



## Industry Players Talk China, Sustainability

December 5, 2014

By Ellen Sheng



GUILIN—Environmental degradation is a hot button issue in China these days – one that the government is tackling and forcing manufacturers to address, according to participants at a sustainability conference.

Hong Kong-based shirtmaker Esquel Group hosted "Integral Conversation"- its annual powwow to discuss sustainability in the textile and apparel industries – Nov. 18 and 19. The company, which employs 59,000 and produces apparel for the likes of Jos A. Bank, Hugo Boss, Abercrombie & Fitch, Ralph Lauren and J. Crew, invited business partners, government officials, media and thought leaders from manufacturing, urban planning, technology, tourism and arts & culture to grapple with China's big dilemma: how to sustain growth while using fewer resources.

"Rapid expansion has made changes but stressed the environment," Esquel's chairman, Marjorie Yang, said in her opening remarks.

For Chinese manufacturers, environmental issues aren't just theoretical, but quite real. After decades of rapid expansion, China has accumulated wealth but at the expense of the environment. Common citizens are concerned about food and air safety and survey show that the majority of millionaires in China want to leave the country, due in part to concerns about pollution.

Experts project that China's water supply will not be able to meet demand by 2030 if the country carries on with business as usual. The Chinese government has recognized the urgent threat and introduced caps on water usage. It also set aside 4 trillion renminbi, or \$651.5 billion, to be spent on water infrastructure between 2011 and 2020, according to China Water Risk, a non-profit

group. Just last week, China's State Council passed air pollution prevention and control law which encompasses total discharge and density of pollutants.

Water usage is one that affects the textile and apparel industry in particular. Patagonia Chief Operating Officer Doug Freeman noted that the entire global textile and apparel industries use enough water in two years to fill the entire Mediterranean Sea.

All the regulatory attention is putting pressure on Chinese manufacturers.

"The industry is coming under increasing pressure due to stricter government rules," said Wang Tiankai, president of the China National Textile and Apparel Council and president of the International Textile Manufacturers Federation.

Caps to reduce greenhouse gases by 10 percent by 2015, for instance, will be difficult to meet, he said. Still, he urged the industry to upgrade its operations and set an example for others to pursue manufacturing with low carbon footprints.

Meanwhile rising labor and materials costs and sluggish export markets makes it more difficult for manufacturers to meet more stringent requirements, Wang said, noting that growth is slowing from fast to moderate and primary business income has declined. Manufacturers in China are struggling to address these concerns while also maintaining growth.

"What can we do to manufacture in as responsible way as possible. Everything we do pollutes and yet we want unceasing orders for the next 20 years," said Patagonia's Freeman.

Despite the hurdles, there appears to be a lot of interest in sustainability in China.

"When you talk about sustainability in Europe, you hear: 'yes that's nice but what's the cost.' In China, they're more interested," said Michael Brennan, vice president of China business operations at Novozyme. Despite the added costs, manufacturers seem to be asking "how can we work with that." Brennan added that he's heartened by the Chinese government's serious stance on environmental change "but the trick is governance and enforcement," he said.

This year's conference was held in Guilin, a city best known for its picturesque karst mountains. As a metropolis of 5 million, Guilin has its fair share of urban sprawl nestled against the scenery. Esquel, which intends to open a state-of-the-art eco factory near Guilin in 2016 previously hosted its sustainability conference in Foshan, in Guangzhou province.

Conference attendees shared some of the things they've done to save on resources. Frazer Mead, head of innovation and quality (Far East) at Marks and Spencer, said the company reduced energy use by 30 percent and reduced its use of bags by 2 billion last year. To Wai, group vice president at SF Express, a Chinese delivery and courier service, said the company has a fleet of 30 drones delivering packages to rural areas. The company is also establishing pickup and drop off points to consolidate and reduce the distances required to travel.

Novozyme's Brennan took the opportunity to introduce his company's enzymes and explain how use of enzymes can reduce water usage as well as reduce pollution and carbon emissions. The main hurdle with adoption of with some of these solutions, he noted is that more sustainable solutions can sometimes cost more. Meanwhile, companies in China are under pressure.

Esquel executives said the company has not been immune from the pressures affecting manufacturing in China, but believes increased productivity is the solution. During a tour of the Esquel's cutting and sewing factory the day after the conference, factory workers pointed out various means of automation and efficiency.

Participants also brought up some practical solutions to reduce waste. Esquel Group's managing director of specialty spinning Tian Ye discussed how the company recycles waste material, turning them into new products. He noted the company's projects with Apple and Cathay Pacific Airlines, using recycled material leftover from the spinning or weaving process, to make new t-shirts or airline blankets.

He also said he hoped there was a way to reduce the amount of samples required, by improving communications or by using digital communication for part of the process.

"We make many, many samples. It's a waste," Tian said, adding that manufacturers such as Esquel are under a lot of pressure to make copious amounts of samples in order to get orders. But if the system could be changed, there could be a lot of reduced waste.

Esquel plans to host its sustainability conference in Guilin again next year.

<http://www.wwd.com/markets-news/textiles/industry-players-talk-china-sustainability-8059262>