Clothing sector helps China to green its growth

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A conference on sustainability staged by Hong Kong-based textile and apparel giant Esquel Group has heard how China is making serious efforts to green its growth – and the clothing and textile sector is playing its part.

"If all Chinese adopted the American lifestyle, it would need at least five Earths to meet the demand for resources. This obviously is not what we are pursuing," Zhu Hongren, former chief engineer of China's Ministry of Industry and Information Technology (MIIT), told the Integral Conversation, a three-day sustainability-themed conference staged earlier this month at Guilin, in China's Guangxi province.

Zhu's statement reflects the principles of 'Made in China 2025,' a new strategy that China's President Xi Jinping initiated in October during the fifth plenary session of the 18th central committee of the Communist Party of China's central committee, which will guide China's development for the next five years.

Under 'Made in China 2025,' all manufacturing industries – including the textile and garment industry – will have to accelerate their strategies to become "innovative, smart and sustainable."

In the textile and garment industry, which is conventionally associated with pollution and low-skilled intensive labour, some multinational brands and manufacturers are leading this change, the conference heard.

Sustainable sourcing at Hugo Boss

The German fashion brand Hugo Boss, for example, is using railway transport to move goods between Germany and China, making use of the Yu'Xin'Ou freight railway connecting Chongqing with Duisburg.

Hugo Boss chief brand officer Christoph Auhagen explained to the conference that this was part of an holistic and international approach to rationalising logistics. "We tested cross-continent railway transportation in 2014 and we plan to expand it in 2016 between north Europe and Germany to gradually replace road and air transportation."

Auhagen added Hugo Boss uses seaport Trieste in Italy as an alternative to its warehouse in Hamburg to reduce transport journeys between its logistics centres.

That said, such smart logistics are not necessarily good news for China sourcing. Hugo Boss sees Turkey as its top direct sourcing and production country as around 60% of the company's sales have come from the EMEA (Europe Middle East and Africa) region in the past five years. Products manufactured in Turkey, Germany, Poland and Italy include garments, suits, tailored women's wear, and leather accessories.

However, with direct sourcing only accounting for 20% of Hugo Boss's sourcing strategy – and partner sourcing comprising 80% – there are still plenty of orders being made in China and its Southeast Asian rivals, along with some buying in Eastern Europe and North Africa for knitwear, sportswear and leather garments.

For China to hang onto these orders, it may have to raise its game. The Metzingen-based fashion house in 2015 defined environmental performance targets through a global social compliance committee, and will require all suppliers to meet these standards by 2020.

"We have suppliers all around the world and we realised in some regions, especially some Asian countries, people have a different mentality regarding environmental protection, let alone sustainable development. Therefore we have to train them. For those who cannot reach our levels, we will have to cease the partnership," Auhagen said.

And while Auhagen said bluntly that industry "cannot survive" if consumers drop fast fashion and buy clothing once a year, he added: "I do believe that [the] fashion industry can make efforts towards sustainable development such as using more degradable, recyclable materials."

Green manufacturing

Tim Freshwater, chairman of Goldman Sachs Asia Pacific, went further, saying all companies need to green their manufacturing to thrive. "Companies ignoring sustainability will eventually be worth less. You really need to be head of the game to be the catcher," he said.

The conference heard how last year, a survey targeting online consumers in 60 countries by the research firm Nielsen showed 55% were willing to pay more for products and services provided by companies with a commitment to improving their social and environmental impact, with Asian consumers in the lead by 64%, followed by Latin America's 63%.

And in China, suppliers to these brands and retailers are facing even more pressure, as they comply not only with internal environmental policies composed by their clients, but also increasingly strict local environmental protection regulations.

China crackdown

Conference discussion highlighted how manufacturers failing to comply with government requirements are being forced to shut down. China's Zhejiang province, for example, closed 2,219 clothing and textile manufacturers in the first seven months of 2015 in high-polluting industries such as garment dyeing and printing, and leather, according to the province's environmental protection bureau.

In Shanghai, high-polluting and energy-intensive industries such as textiles and leather are not allowed in some key areas of the city, such as the new Disneyland park area currently under construction. In Beijing, the local government is moving the entire textile industry out of the city.

All these moves follow China's new water protection law issued in April 2015. According to the law, small-sized manufacturers with no approved environmental protection facilities in 10 high polluting industries, including dyeing, will have to be closed by the end of 2016.

As Zhu Rongren the former MIIT official put it: "The Chinese government used to have the mentality that it is OK to sacrifice environment for fast economic development. But it has realised good environment is key to ensure a sustainable economic growth."

Steady growth

But manufacturers such as Esquel who weave sustainability into their core values, are entering into a new era where fast but unbalanced growth is being replaced by steady, healthy growth, especially after the global recession.

"At Esquel, we have a sustainability smiley curve," said Hau Lee, chairman of the company's sustainability council, referring to a curve in a coordinate reflecting the decline in cost and harm of un-sustainability and the rise in value creation from sustainability.

According to Esquel, the company cut energy consumption and water consumption among all of its four major production facilities in China, Vietnam, Mauritius and Sri Lanka by 44% and 60% from 2005 to 2015, while maintaining a 6% growth in annual sales. In 2014, Esquel earned US$1.39bn by selling 110m shirts.

"We are glad to see Esquel's development plan is in accordance to China's 13th five year plan, which gives such high priority to environmental development and sustainability," said Esquel chairman Marjorie Yang.

In Guilin, Esquel has invested CNY2bn (US$314.1m) to build a new facility that will include a garment factory, a research centre, a retail store and even a textile museum to display environmental friendly technologies.

The facility is currently under construction and the first stage will be completed in 2017. Esquel expects this investment will bring in US$200m in revenue each year.

Full story：

http://www.just-style.com/analysis/clothing-sector-helps-china-to-green-its-growth_id126609.aspx