2016 Top Markets Report Technical Textiles Country Case Study

Canada

The Canadian market is an attractive export market for U.S. companies that are new-to-export and/or new-to-market. The U.S. and Canada have one of the closest bilateral relationships in the world. Proximity, similar business cultures and a high receptivity for U.S.-made products contribute to the high volume of bilateral trade between the U.S. and Canada. Like the United States, Canada has experienced an economic shift in its textile industry, moving away from manufacturing traditional high-volume commodity textile products to developing and manufacturing technical textiles.

The Canadian market is the second largest (behind Mexico) for U.S. exports of textiles and apparel. The implementation of the 1989 U.S.-Canada Free Trade Agreement, followed by the implementation of the 1994 North American Free Trade Agreement (NAFTA) has led to an increase in both trade and economic integration between the U.S. and Canada (as will that of the Trans-Pacific Partnership Agreement once it enters into force).[1] In 2015, U.S. textile and apparel exports totaled $5.25 billion, up 12.6 percent over $4.66 billion in exports in 2008.

Canada's textile industry has a long and productive history and, like the United States, has seen a production shift over the last decade from traditional textile manufacturing to the development and production of technical and non-woven textiles. Canada's textile industry has declined in size over the past decade, and textile-related employment fell by 60 percent between 2004 and 2014, from 51,670 to approximately 18,300 employees. Canada's decline in the textile industry is due to in part to the decrease in demand for textiles destined for general apparel manufacturing and the shift to manufacturing technical textiles, which relies more on technology than on labor.[2]

Overview of the Technical Textile Market

Technical textiles comprise one of the largest markets in North America. Unlike traditional textile sectors (i.e. apparel and home furnishings), the manufacturing of technical textiles did not completely shift to Asia. The world market for technical textiles was worth approximately $133 billion in 2012 and is expected to reach up to $160 billion by 2018.[3]

In Canada, while the share of commodity-type textiles has decreased, the technical textile industry has experienced rapid expansion due to an advanced level of technical knowledge, which is leading to the development of new textile-related materials that can be used in multiple applications in a variety of sectors, including aerospace, construction and infrastructure, marine, medical, defense, safety, transportation and agriculture.[4]

Challenges and Barriers to Technical Textile Exports

Over the past decade, the demand for all textiles has grown by more than 50 percent. The growth is due in part to the fact that textiles are used in so many everyday applications, such as apparel, filters and wipes. Even though the demand for technical textiles is growing worldwide, the industry is still susceptible to overcapacity and price competition. For example, certain non-wovens used in hygiene products or hydroentangled fabrics for baby wipes were once considered profitable niches, but due to global overinvestment of capacity, this market has become commoditized and is now characterized by falling prices and low margins similar to those of traditional apparel-bound textiles.[5]

While Canada is one of the most accessible markets for U.S. textiles and apparel, industry reports that the Canadian market can be quite challenging. Challenges reportedly include:[6]

- Canadian customs documentation
- Bilingual labels in both English and French
- Requirements for prepackaged textile goods
- Advertising requirements for textiles and apparel

In addition, Canada's long-term trade strategy includes developing additional markets, which aims to reduce its dependence on the U.S. economy. When fully implemented, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) will provide privileged access to each other's markets and has the potential to boost bilateral trade between Canada and the EU by as much as $20 billion a year.[7]

Once implemented, CETA's Rules of Origin contain requirements under which a product qualifies as "European" or "Canadian," with the objective to avoid products of a third country indirectly benefitting from the Agreement25. Currently, for every dollar of goods that the U.S. imports from Canada, there are about[8] cents' worth of U.S.-made inputs,[9] and under CETA, this may limit opportunities for American textile and apparel exporters.

Opportunities for U.S. Companies

Canada imports nine times more per capita in textiles compared to the United States and three times as much as the European Union (EU). Competition in the Canadian market is very strong, but U.S. exporters are competitive in the technical textile sector, where textile components are used in the energy, agriculture, construction and automobile sectors.

Non-wovens

As the technological properties of non-woven fabrics are essential, the ability of U.S. domestic manufacturers to meet strict customer specifications (i.e. absorbency, strength, color, denier and other technical requirements) is a strength which allows the U.S. producers to keep non-woven lines operating at full capacity and generate sufficient return on the substantial investment manufacturing lines require.[10]

In 2015, Canada was the second largest market for U.S. exports of non-woven textiles. In 2015, the U.S. exported $413 million in non-woven textiles to Canada, which was a 10.7 percent increase over the $373 million that the U.S. exported in 2008. Non-woven fabrics used as applications in construction, infrastructure projects, filtration and automotive are the sectors in which U.S. manufacturers can be competitive in the Canadian market as a part of an overall North American exporting strategy.

Specialty and Industrial Fabrics

U.S. domestic manufacturers who want to be competitive in the Canadian market must be willing to invest in creating innovative fabrics not widely available in the Canadian market. In 2015, Canada was the second largest market for U.S. exports of specialty and industrial textiles, with $565 million in exports, and equaled 14 percent of total U.S. specialty and industrial fabric exports.

Specialty and Industrial fabrics used in military applications, geosynthetic textiles (often applied in infrastructure construction), and tarpaulins and truck covers are examples of products in which U.S. manufacturers and exporters may be competitive in the Canadian market.[11]

Medical Textiles

In 2015, the Canadian market was the second largest market for U.S. exports of medical textiles. The U.S. exported $197 million to Canada, which is a 32.2 percent increase from the $149 million exported to Canada in 2008. Increased enforcement of infection prevention standards, together with a growing

number of hospital, surgical and outpatient procedures, will promote overall gains.[12]

The Canadian medical textile market is a mature market, and in order to remain competitive, U.S. manufacturers need to be able to commit the resources that support the research and development of medical textiles that are innovative and not currently available in the Canadian market.

Protective Apparel

In 2015 Canada was the largest market for U.S. exports of protective apparel, totaling $240 million and equaling 27 percent of total U.S. protective apparel exports.

Technical textiles have become an important application in the manufacturing of apparel in the Canadian textile industry.[13] U.S. manufacturers may find export opportunities in niche markets including: High-performance outerwear, high altitude clothing and sportswear, and high-performance wool apparel.

[1] CIA World Factbook: Canada, 2015.

[2] Textiles Manufacturing Profile, Industry Canada, 2011.

[3] Technical Textile Market – Global Industry Analysis, Size, Share, Growth Trends and Forecast, 2012-2018, Transparency Market Research, January 2015.

[4] Textiles Manufacturing Industry Profile, Industry Canada, 2011

[5] Frederick, S. (2010). "Development and Application of a Value Chain Research Approach to Understand and Evaluate Internal and External Factors and Relationships Affecting Economic Competitiveness in the Textile Value Chain." North Carolina State University, 2010.

[6] Office of Textiles and Apparel, International Trade Administration, U.S. Department of Commerce.

[7] U.S. Relations with Canada Fact Sheet, U.S. Department of State, September 2014.

[8] Country Report, The Economist Intelligence Unit Limited, page 5, February 2015

[9] CETA-Summary of the Final Negotiating Results, The European Commission, December 2014

[10] "NAFTA helped North America, Now it is Time to Open Up to Others." Foreign Affairs. January/February 2014.

[11] Innovation Driving Positive Outlook for Nonwoven Fabric Industry.

[12] State of the Industry 2015: Part 2, Specialty Fabrics Review. March 2015.

[13] "Disposable Medical Supplies Market Posting Gains " Nonwovens Industry 2012.