway, Qingpu District, Shanghai Tel.: +86-21-5975-6060
Online store	Vancl	www.vancl.com	Address: 10F, Building A, Landgent Center, No. 20, Middle East 3rd Ring Road, Chaoyang District, Beijing 100022 E-mail: contactus@vancl.cn
	Ihush	www.ihush.com	Fax: +86-21-6276-3319 E-mail: customer@ihush.com
	M18	www.m18.com	Address:5F, Building20, Baoshi Mansion, No. 487 Tianlin Road, Shanghai Tel.: +86-21-9510-5225
Department store	Shanghai Brilliance (Group) Co., Ltd	www.bianliangroup.com	Address: 19F New-century Building, 501 Zhangyan Road, Pudong District, Shanghai, China. Tel.: +86-21-5836-363 E-mail: bl@bianliangroup.com
	Shanghai Jin Jiang Dickson Center	www.shjld.com	Address: 400 Chang Le Road, Shanghai Tel.: +86-21-6472 -888
Department store	Beijing Youyi Shopping City Co., Ltd	www.yansha.com.cn	Address: No. 52, Liangmaqiao Road, Chaoyang District, Beijing Tel.: +86-10-6465-1188
	Shanghai Citic Square	www.citicsquare.com	Address: No. 1168 West Nanjing Road, Jing'an District, Shanghai Tel.: +86-21-6218-0180
Specialty store and chain store	Jeanswest	www.jeanswest.com	Address: 10F, Xuri Mansion, Juhuayi Road, Jiangbeiyunshan, Huizhou, Guangdong, China Tel.: 4008-872-872
	Metersbonwe	www.metersbonwe.com	Address: No. 800 East Kangqiao Road, Shanghai, 201319 Tel.: +86-21-3811-9999 E-mail: gys@metersbonwe.com

	Name	Website	Contact
Shopping mall	Shanghai Outlets	www.bloqp.com	Address: No. 2888 Huqingping Highway, Qingpu District, Shanghai, China Tel.: +86-21-5975-6060
Online store	Vancl	www.vancl.com	Address: 10F, Building A, Landgent Center, No 20, Middle East 3rd Ring Road, Chaoyang District, Beijing, 100022, China E-mail: contactus@vancl.cn
	Ihush	www.ihush.com	Fax: +86-21-6276-3319 E-Mail: customer@ihush.com
	M18	www.m18.com	Address: 5F, Building 20, Baoshi Mansion, No. 487 Tianlin Road, Shanghai Tel.: +86-21-9510-5225

### 6.3.2. ERP and MRP

All of the above aspects involve both parties in sourcing and processing. It is essential for suppliers to possess ICT systems that are compatible with those of their buyers. For example, Decathlon uses ASG400 in its bill of material (BOM) management.

The following ERP systems are used in apparel enterprises.

#### SAP R-3

SAP R-3 is the most widely used ERP system. Over 80% of Fortune 500 companies use SAP. Nike, Decathlon and Benetton are all SAP users.

#### Intentia MOVEX

MOVEX is another prestigious ERP system specialized in the apparel industry. It offers management over ERP, CRM, SCM, VCM, BPM and E-biz. Its users include Adidas, Morgan and the North Face.<sup>28</sup> Youngor, the number one manufacturer of suits and shirts in China, also uses MOVEX.

#### IBM PRMs

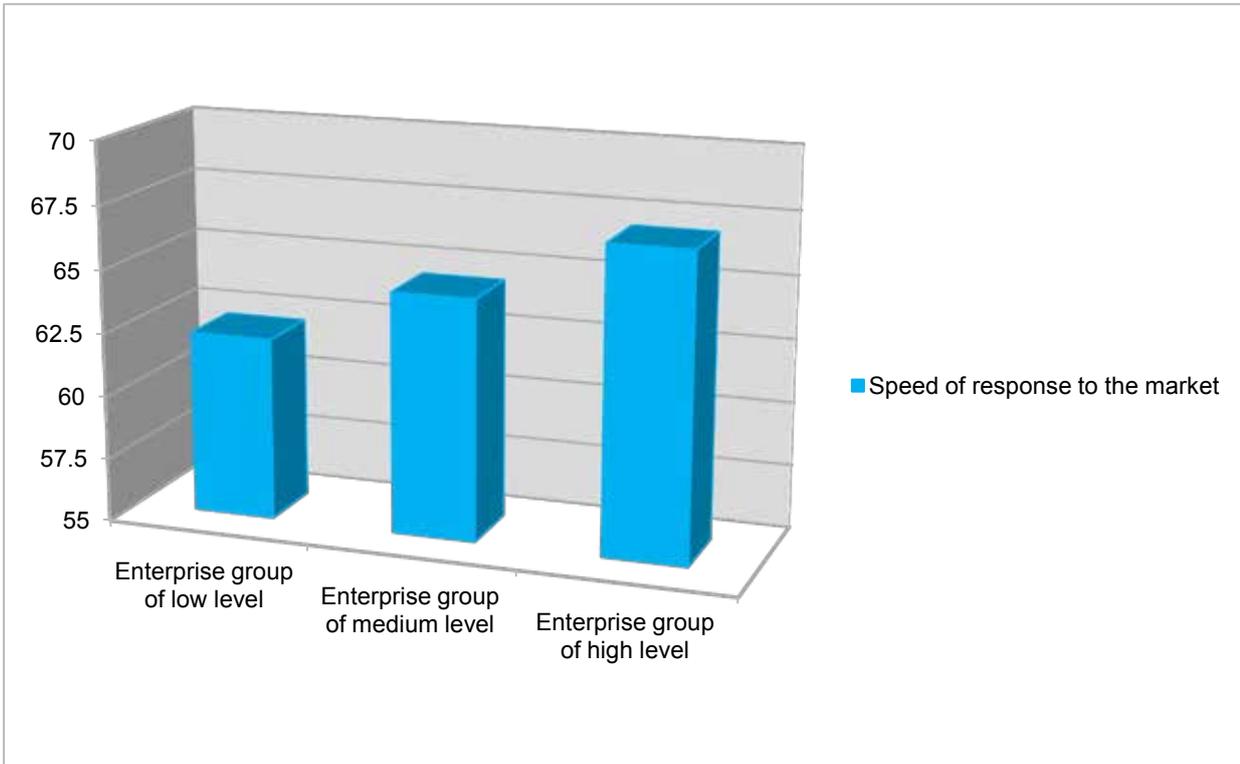
Motion planning arises in many other areas such as intelligent CAD (virtual prototyping) and mixed reality systems (training and computer-assisted operation). A single class of planners, called probabilistic roadmap methods (PRMs), has proven effective on problems from all these domains. The strengths of PRMs, in addition to versatility, are simplicity and efficiency even in high-dimensional configuration spaces.

In addition to software, relevant facilities such as Datacolor, digital cutting machines, printing machines, auto warehousing and unit product system (UPS) are necessities to directly carry out QR strategy. Cutting time and costs while improving precision, the combination of software and digital equipment and, more importantly, online design co-research will enhance both buyers' and suppliers' quick response to fashion changes and competitiveness.

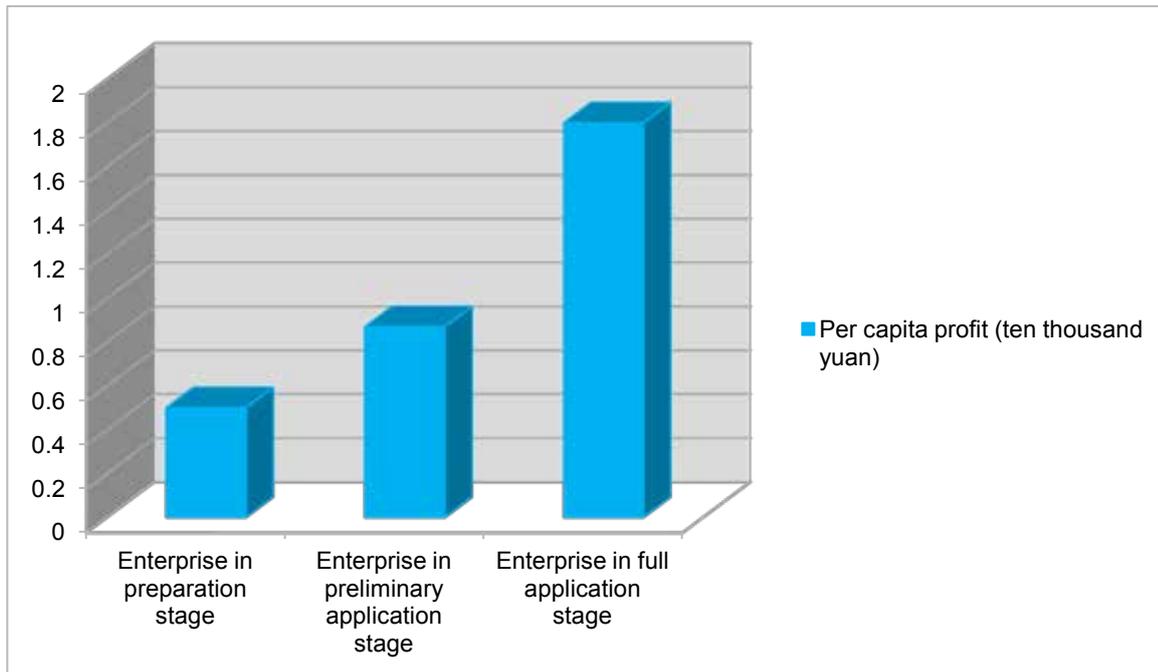
<sup>28</sup> www.intentia.com.cn/

According to research by China's textile industry into the combining of computerization and industrialization, we can see that the development of this combination has a positive impact on enterprises' quick response and profitability. (See figures 18 and 19).

**Figure 19. Correlation between level of computerization and quick response capability**



Source: China Textiles Development Report 2010 S/S.

**Figure 20. Correlation between level of computerization and profitability**

Source: China Textiles Development Report 2010 S/S.

#### **Giant universal management software: represented by SAP**

This sort of software is preferred by minority giant enterprises, such as Li-Ning and K-Boxing. The impression is more important than the function. Therefore, after installation, only the basic application modules of the software (financial management, OA etc.) are used. Enterprises prefer to use other professional software or even develop software by themselves for their business management; this behaviour causes a lot of waste.

#### **Shanghai style clothing management software: represented by Baison, Burgeon**

Developed in Yangtze River Delta, this sort of software has advantages for product standardization. It offers complete functionality and easy-to-use operations.

#### **Professional clothing management software: represented by Xuner, Rossware, Hanson**

Based in Pearl River Delta and focusing on practicability, this sort of software is practical, powerful, flexible and feasible, and basically satisfies all personalized needs at a reasonable price. In addition, individuals have their specialty strengths: Xuner in distribution, Rossware in production and Hanson in comprehensiveness and ease of use. However, there are also some disadvantages: such systems can be complicated to use and maintain. Enterprise users have to employ professional IT engineers for daily management and maintenance; otherwise the system may become unstable.

#### **Small management software: represented by Grasp, Miall, MPSoft**

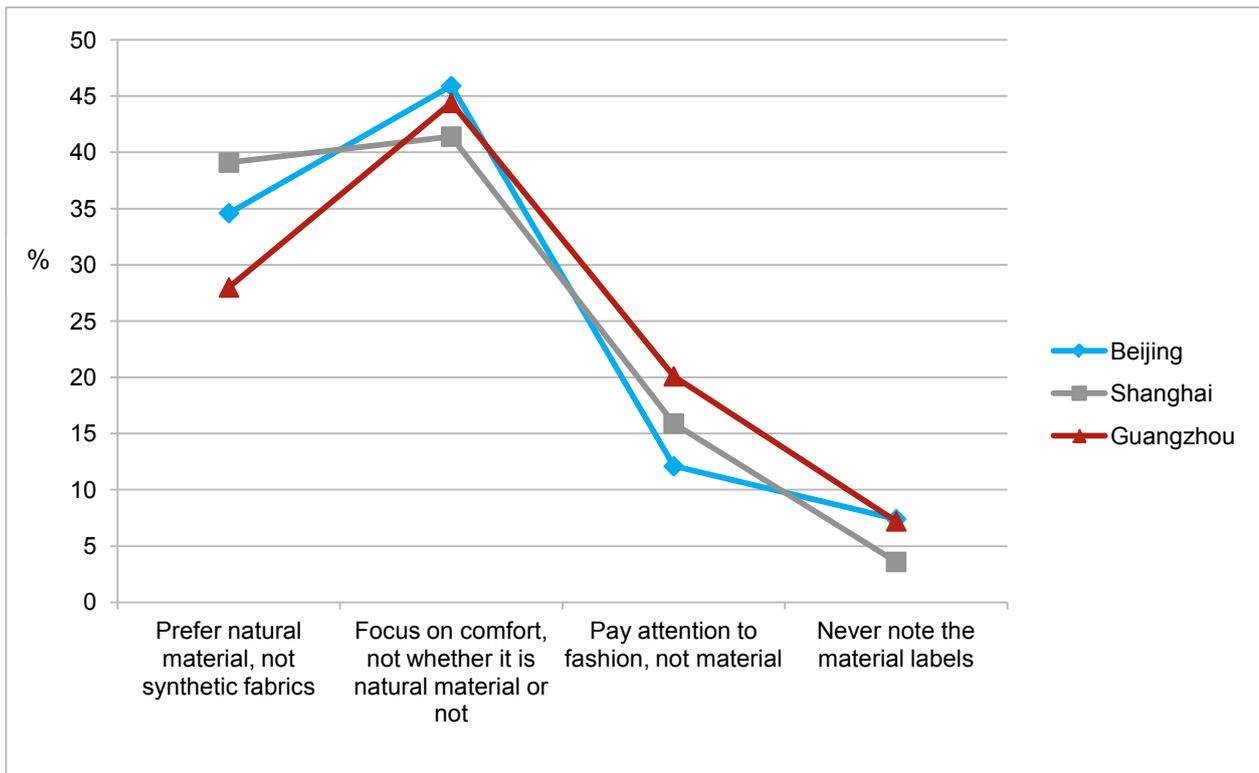
Grasp is general management software, while the other two are more specialized. The main attraction of these systems is that each set costs only thousands of yuan. Their functions are so simple that they can only be used on purchase-sell-inventory management for small businesses in their early development, or for entities such as single clothing store.

## 6.4. Consumer preferences

### 6.4.1. Growing needs for natural fabrics

With increasing product knowledge and surging purchasing power, mainland consumers in China are developing higher demands for quality and comfort in clothing. They usually prefer apparel made of natural fabrics. Consumers are concerned about 'labels of material composition' and the product's impact on 'health'. Consumers are inclined to buy garments made of 'natural fibres' and support green products (see table 26).

**Figure 21. Consumer fabric preferences in Beijing, Shanghai and Guangzhou**

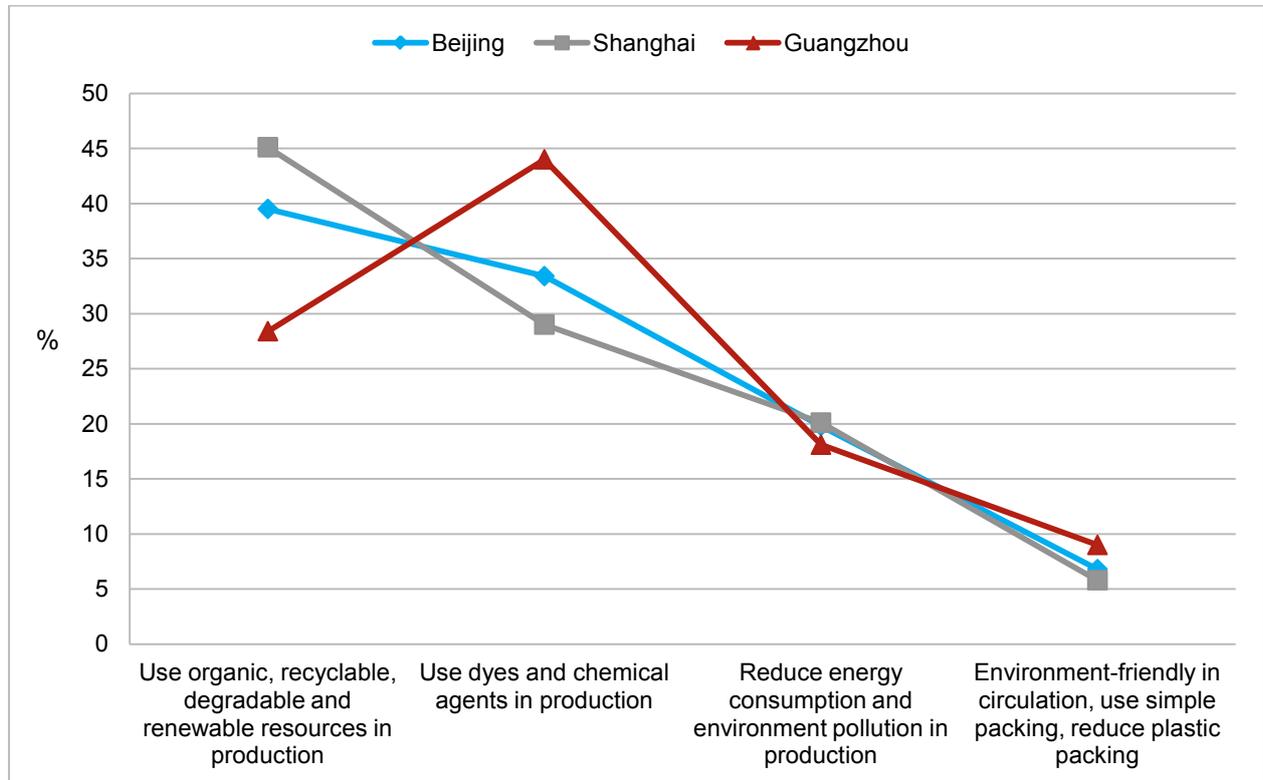


Source: China Textile Development Report 2010 S/S.

Concerning consumers' fabric preferences, 'comfort' ranks first, followed by 'love natural material, not synthetic'.

When it comes to environment-friendly textiles, 'use organic, recyclable, degradable and renewable resources in production' and 'use dyes and chemical agents in production' are the top two choices. People who choose 'environment-friendly in circulation, use simple packing, reduce plastic packing' account for the smallest percentage. Compared with consumers in Beijing and Shanghai, those in Guangzhou pay more attention to 'reduce energy consumption and environment pollution in production'.

**Figure 22. Consumer understanding of environment-friendly textiles in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

#### 6.4.2. Country origin preference and price consciousness

The high fashion brands mainly originate from the European Union and, in most cases, the garments are also made in these countries, especially in Italy and France. Consumers are concerned about the country of origin and manufacture. When they have to pay more than RMB 1,000 for just one T-shirt or a pair of pants, they prefer items made in developed countries rather than developing ones.

On the other hand, consumers are more price sensitive to sportswear, casual wear and mass products and do not care very much about country of origin. Table 26 shows the result of a survey on consumers' attitudes toward garment. It is ranked according to the level of agreement with each statement for consumers. Consumers care more about garment 'quality', rather than 'price', 'mass media', 'star's image' or 'others' comments'. They think that 'good brand reputation' has a positive impact on their purchase decisions, but whether the brand is domestic or foreign does not matter so much. Actually, these brands are usually made in ASEAN countries or other LDCs, and the global sourcing of these brands creates opportunities for LDC exporters.

**Table 26. Consumer attitudes toward garments**

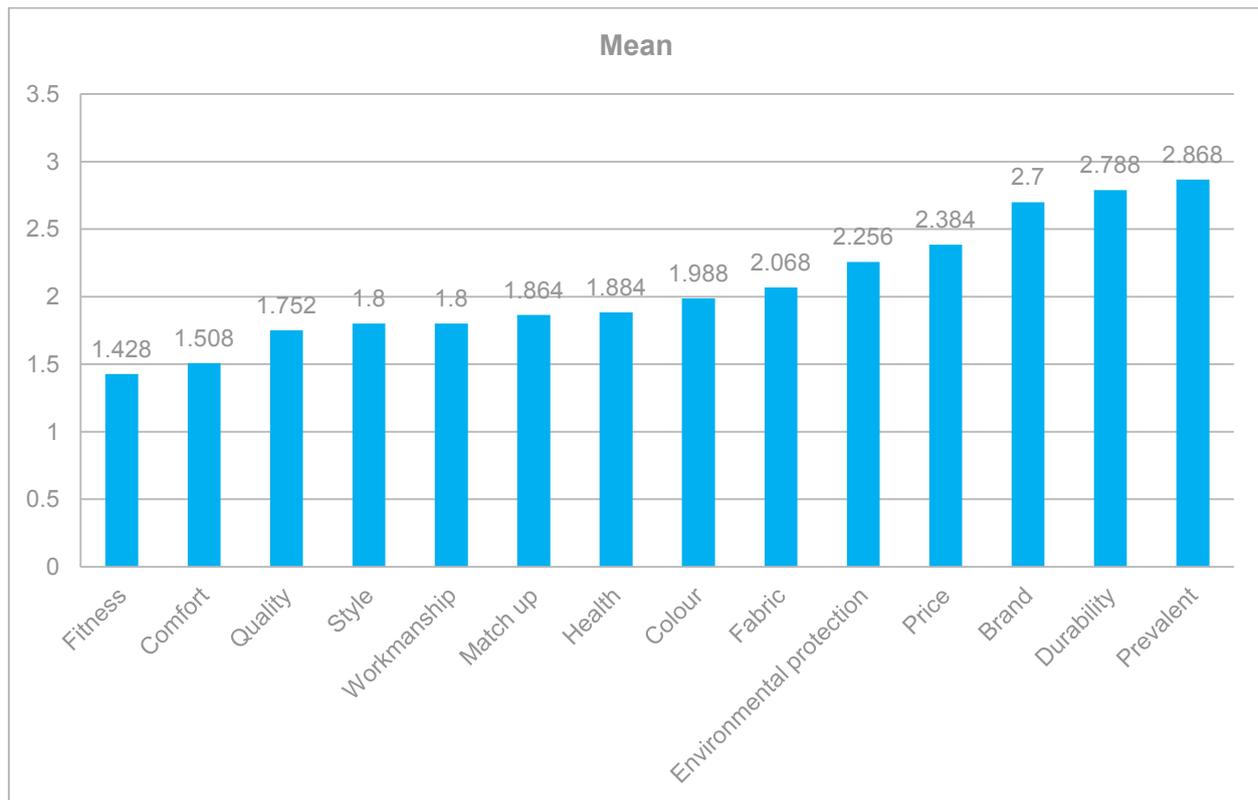
Rank	Attitudes	N	Mean	Std
1	11) I stress the coordination of good looks and comfort	250	1.752	1.054 011
2	10) I like wearing comfortable, relaxed clothing	250	1.852	1.132 797
3	7) Good brand reputation has a positive impact on my purchase decisions	250	2.104	1.224 41
4	13) I am more inclined to buy clothes made of natural fibre rather than synthetic fibre	250	2.108	1.199 203
5	15) I prefer clothes that fit me well, regardless of the price	250	2.164	1.462 072
6	8) I resist products made by enterprises that violate environmental standards	250	2.172	1.384 951
7	4) I care more about the inherent quality, rather than media publicity	250	2.184	1.399 277
8	12) When purchasing clothing, I am concerned about labels and material composition and its impact on health	250	2.22	1.369 343
9	17) Image and expertise of sales attendants have a great impact on my purchase decisions	250	2.48	1.464 986
10	14) I often do 'comparative shopping', and make purchase decisions carefully	250	2.504	1.510 998
11	16) I will bargain	250	2.772	1.526 215
12	2) Wearing clothes is my personal affair; I do not care about others' evaluation	250	2.864	1.675 929
13	3) I prefer to spend more money on buying high-quality clothing	250	3.18	1.675 359
14	1) I like to wear conspicuous clothing	250	3.196	1.574 643
15	18) The location of shopping malls plays a big role in my purchasing decisions	250	3.496	1.752 217
16	6) I don't think the purchase of domestic brands and foreign brands is much different	250	3.564	1.915 353
17	5) Star image greatly affects my purchases	250	4.316	1.823 58
18	9) I pay more attention to looks rather than the comfort of clothing	250	4.352	1.859 55

Source: A Research on Consumers' Values and the Trends of Garment Consumption, April 2008 (Sample size: 250). Research Center of Textile Economics and Management, Donghua University.

Note: Seven-point Likert scale, 1 – strongly agree, 7 – strongly disagree.

### 6.4.3. Quality and comfort

'Comfort' is the most important decision factor for consumers when purchasing clothing, even more important than 'good looks'. In today's Chinese apparel market, most consumers consider fit, quality and comfort of apparel the most important, and that is also a good reason why consumers prefer natural fabrics.

**Figure 23. Customer evaluation criteria for garment attributes**

Source: A Research on Consumers' Values and the Trends of Garment Consumption, April 2008 (Sample size: 250). Research Center of Textile Economics and Management, Donghua University.

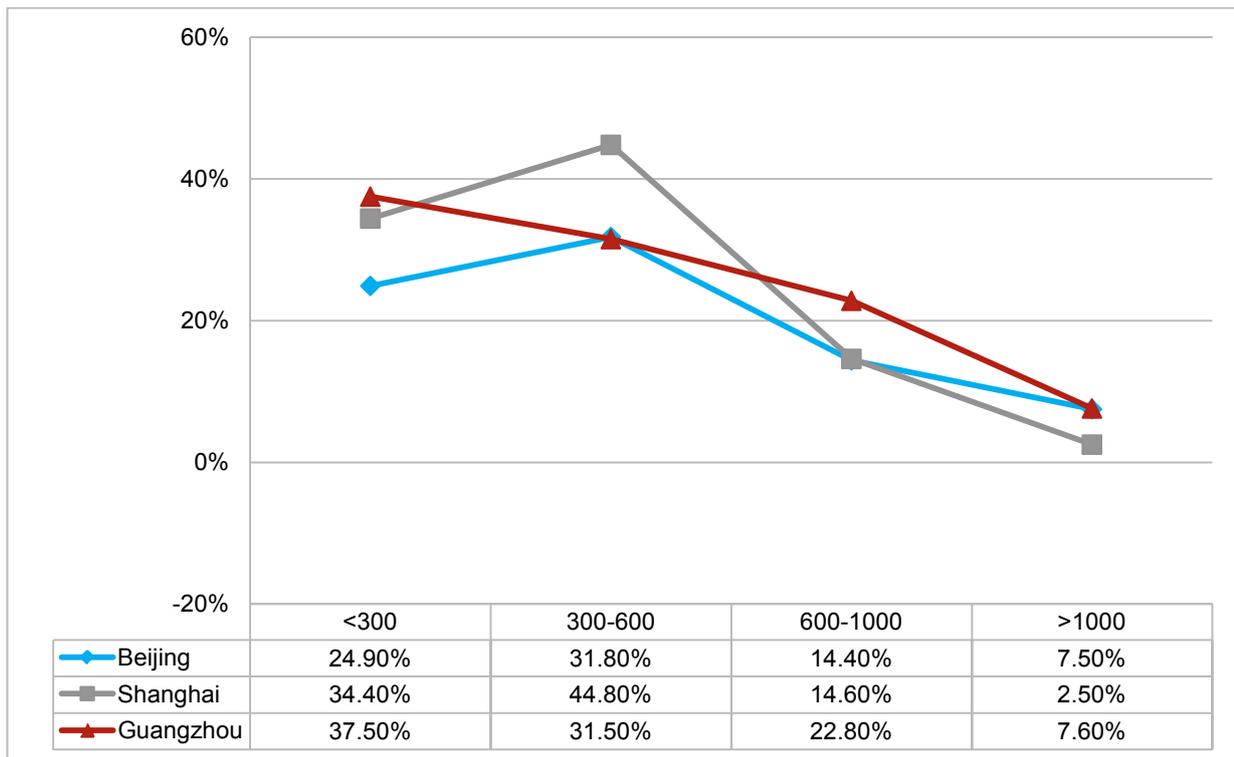
Note: Seven-point Likert scale: -3 – least important, 0 – indifferent, +3 – most important.

#### 6.4.4. Consumers' apparel preferences in three cities

Consumption of high-end brands is growing at an annual rate of 20%. Overall, the majority of consumers think that a price of less than RMB 600 for a dress is acceptable (see figure 24). In Shanghai, 44.8% consumers take the price range of RMB 300–600 as reasonable and affordable. Only a small proportion of consumers will purchase a high-priced dress (more than RMB 1,000). The situations for T-shirts and jeans are similar (see figure 25 and figure 26). It is worth noting that consumers in Shanghai consider RMB 300–500/300–600 most acceptable, which is quite different from the situation in Beijing and Guangzhou, where consumers prefer lower prices.

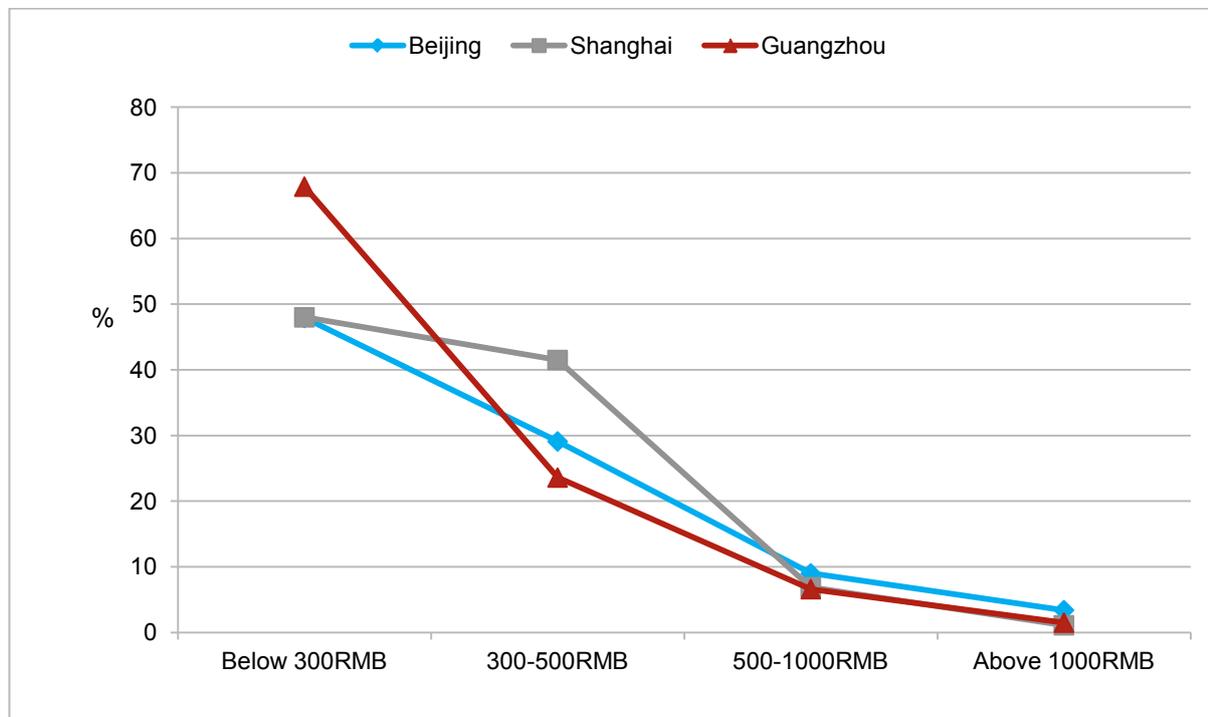
This kind of apparel includes brands registered and produced in China, brands registered abroad but produced in China, and brands from developed countries sourced globally.

**Figure 24. Price preference for dresses in Beijing, Shanghai and Guangzhou**



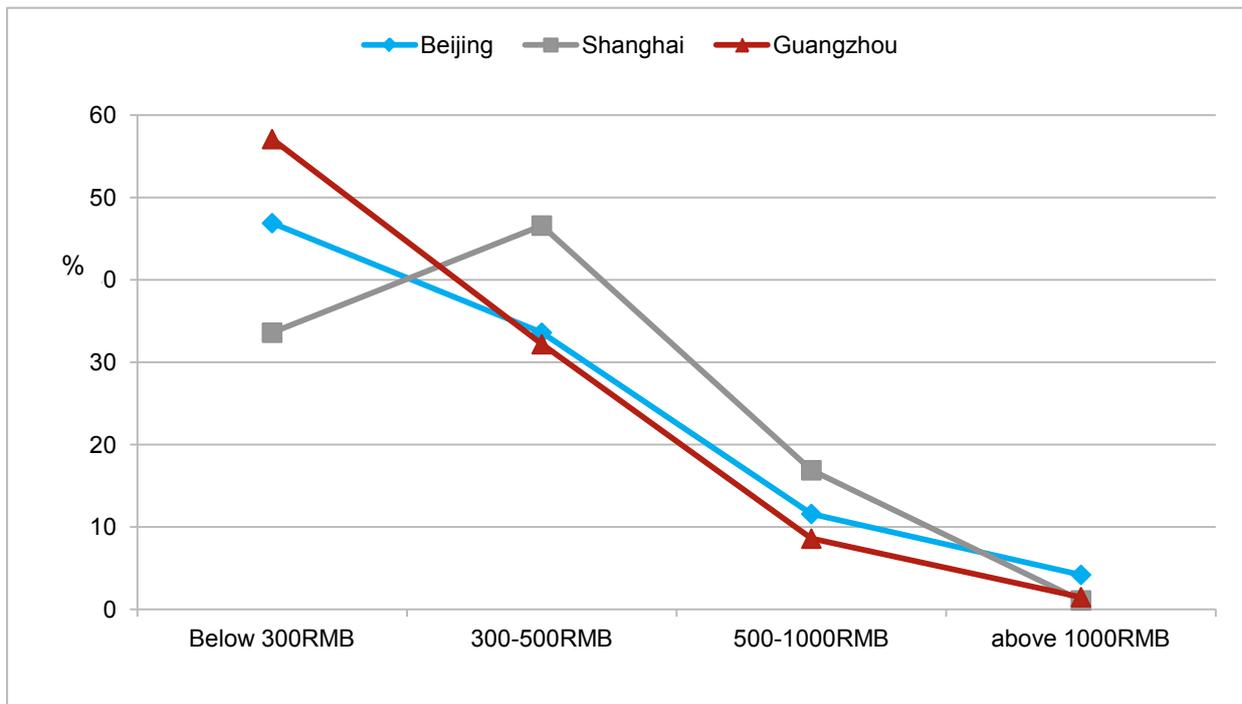
Source: China Textiles Development Report 2010 S/S.

**Figure 25. Acceptable price level for T-shirts in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

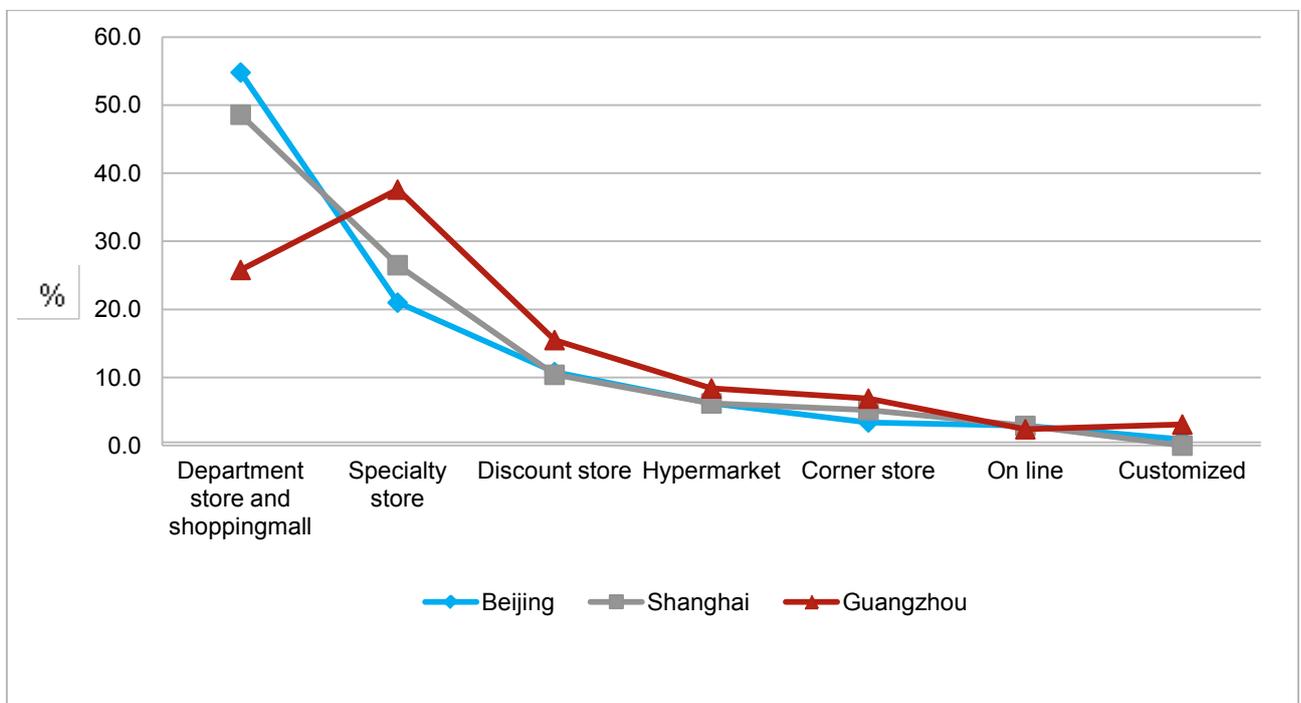
**Figure 26. Acceptable price level for jeans in Beijing, Shanghai and Guangzhou**



Source: China Textile Development Report 2010 S/S.

Consumers prefer buying clothes in department stores, shopping malls and specialty stores (see figure 27).

**Figure 27. Preferred purchasing channels in Beijing, Shanghai and Guangzhou**



Source: China Textiles Development Report 2010 S/S.

**Box: Why do retailers source in LDCs and other developing countries? Why do they choose not to? – A retailer’s consideration**

A foreign invested OEM company, specialized in hats and accessories, produces for well-known international giants such as Nautica, Disney, Adidas, Nike, Levi’s, Puma, GAP and Wal-Mart. The group is located in Shanghai and Jiangsu and has five large factories with more than 10,000 employees.

It makes 85% of its products locally and sources 15% globally. As the RMB is expected to appreciate, the company will enlarge the proportion of global sourcing, which will also ensure diversity of supply and meet world demand.

However, the following factors have an effect on further cooperation with developing countries and LDCs.

- China has not built a close and mature financial and commercial relation with these countries. There are institutional and communicational barriers.
- Due to the structure of industries and products, these countries have no comparative advantages in terms of prices and product differentiation.
- Problems exist in areas of credit, delivery time, efficiency of order processing, quality and transportation, etc., which offset the advantages of low costs in India, Pakistan, Bangladesh and Thailand.

## 7. Cases: The key players in China’s textiles and garment market

The cases listed in this section fall into two groups: local suppliers such as Shenzhou Group and Challenge Co., and multinational retailers who are buyers and distributors in China’s market. The first group of case studies focuses on the competence, performance and upgrading of local suppliers. The second group focuses on giant retailers that are sourcing very much from developing countries and LDCs, which help us to better understand their development in China, the goods they source, their procurement processes, criteria for supplier selection, and their requirements and demands of suppliers.

### 7.1. Shenzhou Knitting Co., Ltd

Shenzhou International Group Holdings Limited is a private company specializing in the processing and manufacturing of knitwear under OEM. Ningbo Shenzhou Knitwear Co., Ltd, the core of the group, was founded in March 1990 with registered capital of US\$ 2.15 million by Beilun Foreign Trade Co., Ltd, Shanghai Knitting No. 20 Knitting Plant and a United States company. Starting from a small company 18 years ago with only 200 workers and assets of RMB 8 million, the group now owns factory area of over 133 acres, with around 43,000 employees and total assets of RMB 5.4 billion. The group has established good cooperative relations with well-known brands and retailers such as Uniqlo, Itochu, Itochin and Ito-Yokado, and sportswear brands such as Nike, Adidas, Puma, Fila and Mizuno. In 2009, its total sales amounted to RMB 6.1 billion with a growth rate of 26.4% and profits after tax of over RMB 1,253 million, while many other firms declined. It ranks first in China’s knitting industry in terms of exports, profit and production capacity.

#### Quick response, R&D innovation and technology upgrading

Attaching importance to its IT strategy, Shenzhou Group has invested RMB 10 million to construct a network for sharing information with its customers and suppliers through the management information software designed exclusively for processing and export-oriented companies. The company has adopted digital and flexible facilities such as Datacolor system, UPS, CAD, semi-automatic management systems for inventory, and barcode technology. With efficient customer service and quick response, the company can complete and deliver samples for customers in Shanghai in as little as 12 hours. There is only a 10-minute-drive between the company and Beilun Harbour: shipments can be cleared for export within a few hours.

Shenzhou Group has an R&D team with more than 675 members as the company stresses the importance of product development. New fabrics, styles, and products with new functions have been developed to meet customers’ requirements and comply with cutting-edge fashion trends.

Shenzhou owns the world's most advanced fabric R&D laboratories. Based on sophisticated equipment and instruments, the Shenzhou–Nike Design and Development Centre enables Shenzhou to provide new products and services for customers all over the world.

Shenzhou and Nike have created a new mode of cooperation by combining design with processing. The integration of manufacturing and designing enables Shenzhou to finish samples within two hours after receiving amendment instructions from designers, and hence reduce lead time.

In May 2006, Shenzhou invested US\$ 33.8 million in Cambodia to build a garment factory with a monthly capacity of 300,000–400,000 pieces of knitwear. In the first quarter of 2009, its new garment factory with 5,000 workers in Wangjiang County, Anhui Province, has been put into operation. In the Development Zone, the construction of its dyeing and finishing factory has been completed. In 2010, it continued to lead the way by its capacity in designing, R&D, dyeing, finishing, trading and sales with its own brand and stores being built.

### **Social responsibility**

The group pays much attention to internal harmony, with a labour committee made up of representatives from management, the party committee, trade union, the personnel department and a professional lawyer. In addition, the arbitration team in each workshop and department resolves internal conflicts actively and protects the workers' rights.

There are complaint and suggestion boxes in workshops, canteens and dormitories. A cell-phone hotline is open for employees to complain or comment anytime and anywhere so as to solve problems in time.

The group works to make the working and living conditions for workers comfortable, through means such as arranging employees to participate in various types of insurance and financing staff disaster relief and emergency funds. Shenzhou Charity Relief Fund, managed by the Company Charity Salvage Station, provides one-time financial aid ranging from RMB 1,000 to 20,000 to employees suffering natural disasters, serious disease or accidents, who have signed formal labour contracts and whose spouses, parents or children have no regular income.

Shenzhou group also strengthens cohesion and increases labour productivity by establishing sound working and living conditions and providing opportunities for training and career development.

The group has invested RMB 130 million to build 86,000 square metres of dormitory space for single workers and 1,400 rooms for couples, purchased 15 shuttle buses to increase the safety and convenience of staff, and constructed 20 canteens and a 6,000-square-metre supply centre to ensure employees have a safe and nutritious supply of food. Staff members receive a 50% meal allowance and enjoy a big reduction in food expenses.

Employees with good performance are awarded free tours abroad to countries such as Thailand and the Republic of Korea. The company manages to increase labour productivity to compensate the increase in labour cost under the principle of 'providing the best welfare and implementing efficient management'.

Shenzhou group attaches great importance to training employees for improvement. In 2007 alone it organized 56 training programmes of various types. Among the 30,000 employees, women workers form the majority. Over 70% of workers come from provinces other than Zhejiang, mostly from Anhui and Jiangsu Provinces. These workers have all taken a training course which lasts for one or two months in Ningbo after receiving basic training in their home towns.

### **Environment protection**

Shenzhou group was certified to ISO14001 in February 2001. The company has invested RMB 16 million in two sewage disposal plants, which are the best in Zhejiang Province in terms of both scale and superiority of facilities. The two plants, operated by professional companies, have a disposal capacity of 41,000 tons per day and the water discharged reaches the National first grade Integrated Wastewater Discharge Standard.

As a big consumer of water and energy, the Group has gained a green reputation through efforts in energy saving and emission reduction during its production expansion. The group invested RMB 230 million to introduce the world's most advanced water-energy-saving dyeing machine. It has reduced by more than 30% its consumption of steam and power, and now uses 6,000 tons of water less per day. Now in the dye factory of Anhui Province, the treatment capacity is 15,000 tons a day. This will further cut the consumption of water resources and reduce emissions. The company has achieved, to a certain extent, better quality in dyeing and less use of dye stuff, reduced pollution and costs, and met the environmental requirements of customers through importing dyeing staff and machinery and using low-bath-ratio techniques.

## **7.2. Challenge Knitting Co. - Industry upgrading**

In recent years, China's textile and garment manufacturing in coastal areas has been faced with increasing pressure from buyers' bargaining power, labour costs, recruitment difficulties and the cost of environmental requirements. During the financial collapse in 2008, export-oriented enterprises in the textiles and garment sector ran into difficulties, as world trade in textiles and clothing declined.

However, Challenge Co., a private manufacturer specialized in exporting knitted fabrics and garments, increased its sales and profit in 2009. Its labour productivity is at the leading level in the industry.

How does Challenge Co., as an export processing enterprise, grasp the initiative in business, improve value chain management, and enhance its own competitiveness?

### **Product innovation**

Through original and cooperative R&D, Challenge Co. develops new products such as anti-bacterial fabrics, anti-static fabrics and woollen fabrics with a higher level of flexibility and comfort. New technology and new products not only increase the value added by providing customers with unique commodities, but also help to consolidate the enterprise's relationship with customers.

### **Function innovation**

Challenge Co. has invested tens of million yuan to build its digital automatic warehouse. The automatic warehouse can optimize storage management, reduce inventory costs, improve logistics processes and, more importantly, enable the company to provide a 'design to store' service to customers. Products can be delivered to retail outlets as they are produced according to clients' specific orders for sizes, styles, colours and packaging.

### **Digital production and management**

The company and clients can co-design online through digital systems such as Datacolor. Using digital systems reduces the defective rate, improves quality, lowers wastage, reduces pollution, and shortens delivery time. With a bar code system, it could also track production processes and inventory, even back to the origin of the fibre.

### **Collaborative cooperation**

Challenge Co. has established stable relationships with fibre suppliers to ensure the stability of quality of fabric and garments. The company has formed a strategic alliance with customers to establish an R&D department so as to provide original new products and unique services.

### **Decent work and environmental protection**

Challenge Co. pays great attention to environmental protection, working conditions and wage levels – their workers get higher wages than the industry average. This social conduct has led to a reduction in staff turnover and an increase in employee loyalty, company credibility and reputation.

### Evaluation of clients

Backed with excellent quality products and service innovation, the company conducts strict customer evaluations and gives up low-end buyers. In order to avoid being manipulated by low-price buyers, it usually does not accept extra-large orders (exceeding one third of the company's production capacity).

During the financial crisis, Challenge Co. not only improved its supply capacity through new product R&D and quality assurance, but also enhanced its ability to control the value chain through process upgrading, product upgrading and function upgrading.

### 7.3. IKEA

#### IKEA global

Founded in 1943 by a 17-year-old man in Sweden, the IKEA Group has grown into the world's largest furniture retailer, with 123,000 workers and annual sales of more than 21.5 billion euros.

The IKEA Group itself owns 276 stores in 25 countries and another 37 stores are owned and run by franchisees outside the IKEA Group in 16 countries or territories. IKEA Group opens new stores globally every year, expanding market share at a steady pace.

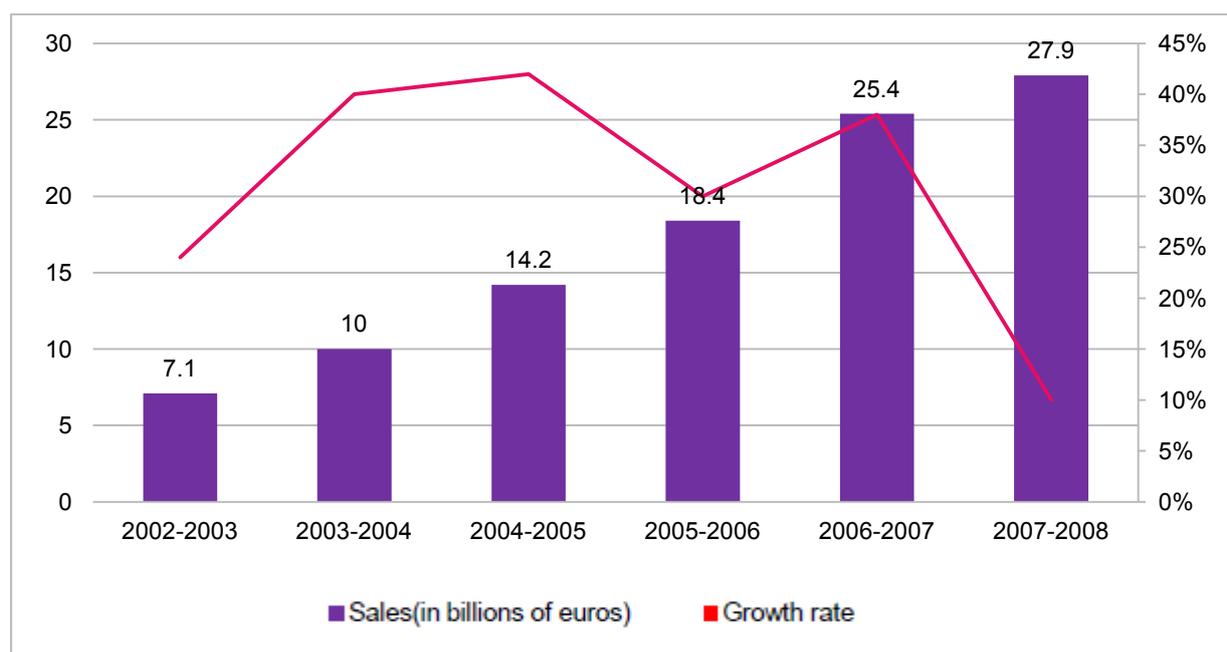
In the 2009 fiscal year, IKEA opened 15 stores in 11 countries, with its sales total of 21.5 billion euros a 1.4% increase over the previous year. The top five sales countries are Germany with 16%, United States 11%, France 10%, the United Kingdom 7%, and Italy 7%.

#### IKEA in China

Since its first store opened in 1998 in Shanghai, IKEA has established eight stores in Beijing, Shanghai, Guangzhou, Chengdu, Shenzhen, Nanjing, Dalian and Shenyang.

IKEA in China reported sales of RMB 27.9 billion in the 2008 fiscal year (1 September 2007 to 31 August 2008) with an increase of 3%, a slower growth rate than in the previous fiscal years. Furthermore, the sales of IKEA in China account for just 1% of IKEA's global sales. However, China is the largest source country for IKEA, providing IKEA with 20% of its products.

**Figure 28. IKEA in China sales, 2003–2008**



Source: [www.home.sohu.com](http://www.home.sohu.com).

**Textiles**

IKEA textiles covers bathroom textiles, rugs, curtains and blinds, cushion and throws, curtain rods and rails, fabrics and sewing, kitchen textiles, bedroom textiles, table accessories, children’s textiles and baby textiles.

**Table 27. Textile imports of IKEA in China**

Import proportion	About 60%
Purchasing countries	Bangladesh, Belgium, Egypt, Estonia, Germany, Hungary, India, Pakistan, Poland, Russian Federation, Thailand, Turkey, Viet Nam
Imported goods	Fabric, curtain, bedclothes (sheet, bedding bag, pillowcase, bedspread, quilt, pillow etc.), cushion, towel, bath towel, bath robe, carpet, rugs
Raw material of imported goods	Cotton, polyester fibre, flax, sponge, emulsion, coconut fibre, wool

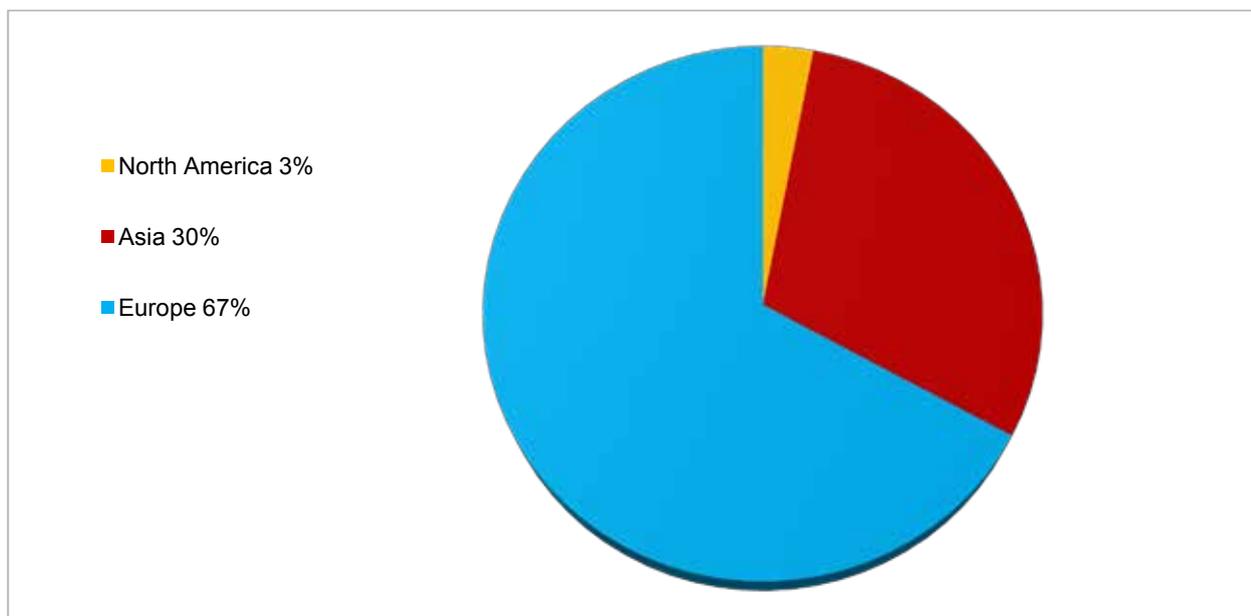
**Price**

IKEA products are targeted at people of all walks, so the prices vary considerably. Generally speaking, the prices are reasonable in terms of the quality.

**Procurement and logistics processes**

IKEA has 31 trading service offices in 26 countries, and 28 distribution centres and 11 customer distribution centres in 16 countries. IKEA purchases products from 1,220 suppliers in 55 countries. Products are delivered to the 28 distribution centres from each trading area, and then sent to IKEA retail outlets around the world.

**Figure 29. IKEA purchasing per region, 2009**



Source: www.ikea.com.

The top five source countries for IKEA are China (20%), Poland (18%), Italy (8%), Germany (6%) and Sweden (5%).

Figure 30 shows the detailed procurement process followed by IKEA.

**Figure 30. IKEA procurement and logistics processes**



Source: *Manager World*, Behind IKEA.

#### 7.4. Zara in China

Established in 1975, Spanish fashion chain Zara Corporation has been the most important brand of the Inditex Group. In the 2009 fiscal year, Zara was reported to have 1608 stores (including 213 Zara Kids stores) operated in 74 countries, and net sales amounting to 7 billion euros. Although Zara's number of stores was only one-third of Inditex Group's total, its net sales account for around 63% of the Group's total.

##### Fast growing in China

In 2004, Zara opened its first store in Hong Kong, China. In 2006, it first entered mainland China and opened stores in Shanghai. By the end of 2008, it had 27 stores in China; at the end of 2009 the number had increased to 44; and by 28 July 2010 the number had reached 54, among which there are 13 stores in Shanghai, 11 in Beijing, 6 in Shenzhen, with the remainder in second-tier cities.

### Fast fashion

Zara targets the young fashion consumer group aged 25 to 35 with higher incomes and good education. Zara is positioned as 'cheap luxury' to meet the needs of fast-changing and affordable fashion. Its product lines cover variety of categories, including T-shirts, shirts, jeans and bags, with prices ranging from RMB 99 to RMB 399. Zara's fast fashion strategy demands fast turnover, quick response global sourcing and lean retailing.

### Global supply chain

At the end of the 2009 fiscal year, the Inditex Group was using 1237 suppliers around the world, of which 481 are in Asia (see table 28).

**Table 28. Main Inditex clusters (overseas)**

Country	No. of suppliers	No. of external workshops	No. of workers who make up the staff of the external manufacturers and workshops working for Inditex
Bangladesh	47	120	161 080
India	103	109	53 083
Morocco	80	115	36 804
Portugal	184	217	14 264
Turkey	97	170	43 275

Data resources: Inditex Group Annual Report 2009.

In Zara stores in China, the products are mainly imported from Bangladesh, India, Morocco, Portugal, Spain and Turkey. The proportion of imports from Morocco is about 30%, while the proportion of products made in China is less than 10%. Bags and men's shirts are predominantly made in China.

The code of conduct and supplier ratings

Code of Conduct for External Manufacturers and Workshops:

A formal declaration of values developed from the Internal Code of Conduct establishes the principles that regulate the relationship between Inditex and its suppliers.

Suppliers are rated through specific indicators that have been specially designed to comply with the requirements of the code of conduct for manufacturers and external workshops, with the product health and safety standards in force at Inditex (Clear to Wear and Safe to Wear) and the required response in terms of units and time. The questionnaire gives a response to the five key points on which the sustainability of the production chain relies

- Optimum compliance;
- Health and safety;
- Good quality;
- Correct delivery date;
- Suitable price;
- Corporate audit.

Social audits are processes of evaluation of the level of compliance with the code of conduct for external manufacturers and workshops of Inditex, through corporate audits carried out by accredited external consultants, in accordance with SA8000 and with the Inditex methodology Tested to Wear (TTW) based on:

- Code of conduct for Inditex external manufacturers and workshops;
- Base code of the ethical trading initiative;
- The principles of the global compact of the United Nations;
- The International Labour Organization better work programme;
- The recommendations of social accountability international;
- The principles of the global reporting initiative.

### **Supplier ratings**

After the specific evaluation of each one of the principles of the code of conduct, the supplier's degree of fulfilment of the code of conduct is rated on one of four levels. This rating is the starting point for articulating the design and the subsequent execution of any plans of corrective action and for verifying the correction of any breaches detected in the corresponding monitoring audits.

## **7.5. Shanghai Metersbonwe Fashion and Accessories Co., Ltd**

### **Company introduction**

Since its first retail store opened on 22 April 1995 in Wenzhou, Zhejiang Province, Shanghai Metersbonwe Fashion and Accessories Co., Ltd has opened more than 3,000 retail stores in China. In August 2008, Metersbonwe successfully became a listed company on the Shenzhen Stock Exchange. In the 2009 fiscal year, Metersbonwe's sales totalled more than RMB 10 billion, a rise of about 30%.

Metersbonwe Costume Museum was inaugurated in 2005, and it is by far the largest private-funded museum featuring Chinese clothing. Over 8000 new designs are launched on the market every year by the Metersbonwe internationalized design team. So far it ranks first among all the local and international casual wear brands in the Chinese domestic market.

The company vision is to provide global urbanites with a high-end experience of fashion life. Awards Metersbonwe has received include 'the Famous Trademark', 'China's Famous Brand' and 'China's Youth Favourite Fashion Brand'.

### **Products and brands**

As a casual wear specialty chain retailer, Shanghai Metersbonwe Fashion and Accessories Co., Ltd engages in developing, sourcing and marketing Metersbonwe and Me&City casual wear.

Metersbonwe, targeting vigorous and fashionable young people aged from 16 to 25, advocates a brand image with freshness and strong personality and brings to the consumers casual wear with individuality and vitality. The essence of the brand is 'To be extraordinary!'

Me&City, targeting people just moving into society in different cities, new workers, and urban middle classes, has a database of all the body type data of Asian people, and thus can provide the most suitable clothing according to the data. The products are casual but fashionable, tasteful but with style, and with very reasonable and competitive prices.

In the 2009 fiscal year, the sales income of the Metersbonwe brand reached RMB 4,800 million, and Me&City reached RMB 350 million.

### Purchasing pattern

Metersbonwe handles sourcing of fabrics, accessories and garments, and leaves logistics operations to professional logistics service providers. It uses more than 500 suppliers, among which 96 for fabric, 84 for accessories and more than 300 for garments. Also, it has established long-term and stable cooperative relationships with its suppliers, most of which are concentrated in the Yangtze River Delta region and Pearl River Delta<sup>29</sup> region. Another local brand, YiShion, unlike Metersbonwe, has focused mainly on the Pearl River Delta region of China and expanded its suppliers abroad.

In 2009, the value of goods procured from the top five suppliers totalled RMB 568.5 million, 16.48% of the gross. And the accountants payable of the top five suppliers amounted to RMB 385.2 million, 7.6% of Metersbonwe's closing balance. All the suppliers are welcome to provide the resources listed below.

- Garments of both weaving and knitting: sweaters, jeans, leather, feather, shoes, bags, underwear, accessories and other categories.
- Various fabric and accessories: cotton knitted and woven fabric, denim, synthetic fabrics, woollen, feather, fur, accessories and other categories.

In practice, the suppliers usually deliver the fabric and accessories directly to the garment suppliers for the next production process. When Metersbonwe receives the receipt from the garment suppliers, this purchase transaction will be recorded in the Metersbonwe's ERP system. Sometimes the suppliers transport the goods instead of using the third-party logistics companies. Metersbonwe uses its own innovative operation pattern<sup>30</sup> (see figure 31).

These days, Me&City is edging into fast fashion in China, with more than 3,000 styles, designed mainly by French designers, each year and only 70 days from initial design to final out. The idea driving its promotion process is 'First Regular Chain, then Franchise Chain'.

At the end of 2008 the company adjusted its internal organizational structure and now operates Metersbonwe and ME&CITY independently. The income of each business unit was RMB 5.5 billion and RMB 2.3 billion respectively in 2009.<sup>31</sup>

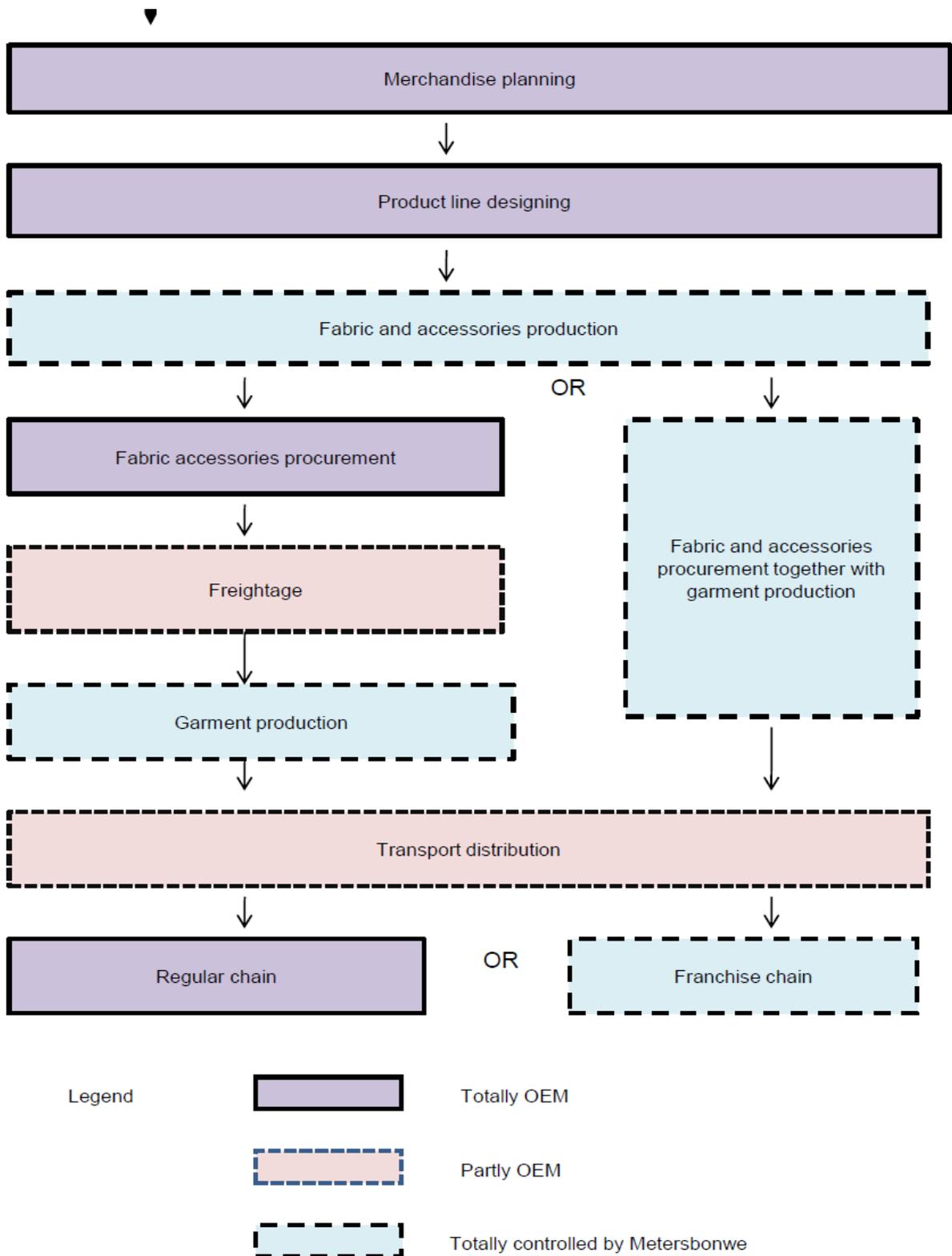
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<sup>29</sup> <http://finance.sina.com.cn/leadership/mroll/20100211/18017410805.shtml>.

<sup>30</sup> Internal Control Report of Metersbonwe.

<sup>31</sup> Audit Report of Metersbonwe.

Figure 31. Metersbonwe's purchasing procedure



Source: Franchise Market Magazine.

## 8. Possibilities for cooperation along the value chain

### 8.1. The textile complex and the roles of LDCs

The garment value chain is buyer driven, and it is a complex process from fashion design to retail, from fibre production to garment assembly. The sewing sector downstream of the garment industry is labour intensive, and the upstream sectors such as synthetic fibre production are capital intensive. Textile industries in developing countries and LDCs mainly concentrate on manufacturing, sewing and assembling. The profit made at this stage is less than 10% of the total value added. In contrast, industrialized and developed countries focus on the high-tech and high-fashion sectors, such as new synthetic fibres, high-class dyeing, fashion goods and textile machinery, and perform functions as branding, designing, retailing, merchandising, trading and marketing. They capture large a proportion of the added value. Furthermore, retail giants and brand owners have great bargaining power when buying and supplying.

China is the largest producer and consumer of clothing and textiles, with a full range of products and a complete production chain, which covers natural and artificial fibres, spinning, weaving, knitting, printing and dyeing, and sewing. China's fibre production reached 32.4 million tons in 2008, accounting for 48% of world fibre production that year.

China itself is the prime supplier of cotton, silk, ramie, and polyester. However, China imports large quantities of cotton each year; high-grade and newly developed artificial fibre and fabrics are mainly supplied by the United States, Japan and European countries.

**Table 29. Textile imports, 2000–2008**

Unit: 1,000 tons

Year	Cotton	Wool	Artificial fibre	Textile machinery (US\$ million)	Textiles (US\$ million)	Garments (US\$ million)
2000	84	300.7	1 653	1 913	12 830	1 190
2001	112.6	309.1	1 473	2 514	12 570	1 270
2002	208	237.2	1 720	3 519	13 060	1 360
2003	870	192.7	1 858	4 611	14 220	1 420
2004	1 980	239.2	1 776.8	4 755	15 300	1 540
2005	2 650	269	1 521.7	3 445	15 500	1 630
2006	3 806	301	1 285.5	4 101	16 360	1 720
2007	2 615	334.4	1 109.7	4 908	16 650	1 980
2008	2 110	305.7	816.8	3 830	16 230	2 280

Source: CNTAC, China Textile Industry Developing Report.

## 8.2. Market segments and LDC targets

In the world apparel market, mid-end to high-end segments are dominated by brands from developed countries, mostly in the European Union. Though developing countries are able to produce garments of all grades and categories, their brands mainly target mid-end to low-end local markets.

## 8.3. Competitors or co-operators

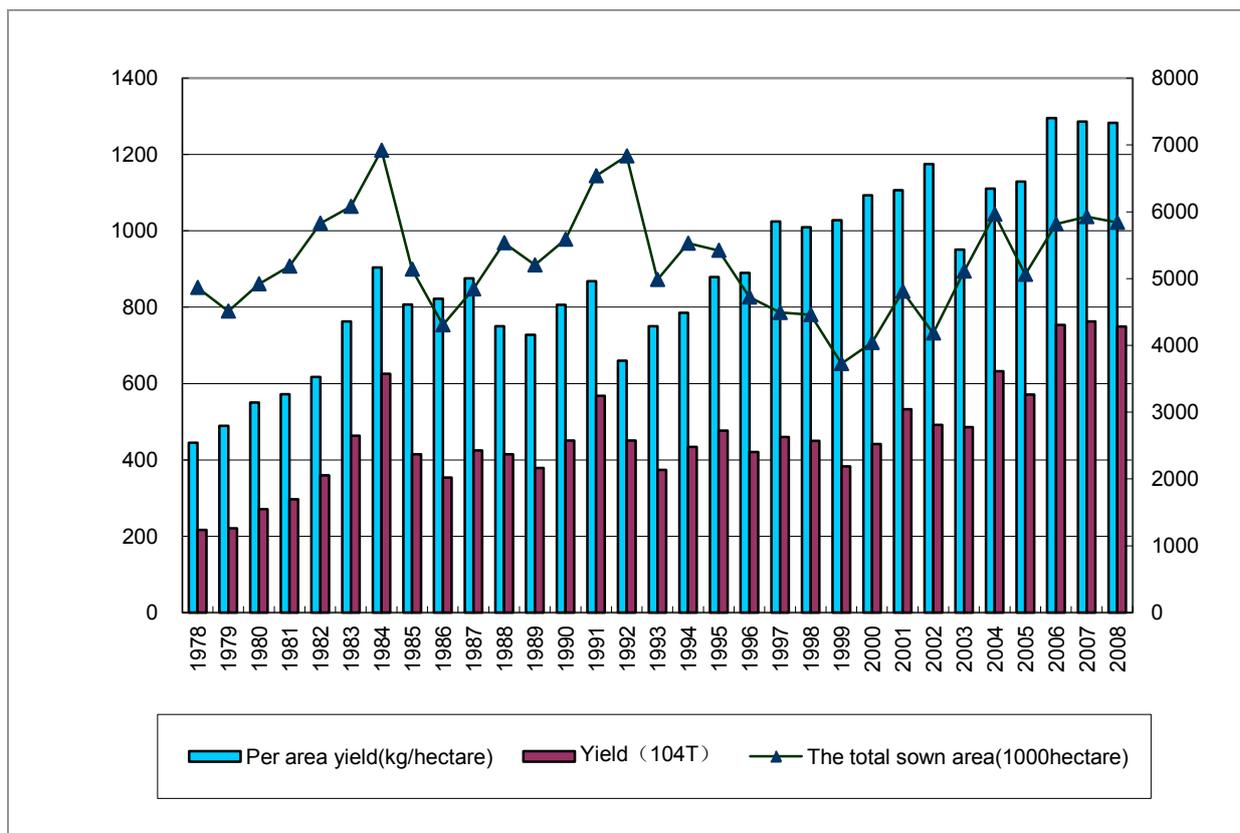
Many exporters in developing countries and LDCs perform the same functions and play the same roles as enterprises in China. Competing homogenously in the same sectors (most LDC industries concentrate on the garment sector) with little support from related industries will most likely result in loss of competitiveness and lead to a zero-sum game. As one of the biggest importers of textiles, garment, and industry products, China benefits from importing advanced equipments, fibre yarn, fabrics and finished goods. Horizontal and vertical regional integration, complementing each other in the value chain with innovative strategies, will lead to enhanced competitiveness and comparative advantages for LDCs, China and other developing countries.

## 8.4. Cotton, yarn and fabrics

### 8.4.1. Cotton

China is one of the world's largest cotton producers and its cotton production has continued to rise, especially since accession to WTO. Despite the financial crisis, China's cotton production reached 7.492 million tons in 2008, an increase of nearly 2.5 times compared to 1978.

**Figure 32. Cotton production in China, 1978–2008**



Source: National Bureau of Statistics China.

China is the biggest consumer of cotton, especially in recent years, because of the rapid development of China's textile industry.

**Table 30. Cotton consumption, 1995–2009**

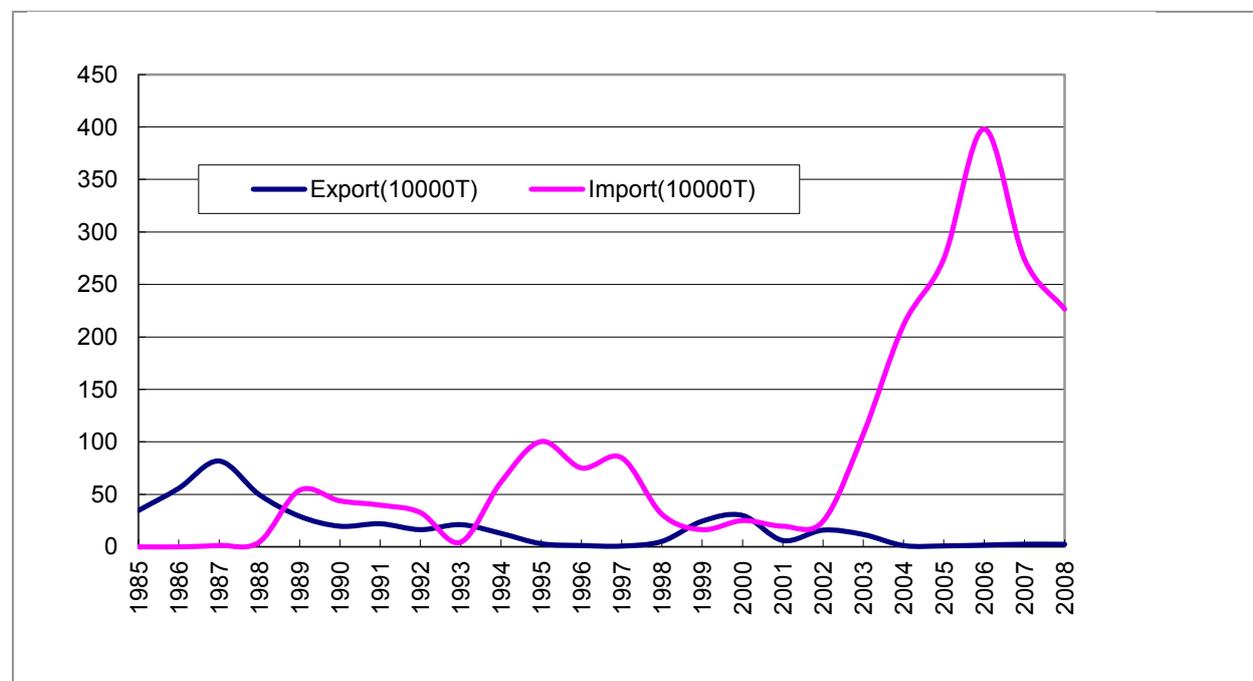
Unit: 1,000 tons

Year	World	China	Proportion	USA	Proportion	India	Proportion	Pakistan	Proportion	Turkey	Proportion	Others	Proportion
1995/96	18 733	4 289	22.90%	2 318	12.40%	2 608	13.90%	1 568	8.40%	950	5.10%	7 000	37.40%
1996/97	19 165	4 420	23.10%	2 422	12.60%	2 857	14.90%	1 524	8.00%	1 031	5.40%	6 911	36.10%
1997/98	18 976	4 267	22.50%	2 471	13.00%	2 760	14.50%	1 565	8.20%	1 089	5.70%	6 824	36.00%
1998/99	18 583	4 180	22.50%	2 265	12.20%	2 748	14.80%	1 524	8.20%	1 002	5.40%	6 864	36.90%
1999/00	19 814	4 638	23.40%	2 220	11.20%	2 950	14.90%	1 666	8.40%	1 219	6.20%	7 121	35.90%
2000/01	20 073	5 117	25.50%	1 929	9.60%	2 949	14.70%	1 764	8.80%	1 125	5.60%	7 189	35.80%
2001/02	20 581	5 715	27.80%	1 676	8.10%	2 890	14.00%	1 851	9.00%	1 339	6.50%	7 110	34.50%
2002/03	21 472	6 510	30.30%	1 584	7.40%	2 896	13.50%	2 047	9.50%	1 372	6.40%	7 063	32.90%
2003/04	21 344	6 967	32.60%	1 354	6.30%	2 939	13.80%	2 090	9.80%	1 306	6.10%	6 688	31.30%
2004/05	23 693	8 382	35.40%	1 457	6.10%	3 222	13.60%	2 341	9.90%	1 546	6.50%	6 745	28.50%
2005/06	25 404	9 798	38.60%	1 278	5.00%	3 636	14.30%	2 504	9.90%	1 502	5.90%	6 686	26.30%
2006/07	26 937	10 886	40.40%	1 074	4.00%	3 941	14.60%	2 613	9.70%	1 589	5.90%	6 834	25.40%
2007/08	26 882	11 213	41.70%	999	3.70%	4 050	15.10%	2 613	9.70%	1 306	4.90%	6 701	24.90%
2008/09	24 196	9 798	40.50%	781	3.20%	3 897	16.10%	2 504	10.30%	1 089	4.50%	6 127	25.30%

Source: United States Department of Agriculture.

Thanks to its long, fine fibre, high grade Egyptian cotton is imported for the production of high quality fabrics. The United States is the largest exporter of cotton in volume. United States cotton attracts users because of good service, technical support, guidance in fashion trends, and low price. China imported 994,000 tons from the United States, valued at US\$ 1,667 million, in 2008, accounting for 43.9% of total imports.

**Figure 33. China's imports and exports of cotton, 1985–2008**



Source: Comtrade Database.

The top five exporter countries shared 85.3% of China's cotton imports. In recent years, the share of cotton imports from India has drastically increased, from 3.07% in 2005 to 27.4% in 2008. Uzbekistan, Australia and Burkina Faso are also important sources of China's cotton imports. In 2008, imports from them were 265,000 tons, 117,000 tons and 112,000 tons respectively.

#### 8.4.2. Cotton yarn

Export of cotton yarn increased from 245.5 thousand tons in 2001 to 583.7 thousand tons in 2007. In 2008, 724.5 thousand tons of cotton yarn was imported, a decrease of 14.79% from the previous year.

**Table 31. China's imports and exports of cotton yarn, 2001–2008**

									Unit: 1,000 tons
Item	2001	2002	2003	2004	2005	2006	2007	2008	Annual GR (%)
Export	245.5	388.4	504.2	431.2	469.5	577.3	583.7	547.2	12.13%
Import	533.5	613.8	711.6	714.7	793.8	938.0	850.3	724.5	4.50%

Source: CNTAC, China Textile Industry Development Report, 2001–2008.

Note: Export 2001\* (1+AGR)<sup>7</sup> = Export 2008, Import 2001\* (1+AGR)<sup>7</sup> = Import 2008.

The first three import sources of cotton yarn for China are India, Viet Nam and Thailand in 2009. Netherlands had achieved the biggest growth rate on exporting cotton yarn to China in 2009. The value of cotton yarn imported from Italy, the United Kingdom and Belgium dropped in 2009.

**Table 32. China's imported cotton yarn, 2009**

Country/region	Net weight (kg)	GR (%)	Value (\$)	GR (%)
France	2 505	123.86	52 280	-19.89
Belgium	18 100	-5.97	148 034	98.11
Bangladesh	49 400	N.A.	88 155	N.A.
Turkey	520 846	41.69	1 119 824	-1.92
Netherlands	12 064	9 953.34	118 078	61 399
India	73 982 008	32.57	177 740 914	25.60
United States	1 080 802	312.51	3 652 108	353.15
Viet Nam	73 651 015	155.90	171 251 948	145.45
Spain	1 698	1 402.65	9 353	1 622.47
Italy	542 379	-40.17	3 331 921	-26.25
United Kingdom	16 118	-13.72	108 111	-26.10
Thailand	18 567 274	13.18	42 194 594	2.78

The three most important export destinations for cotton yarn from China in 2009 were Bangladesh, Italy and Viet Nam, with Viet Nam achieving the biggest growth rate in imports that year. The value of cotton yarn exported to Belgium, Turkey, Netherlands, India, the United States, Spain and Italy dropped in 2009.

**Table 33. China's exports of cotton yarn, 2009**

Country/region	Net weight (kg)	GR (%)	Value (\$)	GR (%)
Belgium	797 421	-11.75	2 536 043	-21.71
<b>Bangladesh</b>	<b>16 973 602</b>	<b>-16.42</b>	<b>66 996 217</b>	<b>-10.94</b>
Turkey	1 010 606	-64.32	4 697 986	-63.00
Netherlands	507 083	-19.21	1 453 191	-17.87
India	1 116 808	-99.99	5 188 344	42.62
United States	1 886 455	-58.46	5 609 642	-55.69
France	259 453	80.60	688 407	81.41
Viet Nam	4 894 914	110.99	16 671 256	72.25
Spain	1 022 655	-14.89	2 858 219	-24.55
Italy	7 809 793	-33.98	43 219 961	-43.92
United Kingdom	986 083	27.58	2 288 151	10.27
Thailand	3 692 892	2.06	15 58 606	0.84

### 8.4.3. Cotton grey fabrics

In 2008, China imported 1,114 million metres of cotton fabric, a drop of 19.63% compared to the previous year.

**Table 34. China's imports and exports of cotton fabrics, 2001–2008**

Unit: million m

Item	2001	2002	2003	2004	2005	2006	2007	2008	Annual GR (%)
Export	3 060	4 146	5 035	4 792	5 492	6 276	6 247	6 731	11.92%
Import	1 437	1 512	1 539	1 604	1 564	1 498	1 386	1 114	-3.57%

Source: China Textile Industry Development Report.

The three most important import sources of greige fabric for China in 2009 were Italy, the United Kingdom and Turkey. Belgium achieved the biggest growth in exports of greige fabric to China that year.

**Table 35. China's imported greige fabric, 2009**

Country/region	Value (\$)	GR (%)
France	14 864 225	-33.91
Belgium	9 265 290	53.05
Bangladesh	n.a.	n.a.
Turkey	16 452 522	-25.63
Netherlands	9 483 986	-6.07
India	5 742 004	12.90
United States	13 892 903	-25.93
Viet Nam	453 979	-77.67
Spain	9 376 653	52.44
Italy	196 957 654	-13.14
United Kingdom	35 549 921	-10.41
Thailand	250 965	-86.01

The top three export destinations for greige fabric from China in 2009 were Italy, Turkey and Viet Nam. The Netherlands had the largest growth in imports of greige fabric from China in 2009.

**Table 36. Exporters of greige fabric to China, 2009**

Country/region	Value (\$)	GR (%)
France	3 911 472	38.03%
Belgium	2 367 092	-24.43%
Bangladesh	39 368 510	10.94%
Turkey	64 478 053	-25.38%
Netherlands	1 368 359	38.87%
India	14 777 900	-48.50%
United States	17 737 840	-50.63%
Viet Nam	46 962 945	-31.63%
Spain	3 113 118	-31.24%
Italy	20 571 557	-22.63%
United Kingdom	37 230 206	-1.79%
Thailand	10 676 972	-47.24%

#### 8.4.4. Hemp fibre

In 2008, China imported a total of 448,900 tons of hemp fibre valued at about US\$ 304 million, a decreased of 16.84% in quantity and 16.17% in value from the previous year.

The top five countries exporting hemp fibre to China were France, Belgium, Bangladesh, Brazil and the Netherlands, accounting for 42.6% of China's total hemp fibre imports.

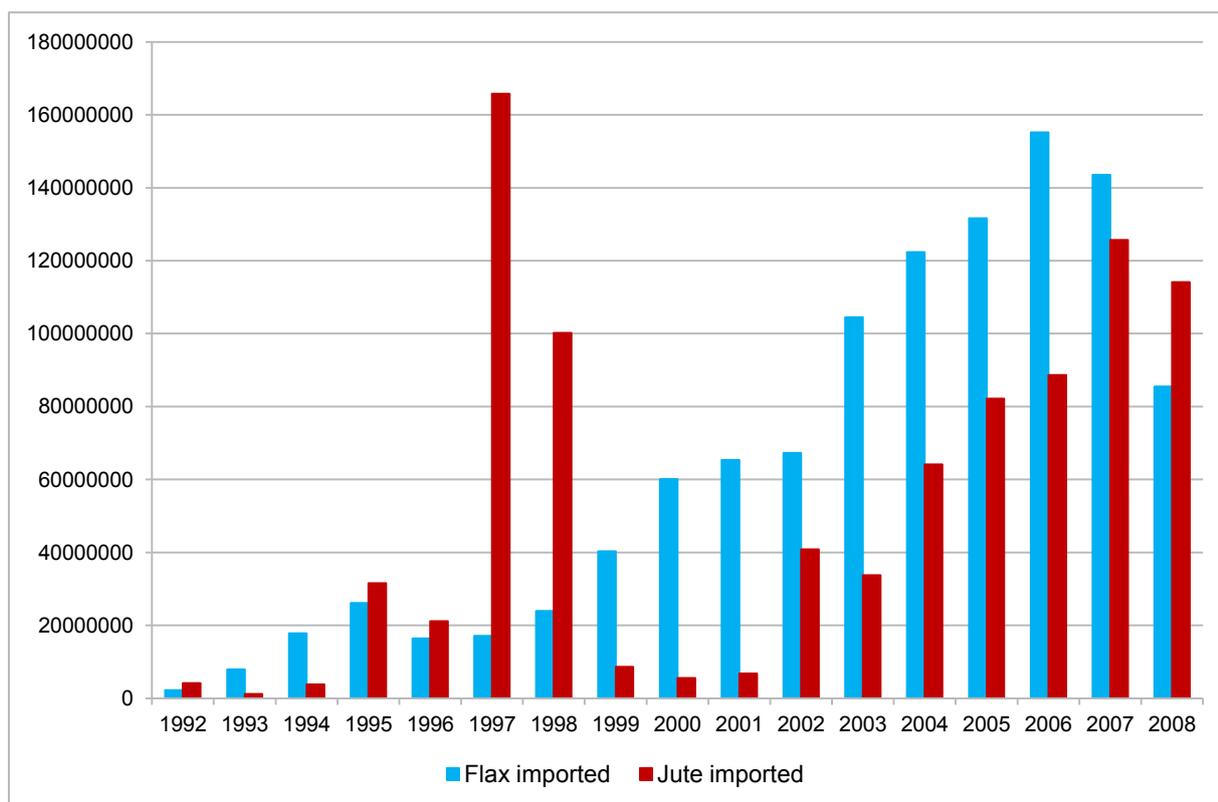
**Table 37. China's hemp fibre imports by country, 2008**

Country/region	Volume (kg)	GR (%)	Value (\$)	GR (%)	Price (\$/kg)	GR (%)
France	53 764 370	-36.92	119 669 669	-23.69	2.49	28.35
Belgium	18 791 168	-43.51	41 367 226	-22.28	2.2	37.5
Bangladesh	98 898 065	-7.9	37 347 888	9.68	0.38	18.75
Brazil	16 143 912	-37.98	13 174 680	-33.79	0.82	7.89
Netherlands	3 734 352	-26.53	10 256 770	-6.46	2.75	27.31

Source: CNTAC, China Textile Industry Development Report.

The planting of flax and development of raw materials seriously lag behind the needs of the flax industry. Two-thirds of high-quality raw flax needs to be imported. The domestic acreage of flax, ramie and jute has been reduced significantly.

About 50% of flax depends on imports, primarily from European countries. Since the financial crisis of 2008, European countries have raised the price of flax, making domestic company's profits drop sharply.

**Figure 34. China's flax and jute imports, 1992–2008**

Source: <http://comtrade.un.org/db/>.

## 9. Existing national support schemes

China has cooperated with LDCs and developing countries for years, holding forums and making policies to support them in accelerating their development in the field of economy and trade.

### 9.1. Cooperation with African countries

The Fourth Ministerial Conference of the Forum on China–Africa Cooperation (FOCAC)

At the Fourth Ministerial Conference of FOCAC in November 2009, Chinese Premier Wen Jiabao, on behalf of the Chinese Government, announced eight new measures to promote practical cooperation with Africa. During the conference, China and Africa passed the Sharm El Sheikh Action Plan (2010–2012).

The Chinese side committed to send 50 agricultural technology teams to train 2,000 agricultural technology personnel for African countries, and promised to help build 20 agricultural technology demonstration centres. The centres will carry out experiments, demonstration projects, and training programmes in crop seed selection, farming, fish breeding and animal raising.

The meeting also implemented China's decision to contribute US\$ 30 million to the United Nations Food and Agriculture Organization (FAO) to set up a trust fund, and to actively use the trust fund to support South-South cooperation between China and African countries under the framework of the FAO Special Programme for Food Security.

The Chinese side offered to increase the size of the China–Africa Development Fund to US\$ 3 billion to support the expansion of investment from Chinese businesses in Africa.

The two sides promised to continue to do a good job in establishing overseas business cooperation zones in Africa, to intensify efforts to attract investment, to actively encourage more Chinese companies to make

investment in the cooperation zones, and to provide facilitation to African small and medium-sized enterprises (SMEs) to develop their business in the zones.

In the next three years, the Chinese side will provide US\$ 10 billion in concessional loans to African countries, which will be used mainly to support infrastructure and social development projects; and will set up a special loan of US\$ 1 billion for development of African SMEs.

The Chinese Government offered to cancel due debts of interest-free government loans that will mature by the end of 2009 owed by all heavily-indebted poor countries and any LDCs in Africa having diplomatic relations with China.

The Chinese side promised to further open its market to African countries. It offered to, in a phased manner, grant tariff exemption treatment to 95% of exports from LDCs in Africa having diplomatic relations with China. As the first step, from 1 July 2010, China began to offer zero tariff rates on 60% of products originating from 26 African countries. These countries are: Benin, Burundi, Central African Republic, Chad, Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Rwanda, Sierra Leone, Sudan, Togo, Uganda, the United Republic of Tanzania and Zambia

## **9.2. Cooperation with South Asian countries**

The Asia–Pacific Trade Agreement

The Asia–Pacific Trade Agreement (APTA), formerly known as the Bangkok Agreement, includes six official member countries: China, Bangladesh, India, the Republic of Korea, the Lao People's Democratic Republic and Sri Lanka. APTA is the only tariff reciprocity organization formed by developing countries in the Asia–Pacific region. The purpose of APTA is the adoption of tariff and non-tariff concessions on imported goods, the expansion of trade and economic cooperation, and the common development of member countries.

In June 2010, the 36th Standing Committee Meeting of APTA was held in Ulan Bator, the capital of Mongolia. Six members of APTA started the fourth round of tariff concession negotiations and reached broad consensus on the investment and trade facilitation framework agreements, non-tariff measures, rules of origin, Mongolia joining APTA, and other issues.

## **9.3. Barriers affecting the cooperation**

China has made great efforts to help LDCs and developing countries to promote their economic stability and growth, although during the process of implementation, there are still some barriers affecting in-depth cooperation.

For companies engaging in international trade, local financial institutions are absolutely necessary. But the local financial system in LDCs is lagging behind. Loans and credits cannot be made by local banks and the clearing of trade transaction is somewhat risky.

Besides, because of low productivity, the cost of the farming products of LDCs is comparatively high. Industrial products imported by Chinese companies are not competitive in the Chinese market.

Furthermore, the small and scattered organizations of production in LDCs and developing countries makes providing technical and financial support difficult.

## **9.4. Case study: Bangladesh RMG industry**

China and Bangladesh established diplomatic relations in 1975. Since then, the relationship between the two countries has grown to cover a wide spectrum of bilateral relations, especially in business and trade. China is Bangladesh's biggest trade partner. Bilateral trade between the two countries reached as high as approximately US\$ 4.6 billion, reflecting a very sharp growth over time.<sup>32</sup> In 2009, China imported garments

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<sup>32</sup> [www.peopleforum.cn](http://www.peopleforum.cn).

worth US\$ 2 billion, among which shipments from Bangladesh amounted to nearly \$20 million.<sup>33</sup> China's imported textiles and clothing from Bangladesh accounted for more than 50% of China's total imports from LDCs.

China and Bangladesh are both in APTA. Bangladesh has enjoyed conventional tariff rate and special preferential tariff rates from China for a long time. Since the 2008 worldwide financial tsunami, the global economy has been greatly affected and is recovering gradually. The textiles industry in China is still meeting new problems and greater challenges than ever before. The two governments are actively seeking new ways to help recover from the crisis faster. Prime Minister Sheikh Hasina visited Beijing and the two countries decided to establish a 'Closer Comprehensive Partnership of Cooperation', which has pushed the bilateral economic relationship to a higher level.

From 1 July 2010 China has provided duty-free entry to major Bangladeshi products to open up opportunities for the local exporters in Bangladesh.

Bangladesh is well-known as the world's biggest manufacturing and exporting zone of all kinds of jute and jute goods, which contributes greatly to bilateral trade between China and Bangladesh.

According to trade data from the Export Promotion Bureau in Bangladesh, the share of ready-made garments (RMGs) among all the products exported from Bangladesh reached 77.17% in July–November 2010. Woven garments reached US\$ 2.13 billion and knitwear US\$ 2.59 billion, totalling US\$ 4.72 billion. And China is an important export destination for Bangladesh.

China has its own local RMG companies, but a significant number of Chinese garment.

Factories that made basic RMG products earlier faced closure in China. More Chinese manufacturers are now reluctant to produce basic RMG items and have recently shifted from basic RMG items to high-end apparel. Bangladesh has a very convenient access to international sea and air routes, and compared with the transportation cost, the cheaper labour cost, the appreciation of the RMB and the zero tariff entry policy are attracting more global buyers to source basic RMGs from Bangladesh.

In the meantime, larger international buyers in China such as Zara and H&M are also showing an interest in purchasing all types of textiles and apparel products from Bangladesh.

It is also a trend that China imported RMG products from Bangladesh while exporting yarn and fabrics to Bangladesh. For example, over 1,000 companies in Bangladesh produce woven textile products, and 60% of their woven fabric is imported from China, India and Pakistan.<sup>34</sup>

Under these preference policies between China and Bangladesh, bilateral trade has been greatly promoted. Both sides are enjoying great benefits through long-term friendship and cooperation.

## 10. Recommendations for developing countries and LDCs

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

However, retailer giants such as Zara, H&M, and C&A are increasing their sourcing from developing countries and LDCs for the Chinese market. Furthermore, changes in the fashion market and in sourcing patterns are making it possible to enhance competitiveness by factors other than cost and price.

Effective strategies of exploiting and penetrating new emerging markets like China are based on a better understanding of:

- Who are the buyers in the Chinese market and what are their sourcing criteria and priorities?
- Who are the consumers in the Chinese market and what are their demands?

<sup>33</sup> <http://bangladesheconomy.wordpress.com>.

<sup>34</sup> <http://cptc.webtex.cn>.

- What are LDCs' advantages and disadvantages compared with Chinese competitors?
- Are there any possibilities for collaboration with Chinese textile and clothing industry partners rather than competing with them?

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

### **10.1. Government policies and strategies**

#### **(a) The market perspective**

China is the biggest consumer of raw materials in the textile and clothing industry. Cotton, jute, yarns and fabrics from LDCs are expected to have enormous market share.

China is also the largest potential market for textiles and clothing. As a developing country, China shows a latent large-scale high-end market, and at the same time has huge room for low-end to middle-end products, which is an important target market for LDCs. Nowadays, Chinese consumers are eager for those affordable products with relatively high quality and fashion style.

In China's post-WTO accession transition period, global buyers, retailers and brand merchants such as Zara and H&M started to enter China market in force, and they are becoming important players in sourcing from LDCs and developing countries for China market.

#### **(b) The business climate**

Maintaining political and economical stability will reduce the risk and cost of sourcing. Corruption and bureaucracy would certainly keep business inefficient, drive investors out of country, and increase costs.

Financial support is SMEs, especially for farmers in LDCs. It is import for LDCs to build their financial systems to benefit investors, lenders and firms, and to complete linkages with China's financial support scheme for LDCs.

Speeding up customs clearance shortens the lead time. Strict audits of social compliance and environment protection help to build a fair-play climate.

#### **(c) Infrastructure**

Transportation, communications and ICT platform construction is of vital importance, as these factors affect the productivity and efficiency of running business for both buyers and suppliers. Infrastructure is a bottleneck for exporting as the fashion markets change dramatically.

#### **(d) Regional integration and international cooperation**

Economic cooperation between LDCs and China should take advantage of the free trade regime and Chinese economic cooperation scheme for Africa and Asia, such as cooperative projects between the governments, technological support and loans, and strengthen the collaboration between companies, to achieve a win-win cooperation mode, such as financial and technology support. In this case, China could contribute to the development of the textile and clothing industry in LDCs through investment and by making use of the local natural and labour resources.

Free trade zones and regional agreements on preferential trade, such as the China–ASEAN Free Trade Agreement, will help. Furthermore, the zero tariff scheme provided by China to LDCs will certainly encourage them to export to China. However, it is more meaningful to integrate the textile industry horizontally and vertically to build a production and distribution network. Most LDC textile and clothing industries focus on only a few sectors or divisions. This provides them with comparative advantages and opportunities for cooperation with others. For example, Bangladesh is specialized in sewing and processing of garments using Chinese-supplied fabrics.

(e) Education and training

Skilled and well-trained labour will contribute greatly to the quality, productivity and reputation of the industry, and enhance its competitiveness.

(f) Raw material supplying

LDCs have abundant resources such as cotton, flax, jute and silk. The fluctuation of production and prices of these materials hurts industries. The integration of production chains and strategic partnerships between the regions and countries may benefit both.

The import of raw materials and intermediate products into China is continuously increasing. For LDCs, improving productivity, enhancing price competitiveness, providing stable supply, favourable credit and satisfactory service are the determining factors in the process.

## 10.2. Industry strategies

The reconstruction of the global production network (GPN) and global value chain brings considerable changes to the procurement process, which requires suppliers to meet the product standards and criteria of global sourcing.

(a) Targeting and positioning.

Luxury and premium goods are dominated by European brands and most of them are made in developed countries. For high-end fashion, consumers are sensitive to brand origin as well as manufacturing country origin.

Basic fashion and basic products are mainly locally made, with a portion produced in developing countries or LDCs. Basically, Chinese consumers do not care too much about country origin. They are sensitive to price. LDC producers could hardly compete with Chinese suppliers with regard to delivery time, quality, skilled labour, and production capacity. This is why national retailers and brands (such as Metersbonwe) usually do their sourcing domestically.

However, multinational brands and companies will take all factors into consideration such as easy access to market, geographic distance, economies of scale in global sourcing, tariff and non-tariff barriers, political and institutional factors, costs, and lead time.

In short, garments imported from LDCs are distributed by giant multinational retailers and brands, and are mainly targeted at the mass market.

(b) Criteria and priorities.

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

Currently, the export of textile and clothing products to China is mainly through mass merchandising in the form of fast fashion such as Zara. To meet the high sourcing requirements of these buyers, short lead time and high flexibility of the industry is vital. With the increasing costs of raw material and labour in China, and the appreciation of the RMB, there are opportunities for LDCs to export textile and clothing products to China.

(c) Industrial upgrading

It is necessary for companies in LDCs to undergo industrial upgrading – increasing efficiency and decreasing cost, developing new products, improving design ability, shortening delivery time, adopting a differentiation strategy in the Chinese market – as well as paying attention to niche market as well.

(d) Advanced equipment

The garment industry should closely monitor the sewing machinery industry and update facilities to improve quality, productivity and production capacity. Flexible production lines, such as UPS will cut set-up costs and work in process (WIP), and thus be flexible to market changes.

(e) Digital technology and QR

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

These equipment and software based on the Internet and intranets supported by MIS will ensure quality and quick response time, and will reduce transaction costs and lead times.

Online technologies in global sourcing such as online design and proofing are becoming more and more common. These techniques could enhance supply chain efficiency, and ability to meet the need for market variety and fashion changes.

(f) Internet and e-commerce

The Internet provides not only a channel for communication and a transaction platform, but also creates a variety of new business models and market opportunities with high efficiency and low costs. For example, global mass customization for fashion goods and e-retailing and e-trading.

(g) Recycled fibre industry

China is the largest recycled polyester fibre producer, and imports large amounts of used PET materials. It is a good practice to build collection and cleaning factories for recycling in LDCs and export to China for further processing.

(h) Strategic partnership with Chinese firms

Cooperation at the company level is more feasible form of cooperation between China and LDCs, and can be profitable for both. For example, LDC firms may get investment or joint ventures in cash, know-how and equipment from Chinese firms and produce and export fabrics, garment and other finished goods instead of raw materials.

(i) Good will and trust

SCM and CRM must be backed by mutual trust and close relationship between vendors and buyers.

## Appendix I      Contacts for garments companies

361°

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Address: 10/F, 21-22/F, Suites 1407-1470. City plaza 12/F. Taikoo Wan Road. Taikoo Shing. Island East, Hong Kong, China

Tel.: +852-149-3888; Fax: +852-2149-3898

www.adidas.com

Aimer

Address: Aimer Mansion(C), New High-Tech Industrial Development Zone, Chaoyang District, Beijing, China

Tel.: +86-10-6439-2626; Fax: +86-10-6439-2004; E-mail: aimer@aimer.com.cn

www.aimergroup.com

Online shop: www.aimer.com.cn, www.shopaimer.com

Anta

Address: Room 4408, 44F, Zhongyuan Mansion, No. 183 Middle Queen Avenue, Hong Kong, China

Tel.: +852-2116-1660

www.anta.com

Artis

Address: 1101-04, F11 Guangsheng Mansion, No. 228 Tianhe Road, Guangzhou, Guangdong 510620, China

Tel.: +86-20-3833-0735; Fax: +86-20-3833-0753; E-mail: gd-artis@com.cn

www.artis.cn

Aubade

Address: 10, rue du Colonel Driant, 75001 Paris, France

Tel.: +33-1-70-99-20-00; Fax.: +33-1-70-99-20-27

www.aubade.com

Audrey

Address: 5<sup>th</sup> F, No. 342 Chang An W. Road, Taipei 103, China Taipei

Tel.: +886-2-2552-1542; Fax: +886-2-2552-4977; E-mail: trade@mail.audrey.com.tw

www.audrey.com.tw

Balabala

Address: No. 1189 SenMa Masion, Liuhong Bridge Road, Wenzhou, China

Tel.: +86-577-8808-9999

www.balabala.com.cn

Betu

Address: Tungtex mansion 11/F. 203 WeiYe Street, Kwun Tong, Kowloon, Hong Kong, China

Tel.: +852-2797-7900; Fax: +852-2797-8315

www.betu.com.hk

Bobdog

Address: Room601, 255 Wubao Road, Qibao Town, Shanghai, China

Tel.: +86-21-6421-4188; Fax: +86-21-6421-0519

www.bobdog.com.cn

**Boshiwa**

Address: Pudong Wai Gaoqiao Free Trade Zone No. 78, Taigu Road, Shanghai, China  
Tel.: +86-21-5866-6208; Fax: +86-21-5866-1477  
www.boshiwa.cn

**Bossini**

Hong Kong office  
Address: Level 1, The Long Beach, 8 Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong, China  
Tel.: +852-2371-1688; Fax: +852-2786-0869  
www.bossini.com  
Online shop: <http://bossini.tmall.com>

**Burberry**

Address: Horseferry House, Horseferry Road, London SW1P 2AW, England  
Tel.: +44-20-3402-1444  
www.burberry.com

**C&A**

Shanghai Office  
Address: 5p18 Shanghai Mart, 2299 Yan'an Road West Shanghai 200336, China  
Tel.: +86-21-5253-4666; Fax: +86-21-6236-6268  
www.c-and-a.com

**Camel Active**

Address: Herforder Strasse 182-194, D-33609 Belefeld, Germany  
Tel.: +49-521/306-0; Fax: +49-521/306-83803; E-mail: [camelactive@cmlc.de](mailto:camelactive@cmlc.de)  
www.camelactive.de

**Celine**

Address: 23-25 Rue Do Pont Neuf, 75001 Paris, France  
Tel.: +33-1-55-80-12-12; Fax: +33-1-55-80-12-00  
www.celine.com

**Cerruti 1881**

Address: 3, Place de la Madeleine, 75008 Paris, France  
Tel.: + 33-1-53-30-18-81; Fax: +33-1-53-30-19-43; E-mail: [commercial@cerruti.com](mailto:commercial@cerruti.com)  
www.cerruti.com

**Chanel**

China office  
Tel.: +86-21-5868-3030  
www.chanel.com

**Chilier**

Address: Building A, 11F, Haixing Square, South Ruijin Road, Luwan District, Shanghai, China  
Tel.: +86-21-6403-6688; Fax: +86-21-6403-6677; E-mail: [chenbin@chilier.cn](mailto:chenbin@chilier.cn)  
www.chilier.cn

**CK**

Address: 205 West 39th Street, New York, 10018, United States of America  
www.calvinklein.com

**Conch**

Address: No. 584 Zhizaoju Road, Shanghai 200023, China  
Tel.: +86-21-5661-3334  
www.myconch.com

## Converse

Hong Kong office

Address: Suite 3107-08, Tower2, The Gateway, 25 Canton Road, Tsim Sha Tsui, Hong Kong, China

Tel.: +852-2302-0213; Fax: +852-2302-0263

www.converse.com

Online shop: www.conslive.com

## Dior

Address: 30 Avenue Montaigne, Paris, France

Tel.: + 33-1-44-13-22-32/22-43

www.dior.com

Online shop: www.diorchina.com

## Dunhill

Hong Kong office

Tel.: +852-3516-8311

www.dunhill.com

## Ermenegildo Zegna

Address: Savona 56/a, 20144 Milano, Italy

Tel.: +39-2-4220-91 Fax: +39-2-4220-9101

www.zegna.com

## Esprit

Address: Esprit International, 1370 Broadway 16th Floor, New York, NY 10018, United States of America

Tel.: +1-212-401-1122; Fax: +1-212-401-1130

www.esprit.com

Online shop: <http://mode.esprit.de>

## Etam

Address: Shangai Intermoda Clothing Co LTD, Golden Gate square, 11881 Xin Jin Qiao Road, Pudong New Area, Shanghai 201206, China

Tel.: +86-21-5899-9333

www.etam.com

Online shop: www.etam.cn

## Exception

Address: No. 11 Xiaoyuanxincun, Jiangnan Avenue, Guangzhou, Guangdong, China

Tel.: +86-20-8449-8889

www.mixmind.com.cn

## Fairwhale

Address: 7F, of HongRun Bldg., No. 28,200 Lane, LongCao Rd., Shanghai 200235, China

Tel.: +86-21-6475-9944; Fax: +86-21-6484-7665

www.fairwhale.com.cn

Online shop: www.mfplaza.com

## Fila

China office

Address: 6F, Guofeng Science Technology Building, No. 1279 West Zhongshan Road, Changning District, Shanghai 200051, China

Tel.: +86-21-5179-3071; Fax: +86-21-5179-3030; E-mail: [cs@fila-china.com.cn](mailto:cs@fila-china.com.cn)

www.fila.com

## Finity

Address: China Ting Industrial Complex 56 Beisha East Road, Linping Industrial Area, Hangzhou 311100, China

Tel.: +86-571-8625-9226; Fax: +86-571-8625-9211; E-mail: [ffzb@finitivity-intl.com](mailto:ffzb@finitivity-intl.com)

www.finitivity.com.cn

Firs

Address: F1, No. 238 Middle Yunlin Road, Yinzhou District, Ningbo, Zhejiang, China  
Tel.: +86-574-8832-3060; Fax: +86-574-8821-3200  
[www.firs.cn](http://www.firs.cn)

GAP

Address: Two Folsom Street, San Francisco, CA 94105, United States of America  
Tel.: +1-650-952-4400  
[www.gapinc.com](http://www.gapinc.com)  
Online shop: [www.gap.com](http://www.gap.com), <http://bananarepublic.gap.com>, <http://oldnavy.gap.com>,  
<http://piperlime.gap.com>, [www.athleta.gap.com](http://www.athleta.gap.com)

Gieves & Hawkes

Tel.: +44-20-7434-2001  
[www.gievesandhawkes.com](http://www.gievesandhawkes.com)

Giordano

E-mail: [info@giordano.com.cn](mailto:info@giordano.com.cn)  
[www.giordano.com.hk](http://www.giordano.com.hk)  
Online shop: [www.e-giordano.com](http://www.e-giordano.com)

Giorgio Armani

Address: Via Borgonuovo 11, 20121 Milano, Italy  
Tel.: +39-02-72318-1; Fax: +39-02-7231-8549  
[www.armani.com](http://www.armani.com)

Givenchy

Hong Kong office  
Address: 633 King's Road, Office B.18/F, North Point, Hong Kong, China  
Tel.: +852-3195-2200; Fax: +852-2576-4089; E-mail: [info@hk.givenchy.com](mailto:info@hk.givenchy.com)  
[www.givenchy.com](http://www.givenchy.com)

Gujin

Shanghai Office  
Address: F12, Novel Plaza, No. 887, Middle, Huaihai Road, Shanghai, China  
Tel.: +86-21-6474-8818, 21-6474-1800; E-mail: [gujin@sh-gujin.com](mailto:gujin@sh-gujin.com)  
[www.sh-gujin.com](http://www.sh-gujin.com)

H&M

Shanghai Office  
Address: Room 1901-1903, 19F, No. 227, Huangpi(N)rd, Huang Pu District, Shanghai 200003, China  
Tel.: +86-21-2330-5200  
[www.hm.com](http://www.hm.com)  
Online shop:  
<http://shop.hm.com>

Hugo Boss

Address: Dieselstraße 12, 72555 Metzingen, Germany  
Tel.: +49-7123-94-0; Fax: +49-7123-94-2014  
[www.hugoboss.com](http://www.hugoboss.com)  
Online shop: <http://store-uk.hugoboss.com>

IKEA

Tel.: +86-21-5425-2345; E-mail: [cs.cnikea@ikea.com](mailto:cs.cnikea@ikea.com)  
[www.ikea.com](http://www.ikea.com)

Inditex

Address: Avenue. de la Diputación, Edificio Inditex, 15142, Arteixo, A Coruña, Spain  
[www.inditex.com](http://www.inditex.com)

**Jack & Jones**

[www.jackjones.com](http://www.jackjones.com)

Online shop: <http://jackjones.taobao.com>

<http://jackjones.bestsellershop.com>

**Jeans West**

Address: 10F, Xuri Mansion, Juhuayi Road, Jiangbeiyunshan, Huizhou, Guangdong, China

Tel.: 4008-872-872

[www.jeanswest.com](http://www.jeanswest.com)

Online shop: <http://e.jeanswest.com.cn>

<http://jeanswest.taobao.com>

**Jiangsu Redbud Dyeing Technology Co., Ltd**

Address: 1, Liantangduan, Huyi Road, Changshu City 215551, Jiangsu Province, China

Tel.: +86-512-5244-7333; Fax: +86-512-5244-7000

[www.rebud.com.cn](http://www.rebud.com.cn)

**Kaiser**

Address: Kaiser Industrial Town, No. 3 Zhujinyi Street, Zhujin Industrial Zone, Longhu District, Shantou, Guangdong 515041, China

Tel.: +86-754-8880-1888

[www.kaiser.com.cn](http://www.kaiser.com.cn)

**Kappa**

Address: Building 21, No. 2 Jingyuanbei Street, Beijing Economic and Technology Development Zone, Beijing, China

Tel.: +86-10-6783-6666; Fax: +86-10-6785-6626

[www.kappa.com.cn](http://www.kappa.com.cn)

**Les Enphants**

Address: 1855, Qixin Road, Minhang District, Shanghai, China

Tel.: +86-21-6419-3780

[www.phland.com.cn](http://www.phland.com.cn)

**Li-Ning**

Address: No. 8 Xing Guang 5th Street, Opto-Mechatronics Industrial Park, Zhongguancun Science & Technology Area Tongzhou District, Beijing 101111, China

Tel.: +86-10-8080-0808; Fax: +86-10-8080-0000; E-mail: [ccc.support@li-ning.com.cn](mailto:ccc.support@li-ning.com.cn)

[www.li-ning.com](http://www.li-ning.com)

Online shop: [www.e-lining.com](http://www.e-lining.com)

**LV**

Address: 2 Rue du Pont Neuf 75001, Paris, France

Tel.: +33-155-80-3200

[www.louisvuitton.com](http://www.louisvuitton.com)

**Maniform**

Address: 71 Leonard Street, New York City, NY 10013-3433, United States of America

Tel.: +1-212-925-3514; E-mail: [imber@maniform.com](mailto:imber@maniform.com)

[www.maniform.com](http://www.maniform.com)

**MaxMara**

Address: Via Giulia Maramotti 4, 42124 Reggio Emilia, Italy

Tel.: +39-05-22-3991; Fax: +39-05-22-399-3993

[www.maxmara.com](http://www.maxmara.com)

Metersbonwe

Address: No. 800 East Kangqiao Road, Shanghai 201319, China  
Tel.: +86-21-3811-9999; Fax: +86-21-3811-9996; E-mail: gys@metersbonwe.com  
www.metersbonwe.com  
Online shop: <http://metersbonwe.mall.taobao.com>

Mizuno

Address: 21F, Henglong Square, 1266 West Nanjing Road, Shanghai 200040, China  
Tel.: +86-21-3222-4688; Fax: +86-21-6288-0308  
www.mizuno.com

MK

Address: Michael Kors (USA), Inc. 11 W. 42nd Street, New York, NY 10036, United States of America  
E-mail: [inquiries@michaelkors.com](mailto:inquiries@michaelkors.com)  
www.michaelkors.com

Morgan

E-mail: [serviceclients@groupe-beaumanoir.fr](mailto:serviceclients@groupe-beaumanoir.fr)  
www.morgandeto.com

Nautica

Address: Nautica Retail USA, Inc. 40 W. 57th St. New York, NY 10019, United States of America  
E-mail: [service@nautica.com.cn](mailto:service@nautica.com.cn)  
www.nautica.com

New Balance

Address: New Balance, Brighton Landing, 20 Guest St, Boston, MA 02135-2088, United States of America  
Tel.: +1-617-783-4000; Fax: +1-617-787-9355  
www.newbalance.com  
Online shop: [www.shopnewbalance.com](http://www.shopnewbalance.com)

Next

Address: Next, P.O Box 4000, Sheffield, S97 3ET, England  
E-mail: [dataprotection@next.co.uk](mailto:dataprotection@next.co.uk)  
www.next.co.uk

Nike

Address: 1 Bowerman Drive, Beaverton, OR 97005, United States of America  
Tel.: +1-503-671-6453  
www.nike.com

Only

Address: Bestseller A/S, Fredskovvej, 7330 Brande, Denmark  
Tel.: +45-99-42-32-00; Fax: +45-99-42-34-99  
www.only.com  
Online shop:  
<http://only.bestsellershops.com>

Ordifen

Address: No. 7089 Zhongchun Road, Minhang District, Shanghai 201101, China  
Tel.: +86-21-6085-0888  
www.ordifen.com.cn  
Online shop: [www.e-ordifen.com](http://www.e-ordifen.com)

**Peak**

Address: Peak Zone, Dongbao Industrial Area, Donghai, Quanzhou, Fujian 362000, China  
Tel.: +86-595-2802-8395, 595-2291-3188, 595-2291-9209; Fax: +86-595-2802-8395  
E-mail: [info@peaksport.com.hk](mailto:info@peaksport.com.hk)  
[www.chinapeak.com](http://www.chinapeak.com)  
Online shop: [www.epeaksport.com](http://www.epeaksport.com)

**Pierre Cardin**

Address: Boutique Pierre Cardin, 59 Faubourg Saint-Honore 75008 Paris, France  
[www.pierrecardin.com](http://www.pierrecardin.com)

**Prada**

Address: via Antonio Fogazzaro, 28, 20135 Milan, Italy  
Tel.: +39-2-5502-81; Fax: +39-2-5502-8859  
[www.prada.com](http://www.prada.com)

**Puma**

Address: Puma-Way 1, 91074 Herzogenaurach, Germany  
Tel.: +49-9132-81-0; Fax +49-9132-81-2246  
[www.puma.com](http://www.puma.com)  
Online shop: [www.puma.com/store](http://www.puma.com/store)

**Ralph Lauren**

[www.ralphlauren.com](http://www.ralphlauren.com)  
Online shop: [www.ralphlauren.com](http://www.ralphlauren.com)

**Rawcott International Ltd**

Hong Kong Office  
Address: Room 603, Street, George's Bldg, 2 Ice House Street, Central, Hong Kong, China  
Tel.: +852-2522-1162; Fax +852-2810-5869  
<http://elitehiend.com>

**Reebok**

Hong Kong office  
Address: Suite 1101, 11/F Cityplaza One, 1111 King's Road, Taikoo Shing, Island East, Hong Kong, China  
Tel.: +852-2302-8000; Fax: +852-2302-8637  
[www.reebok.com](http://www.reebok.com)

**Romon**

Address: No. 94 Jiangning Road, Fenghuajiangkou Street, Ningbo, Zhejiang, China  
Tel.: +86-574-8855-8888  
[www.romon.com](http://www.romon.com)

**Rouse**

Address: Rouse Industrial Park, Shiqi Street, Yinzhou District, Ningbo, Zhejiang, China  
Tel.: +86-574-8826-0202; Fax: 86-574-8826-3366; E-mail: [rouseco@mail.nbptt.zj.cn](mailto:rouseco@mail.nbptt.zj.cn)  
[www.rousegroup.com](http://www.rousegroup.com)

**Salvatore Ferragamo**

Address: Palazzo Feroni Via Tornabuoni 250123 Florence, Italy  
Tel.: +39-55-292-123; Fax: +39-55-336-0468; E-mail: [info@ferragamo.com](mailto:info@ferragamo.com)  
[www.ferragamo.com](http://www.ferragamo.com)  
Online shop: [www.ferragamo.com](http://www.ferragamo.com)

**Semir**

Tel.: +86-21-6451-1818; Fax: +86-21-6728-8112; E-mail: [315@vip.semir.com](mailto:315@vip.semir.com)  
[www.semir.com](http://www.semir.com)  
Online shop: <http://semir.mall.taobao.com>

Shanghai Donglong Feather Manufacture Co., Ltd  
Address: 27 of Huaminhanzun International, 726 Yan'an(w) Road, Shanghai, China  
Tel.: +86-21-6225-2333 Fax: +86-21-5238-5900  
[www.donglongfm.com](http://www.donglongfm.com)

Shanghai Three Gun Group Co., Ltd  
Address: 888, Huangpi Road( s), Shanghai 200025, China  
Tel.: +86-21-6373-7888  
[www.threegun.com.cn](http://www.threegun.com.cn)

Shenzhen Huafu Textile Holding Group  
Address: Block B, Lianhe Square, No. 5022, Binhe Avenue, Futian District, Shenzhen, China  
Tel.: +86-755-8369-3666 Fax: +86-755-8373-2646  
[www.e-huafu.com](http://www.e-huafu.com)

Shenzhou International Group  
Address: 18 Yongjiang Road, Ningbo Economic and Technical Development Zone, Ningbo, Zhejiang Province, China  
Tel.: +86-574-8698-0888; Fax: +86-574-8698-0022; E-mail: [pub@shenzhougroup.com](mailto:pub@shenzhougroup.com)  
[www.shenzhouintl.com](http://www.shenzhouintl.com)

Shuihaier  
Address: 100144 Liuniangfu Road, Shijingshan District, Beijing, China  
Tel.: +86-10-5263-7306; Fax: +86-10-8874-3664  
[www.shuihaier.com](http://www.shuihaier.com)

Sisley  
China office  
Address: 52 F, Donghai Square, Tongren Road, Shanghai, China  
[www.sisley.com](http://www.sisley.com)

Sunflora  
Address: No. 99 Honggang Road Jingzi District, Dalian, China  
Tel.: +86-411-8685-8999; Fax: +86-411-8685-8084; E-mail: [webmaster@sunflora.com.cn](mailto:webmaster@sunflora.com.cn)  
[www.sunflora.com.cn](http://www.sunflora.com.cn)

The North Face  
Address: The North Face (Italy) S.r.l.Via Levada 145, 31040 Pederobba, Italy  
Tel.: +39-423-683-110; Fax: +39-423-683-120; E-mail: [vfa\\_infenquiry@vfc.com](mailto:vfa_infenquiry@vfc.com)  
[www.thenorthface.com](http://www.thenorthface.com)

Tom Tailor Kids  
Address: 515 S. Flower Street, Suite 4400.Los Angeles, California 90071, United States of America  
[www.tom-tailor.com](http://www.tom-tailor.com)

Tommy Hilfiger  
E-mail: [tommyhelp@filltek.com](mailto:tommyhelp@filltek.com)  
<http://usa.tommy.com>

Tonlion  
Address: No. 157-6 Qiwen Road, Ningbo, Zhejiang 315012, China  
Tel.: +86-574-8746-6055; Fax: +86574-8746-3672; E-mail: [tonlion@tonlion.com](mailto:tonlion@tonlion.com)  
[www.tonlion.com](http://www.tonlion.com)  
Online shop: <http://tonlion.tmall.com>

Tony Wear  
Address: No. 2046 Long wu Road, Shanghai 200231, China  
Tel.: +86-21-6496-8599; Fax: +86-21-5482-6912; E-mail: [tonywear@tonywear.com](mailto:tonywear@tonywear.com)  
[www.tonywear.com](http://www.tonywear.com)

**Triumph**

Address: 12F, Jiushifuxing Mansion, 918 Middle Huaihai Road, Shanghai, China  
Tel.: +86-21-6415-5880; Fax: +86-21-6415-3960, [www.dlady.net](http://www.dlady.net)  
[www.triumph.com](http://www.triumph.com)

**Trussardi**

Address: Trussardi S.p.A. Piazza Eleonora Duse n. 4 20122 Milan, Italy  
Tel.: +39-02-806-8821; E-mail: [pressoffice@trussardi.com](mailto:pressoffice@trussardi.com)  
[www.trussardi.com](http://www.trussardi.com)  
Online shop: [www.shop.trussardi1911.com](http://www.shop.trussardi1911.com)

**Umbro**

## Shanghai office

Address: Room801, Xincheng Mansion, 167 Jiangning Road, Jing'an District, Shanghai, China  
Tel.: +86-21-5213-1825; Fax: +86-21-5213-1881  
[www.umbro.com](http://www.umbro.com)

**Uniqlo**

Address: 6F, No. 969, West Nanjing Road, Jing'an District, Shanghai 200041, China  
Tel.: 400-888-0296  
[www.uniqlo.cn](http://www.uniqlo.cn)

**UR**

E-mail: [info@ur.cn](mailto:info@ur.cn)  
[www.ur.cn](http://www.ur.cn)

**Valentino**

[www.valentino.com](http://www.valentino.com)  
Online shop: <http://store.valentino.com>

**Vero Moda**

Address: Vero Moda, Fredskovvej, 7330 Brande, Denmark  
Tel.: +45-99-42-32-00; Fax: +45-99-42-34-99  
[www.veromoda.com](http://www.veromoda.com)  
Online shop: <http://veromoda.best sellersshop.com>

**Versace**

## Hong Kong office

Address: 30<sup>th</sup> Floor, The Hennesy 256 Hennesy Road, Wanchai, Hong Kong, China  
Tel.: +852-2912-1000  
[www.versace.com](http://www.versace.com)

**Wacoal**

## China Office

Address: Jia 16 Tongji North Road, Beijing Economic & Technological Development Area, Beijing 100176, China  
Tel.: +86-10-6787-2185  
[www.wacoal.com](http://www.wacoal.com)

**Walt Disney**

Address: 500 S. Buena Vista St., Mail Code 766, Burbank, CA 91521-7716, United States of America  
<http://disney.go.com>  
Online shop: [www.disneystore.com](http://www.disneystore.com)

**White Collar**

Address: Building 8, BDA International Corporation Avenue, No. 2 Jingyuan North Street, Beijing Economic and Technological Development Zone, Beijing 100176, China  
Tel.: +86-10-6785-6688; Fax: +86-10-6785-6766; E-mail: [bailing@white-collar.com](mailto:bailing@white-collar.com)  
[www.white-collar.com](http://www.white-collar.com)  
Online shop: <http://blnz.tmall.com>

Wrangler

Address: 105 Corporate Center Blvd, Greensboro, North Carolina 27408, United States of America  
Tel.: +1-336-424-6000  
www.wrangler.com

Yaduo

Address: No. 1 Yaduo Road, Jiuting Town, Songjiang, Shanghai 200032, China  
Tel.: +86-2-6304-9566; Fax: +86-2-6418-6684; E-mail: yaduosh@163.com  
www.yaduokids.com

Yeeshow

Address: No. 205, Renmin Road, Ninghai County, Zhejiang, China  
Tel.: +86-574-6557-9310; Fax: +86-574-6557-9318; E-mail: yixiu@mail.nbptt.zj.cn  
www.yixiutz.com

Yishion

Beijing Office

Tel.: +86-10-8780-6726; Fax: +86-10-8770-6726; E-mail: beijing@yishion.net  
www.yishion.com.cn  
Online shop: <http://yishion.taobao.com>

Youngor

Address: No. 2 West Section Yinxian Road, Ningbo 315153, China  
Tel.: +86-574-8826-5571; Fax: +86-574-8742-5390; E-mail: office@youngor.com.cn  
www.youngor.com

Zara

Shanghai Office

Address: 21F ShengGao International Building, 137 XianXia Road, Shanghai 200051, China  
Tel.: +86-21-6161-1900; Fax: +86-21-6228-9051  
www.zara.com

## Appendix II Retailers for garments

Beijing Youyi Shopping City Co., Ltd  
Address: No. 52, Liangmaqiao Road, Chaoyang District, Beijing, China  
Tel.: +86-10-6465-1188  
www.yansha.com.cn

Carrefour  
Address: 9F, ShanghaiMart, No. 2299 Yan'an Road (W), Shanghai 200336, China  
Tel.: +86-21-2307-8100; Fax: +86-21-6236-1939  
www.carrefour.com.cn

Decathlon  
Address: 393 Yinxiao Road, Pudong District, Shanghai 201204, China  
Tel.: +86-21-6845-5314; Fax: +86-21-5045-5451  
www.decathlon.com

Li & Fung Group  
Head office  
Address: Li fung Tower 888 Cheung Sha Wan Road, Kowloon, Hong Kong, China  
Tel.: +852-2300-2300; Fax: +852-2300-2000

Li & Fung Research Centre  
Address: 13/F, LiFung Centre, 2 On Ping Street, Shatin, Hong Kong, China  
Tel.: +852-2635-5563; Fax: +852-2635-1598  
www.lifunggroup.com

Lotus Supercenter  
Address: BLD 1 Floor 5, 2128 Yang-gao zhong Road, Shanghai 200135, China  
Tel.: +86-21-5136-7980; Fax: +86-21-5135-7955  
www.ourlotus.com.cn

Marks and Spencer  
Address: Waterside House, 35 North Wharf Road, London, W2 1NW, England  
Tel.: +44-20-7935-4422  
China office  
Address: 863 Nanjing Road West, Shanghai 200041, China  
Tel.: +86-21-6218-0580  
www.marksandspencer.com

Metro  
www.metro.com  
Asia Pacific office:  
Tel.: +65.6567.8003; E-mail: esther.tan@emerson.com  
China Office:  
www.metro.com.cn

Muji  
Address: 322-330 3F Huamao Shopping Center, No. 79 Jianguo Road, Chaoyang District, Beijing, China  
www.muji.com

Shanghai Brilliance (Group) Co., Ltd  
Address: 19F of New-century Building, 501 Zhangyan Road, Pudong District, Shanghai 200120, China  
Tel.: +86-21-5836-363; Fax: +86-21-5836-0558; E-mail: bl@bianliangroup.com  
www.bianliangroup.com

Shanghai Citic Square

Address: No. 1168 West Nanjing Road, Jing'an District, Shanghai 200041, China

Tel.: +86-21-6218-0180

[www.citicsquare.com](http://www.citicsquare.com)

Shanghai Jin Jiang Dickson Center

Hong Kong office

Dickson Concepts (International) Ltd

Address: 4th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong, China

Tel.: +852-2311-3888; Fax: +852-2311-2316

Shanghai office

Shanghai Jin Jiang Dickson Center Co., Ltd

Address: 400 Chang Le Road, Shanghai 200020, China

Tel.: +86-21-6472-6888; Fax: +86-21-6472-1502

[www.shjld.com](http://www.shjld.com)

Shanghai Orient International Trading Co., Ltd

Address: 8, Cao'xi Beilu, Shanghai China, 200030, China

Tel.: +86-21-6487-0000, 21-6487-7745; Fax: +86-21-6487-6360

Shanghai Outlets

Address: No. 2888 Huqingping Highway, Qingpu District, Shanghai, China

Tel.: +86-21-5975-6060

[www.bloqp.com](http://www.bloqp.com)

Online shop:

<http://blgfsc.blemall.com>

Shanghai Textile Holding(Group) Corporation

Address: 1488 Hongqiao Road, Shanghai 200336, China

Tel.: +86-21-6208-9000; Fax: +86-21-6208-2118

[www.shtextile.com.cn](http://www.shtextile.com.cn)

Super Grand Mall

Address: No. 168 Liujiazui West Road, Pudong District, Shanghai, China

Tel.: +86-21-6887-7888 Fax: +86-21-6887-1199; E-mail: [info@superbrandmall.com](mailto:info@superbrandmall.com)

[www.superbrandmall.com](http://www.superbrandmall.com)

Tesco

Address: 1855 Zhongshanbei Road, Shanghai 200061, China

Tel.: +86-21-5294-2239; Fax: +86-21-5294-2239

[www.tesco.com](http://www.tesco.com), [www.cn.tesco.com](http://www.cn.tesco.com)

Wal-Mart

Address: 2-5/F, Tower 2 and 1-12/F, Tower 3, Szitic Square, 69 Nonglin Road, Futian District, Shenzhen 518040, China

Tel.: +86-755-2151-2288; Fax: +86-755-2151-1076

[www.walmart.com](http://www.walmart.com), [www.wal-martchina.com](http://www.wal-martchina.com)

## Appendix III Institutions

American Raw-cotton Co., Ltd

Address: 20F Leshi building, 101 Lidun Road, Tongluowan District, Hong Kong, China

Tel.: +852-2890-2755; Fax: +1-202-483-4040; E-mail: cottonusa@cotton.org

www.cottonusa.org

China–ASEAN Free Trade Area (CAFTA)

Address: P.O. Box 28, Xiang He Yuan Post Office, Beijing 100028, China

Tel.: +86-10-6463-2564, 10-6466-4339, 10-6465-6192;

Fax: +86-10-6465-5230; E-mail: china-asean@ccpit.org

www.cafta.org.cn

China General Chamber of Commerce

Address: No. 25, North Yuetan Street, Beijing 100834, China

Tel.: +86-10-6839-1262; Fax: +86-10-6839-1264; E-mail: shwz@cgcc.org.cn

www.cgcc.org.cn

China National Garment Association

Address: 12 East Chang'an Street, Beijing 100742, China

Tel.: +86-10-8522-9358; Fax: +86-10-8522-9358; E-mail: dyb@cnga.org.cn

www.cnga.org.cn

China National Textile and Apparel Council (CNTAC)

Address: No. 12, East Chang'an Road, Beijing 100742, China

Tel.: +86-10-8522-9207; Fax: +86-10-6512-9545

<http://english.ctei.gov.cn>

General Administration of Customs of China

Address: No. 6 Jianguomennei Avenue, Dongcheng District, Beijing 100730, China

Tel.: +86-10-651-9411

www.customs.gov.cn

Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ)

Address: General Administration of Quality Supervision, Inspection and Quarantine, No. 9, Madian East Road, Haidian District, Beijing 100088, China

E-mail: webmaster@aqsiq.gov.cn

www.aqsiq.gov.cn

Ministry of Commerce of the People's Republic of China Department of International Trade and Economic Affairs

Address: No. 2 Dong Chang'an Avenue, Beijing 100731, China

Tel.: +86-10-6512-1919; Fax: +86-10-6567-7512

<http://gjs.mofcom.gov.cn>

National Bureau of Statistics of China

Address: No. 57, Yuetan Nanjie, Sanlihe, Xicheng District, Beijing 100826, China

Fax: +86-10-6878-2000; E-mail: info@gj.stats.cn

www.stats.gov.cn

United Nations Commodity Trade Statistics Database (UN Comtrade)

Address: Director, Statistics Division, United Nations, New York, NY 10017, United States of America

Fax: +1-212-963-4116; E-mail: statistics@un.org

<http://comtrade.un.org>

United States Department of Agriculture

Address: United States Department of Agriculture, 1400 Independence Ave., S.W. Washington, DC 20250,  
United States of America

Tel.: +0-202-720-2791

[www.usda.gov](http://www.usda.gov)

WTO/TBT National Notification Authority and Enquiry Point of China

Address: Sanyuan Tower, 18 Xibahedongli, Chaoyang District, Beijing 100028, China

Tel.: +86-10-8200-0278/79 ext: 8036; Fax: +86-10-8200-0278/79 ext: 8001

Contact person: Mr Wang Rongrong

E-mail: [tbt@aqsiq.gov.cn](mailto:tbt@aqsiq.gov.cn)

[www.tbt-sps.gov.cn](http://www.tbt-sps.gov.cn)