



2016 Top Markets Report **Technical Textiles** Country Case Study

China

As competition in the textile and apparel industry continues to increase, China has become a major producer and importer of technical textile products. Its market is expected to develop rapidly, driven by demand and government support. With constant market expansion and growth in the demand of technical textiles, opportunities exist for U.S. exporters, as there is substantial need from key technical textile industries, such as industrial and medical textiles.



China is the number one supplier of textiles and apparel to the United States. China was also the fourth largest market for U.S. exports of textiles and apparel in 2015, representing 4.4 percent of total exports. U.S. textile and apparel exports to China increased by 27 percent between 2009 and 2010 and by 7 percent between 2012 and 2013. At the same time China’s textile industry is experiencing declining growth. Growth dropped from 10.8 percent in 2012 to 8.3 percent in 2013.¹

China attributes this decrease in industry growth and declining overseas orders to labor and other costs rising too fast. Increasing labor costs have to some extent undermined the international competitive advantage of the Chinese textile industry. This has led to the growth of textile and apparel exports in other Asian countries.

As China is losing some of its global textile and apparel market share, it is already shifting to more value-added products, namely technical textiles. In this endeavor, the Chinese textile industry has committed to improving basic research and development projects and to bolstering technical innovations.

Overview of the Technical Textile Market

The Chinese technical textile industry has experienced rapid growth over the past decade. Technical textiles are growing at a much faster rate relative to the whole textile industry. This industry developed relatively late in China, as most domestic producers focused on the low and mid-end commodity market with little innovation and weak research and development ability. China is, however, quickly improving its technologies. With significant support from the central government, many Chinese producers in the industry are now seeking to produce high end, high value-added products.

In 2013, the Chinese National Bureau of Statistics stated that exports of plastic coated fabrics, medical textiles, non-wovens, canvas textiles, bags and fiberglass were six categories of products whose value accounted for nearly 80 percent of the entire technical textile sector. Among them, the non-woven fabric export growth rate reached 21.2 percent. Conversely, coated fabric, non-woven fabric, glass fiber fabric, medical and health care textiles and paper textiles are the main imported products, accounting for 81.2 percent of the total

imports.² China mainly imports technical textiles from Japan, Taiwan, Korea and the United States.

Constant infrastructure construction and fast development of the automotive, aerospace and health care industries in China is also driving technical textiles demand. China's central government is also supporting the industry's development through different methods and aims to increase the proportion of the technical textile industry relative to the overall textile industry. In 2010, the share of technical textiles in China reached 20 percent and moved up to 23 percent in 2013.

Challenges and Barriers to Technical Textile Exports

Foreign competition in China's technical textile industry is intense. All major competitors are fully committed to these markets in China. Similar to in Brazil, the stakes are raised by the fact that China can be a difficult market for U.S. companies, especially SMEs, to navigate through complex governmental taxes and regulations. Additionally, in China, U.S. companies face a complex and often opaque commercial environment, and Chinese government policies sometimes favor indigenous development and domestic companies.

Under China's "Demonstration Bases-Common Service Platform" export subsidy program, China seems to provide prohibited export subsidies through "Common Service Platforms" to manufacturers and producers across seven economic sectors (textiles, apparel and footwear is one of the seven) and dozens of sub-sectors located in more than 150 industrial clusters in China.

This Chinese program can be harmful to American workers and American businesses, as China provides free and discounted services as well as cash grants and other incentives to enterprises that meet export performance criteria. In February 2015, the United States Trade Representative decided to pursue dispute settlement consultations with the Government of China at the World Trade Organization (WTO) concerning China's "Demonstration Bases-Common Service Platform" export subsidy program.

Opportunities for U.S. Companies

China has initiated programs designed to facilitate the growth of production and applications of technical textiles. U.S. exporters are in a good position to meet these market needs. Major infrastructure projects, such as roads, railways, hydroelectric dams and airports, require large amounts of technical textiles beyond the ability of China's domestic industry.

Due to high market demand for technical textiles in China, more and more foreign producers have planned to expand their production and to introduce new products in China.

The high end technical textile market in China is dominated by foreign producers, especially those from the United States and Japan. Thus, there is a great potential market for U.S. producers, especially those with advanced technologies and manufacturing methods.

Non-wovens

Ongoing economic advances in China will promote the development of the non-woven sector, providing opportunities for non-wovens in a variety of goods, such as filters. With respect to consumer goods, rising incomes and standards of living will propel individuals to purchase convenience items, promoting the increased production of disposables among other items that are made with significant amounts of non-woven fabrics.³ This will create further opportunity for U.S. exports of non-woven goods.

Specialty and Industrial Fabrics

Chinese specialty and industrial textiles have experienced steady economic growth. Since 2008, specialty and industrial fabric exports from the United States have grown at an annual rate of 5.5 percent. With China as a top automobile producer, there has been an increase in demand for automotive textiles. U.S. exports of specialty and industrial fabrics are expected to increase to \$189 million in 2017 from \$169 million in 2015.

Medical Textiles

Medical textiles are a top growth sector for the Chinese technical textile market. China was the 13th largest export market for U.S. products in this sector in 2008. The United States increased its exports to China, raising it to the 10th export market for U.S. medical textile exports by 2014, and China is expected to move five spots higher to fifth by 2017. One of the major factors for this increase in demand of U.S. inputs and the continued growth of China's medical textile sector is advancements by U.S. producers in the manufacturing process for producing advanced fibers and the replacement of traditional materials with advanced textile materials for higher performance. This is a strength of the U.S. industry, and the U.S. industry is in a good position to take advantage of this demand.

Protective Apparel

Protective apparel is another technical textile industry that is experiencing rapid growth in China. Increasing industrialization in markets like China coupled with the rising importance of safety in industries and the emergence of a manufacturing workforce are expected to remain key driving forces for the market and market potential for U.S. producers.

The high cost and complex manufacturing procedures associated with industrial protective clothing are expected to pose serious challenges for market participants. The State Administration of Work Safety (the organization that governs industrial safety in China) has become actively involved in improving the workplace standards. Strict implementation of industrial safety regulations will provide U.S. producers the opportunity to meet the increasing needs of China's protective apparel market.

¹ Rupp, Jürg. "The Rupp Report: Transforming and Upgrading the Chinese Textile Industry". Textile World. October 2014.

² "Analysis of China Tech-textile Industry in the First Half of 2013". China Nonwovens & Industrial Textiles Association. December 2013.

³ "New nonwovens market report". China Nonwovens & Industrial Textiles Association. January 2014.