

China's apparel sector eyes more sustainable industry

By Elsa Reed | 26 November 2014

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China's clothing and textile manufacturers want to create a sustainable industry unreliant on cheap labour and poor environmental performance, but one that supplies competitive quality output that attracts international sales.

This was the message given to an 'Integral Conversation' conference on new development models, held in Guangxi province, China, this month, and staged by clothing manufacturer [Esquel](#) Group.

Sustainability means increasing costs, but that does not mean Chinese companies should flee their home base for cheaper jurisdictions, John Cheh, CEO of Esquel, told attendees.

"Relocation is not a sustainable solution to facing [the] challenge of rising human costs in China," he said, noting how his company has proactively reduced energy costs and reduced emissions.

Sustainable achievements

To date, Esquel has cut its average concentration of COD (chemical oxygen demand) to 50 ppm in water discharges, lower than the standard 80 ppm required in China.

Esquel has already spent US\$12m on installing technology to achieve this goal. As for energy and water consumption used when making shirts, Esquel is equally ambitious and committed.

In 2013, the group cut energy and water consumption per shirt produced so that they were 38% and 52%, respectively, of 2006 levels. It plans to reduce consumption for both metrics by a further 15% over the next three years.

Cheh said Esquel's business revenue has grown more than 100% in 2014, although profits have been tempered by China's soaring cotton prices, now 30% above international average prices.

Quality cotton shortage

This is a problem recognised across the industry. Wang Tiankai, president of China National Textile and Apparel Council, told the forum: "China seriously lacks high quality cotton."

Indeed, total domestically produced cotton fibres volumes were 26% lower in 2013 than in 2010. And with Chinese demand for clothing an increasing part of revenues for its manufacturers, having a reliable local cotton supply makes good sense, Tiankai explained.

"Ten years ago, all of our business revenue was from original equipment manufacturing (OEM) for foreign clients. At that time, we didn't have any orders from Chinese clients, however, after a decade, 15% of our revenue is from mainland China," said Cheh.

Indeed, he expects China's domestic demand for good quality textiles and garments to show long-term positive growth, even with China's gross domestic product (GDP) growth next year expected to slow to around 7%.



China wants an industry unreliant on cheap labour and poor environmental performance

The road to Zero Discharge

These new wealthy consumers will demand a better environment and this is recognised by textile and garment manufacturers, who need to reduce consumption of 11 kinds of toxic chemicals, said Frazer Mead, head of innovation and quality for the Far East at retailer Marks & Spencer.

Commenting on the progress of the [Roadmap to Zero Discharge of Hazardous Chemicals \(ZDHC\)](#) pledge, set by a group of international brands, he said: "It is a tough job. Tough. And we have another six years to make it happen."

Enzyme production will be a key solution in replacing polluting chemicals, but the investment required to use them is going to be significant.

Michael Brennan, vice president of Novozymes (China) Investment Co Ltd, a key enzyme supplier, did, however, admit that China-based production is growing. "We are facing competition from Chinese companies, which are making good quality enzymes with a very low price."

That said, he added that his company targets medium and high-end customers, "therefore, the threat from Chinese counterparts is still small" at present.

Nancy Zhou, senior sales manager for textile industry firm Novozymes explained that a major challenge is the money clients have to spend upgrading their facilities and improving technicians' skills. This, she said, was restricting growth in demand for the time being.

Waste recycling

Another potential improvement in terms of environmental performance and related operational efficiencies is reducing textile waste. Annually 1m tonne of textile waste goes to landfill in China, said Mead. For Esquel, only 44,000 tonnes is landfilled, but that is still too much, said managing director of specialty spinning Tian Ye.

The company has started to collect and recycle 2,000-3,000 metric tonnes of its waste, turning them into products such as blankets for Hong Kong airline Cathay Pacific and casual shirts for [M&S](#). Recently, Esquel reached an agreement with Apple, which is to use 100 metric tonnes of its recycled fabric waste annually when making its uniforms. Each uniform will be 10% recycled cotton.

China's government encourages waste recycling, but two hurdles remain: One being that China has strict policies on importing waste, including textile waste. The other, that garment clients tend to have strict quality requirements for clothing that can exclude using recycled fibre. Recycling fibres can be time-consuming and technically demanding, as collection, separation and classification is needed.

Of course pollution is not all about manufacturing - emissions are involved in distribution too.

To Wai, vice president of distribution business SF Express, proposed that Esquel directly stored its goods in SF's warehouses to provide the shortest and cheapest logistics routes delivering its shirts to customers. SF Express has more than 100 warehouses across China and can quickly reach corporate and individual clients. Such third party logistics has helped underpin Chinese e-commerce.

Web sales giant Alibaba uses SF Express, although it also tries to control distribution in-house due to the belief that its customer data is a valuable asset that needs protecting.

Yan Yan, deputy director of general for social responsibility at the China National Textile and Apparel Council (CNTAC) said collaboration between manufacturers and logistics specialists had great potential value, potentially reducing carbon emissions. However, it was far from common in the textile and clothing sector.

"To make such an innovative low-carbon logistic model into reality, supply chain transparency is definitely necessary. Trust, communication and information sharing among business partners is also very critical," he said.

Cheng Peng, Esquel general manager for knitting stressed that the diversity of the potential changes needed to improve sustainability showed how multi-layered such a policy was - involving investment in automation, attracting new talent and fostering innovation. This also involves marketing, stressed Yan, who said increasing the tolerance of consumers, brands, retailers and manufacturers for bearing the costs of sustainability, was critical.

Hau Lee, chairman of Esquel's sustainability council said the case was there to be made: "Sustainability means more than companies don't do bad things. It means making a contribution to the community, the society and the well-being of human-beings."

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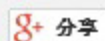
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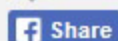
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