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China moves apparel production abroad to keep sales

China's apparel industry investment abroad continues on its upward trajectory with a focus on southeast Asia, but also further afield.

China is taking advantage of its relationships with neighbouring Asian countries to maintain apparel sales. Credit: Shutterstock.

China textile company Shanghai Jingqingrong Garment announced earlier this year (January) it will open its first production plant abroad in Catalonia, Spain.

At the China textile industry Belt and Road Conference in Keqiao, Zhejiang in November 2023, Sun Ruizhe, chairman of organiser the China National Textile and Apparel Industry Council, cited statistics showing that the stock of overseas investment held by China's textile industry exceeds $11bn. Moreover, he said, projects are distributed across more than 100 countries and regions around the world.

According to Sun, such investments span all aspects of the clothing and textile supply chain. Cotton spinning and garment processing comprised the earliest overseas investments, followed by production capacity in printing and dyeing, home textiles and chemical fibre manufacturing. More recently the industry has started to move on from "capital going global" to "brands going global", said Sun, adding that this has been facilitated by overseas mergers and acquisitions, with enterprises integrating raw material resources, design resources, R&D and technical resources, as well as branding and distribution.

Speaking to Just Style, Fan Di, a professor at The Hong Kong Polytechnic University's School of Fashion and Textiles, explained this trend is still accelerating, and not just because of escalating costs within China production compelling textile firms to search for regions with lower operational expenses.

"The advent of the RCEP [Regional Comprehensive Economic Partnership of 15 Asia-Pacific countries, including China] has eased the process of cross-border investment and logistics between China and southeast Asia, thereby enabling them to swiftly cater to the Chinese market while leveraging the benefits of regional economic cooperation," said Fan.

"As the geopolitical tensions between the US and China have underscored the vulnerability of relying on a single location for production, textile firms are diversifying their manufacturing bases across multiple countries in a strategic move aimed at maintaining stable operations amid the fluctuating landscape of international relations," he noted.

Fan added that the pursuit of a multi-brand strategy by Chinese fashion brands is a testament to their ambition to compete more effectively in the global market. Companies such as Jinjiang-based sportswear specialist Anta have broadened their brand portfolios through the acquisition of international brands such as Italy's FILA and Japan's Descente. Beijing-based sportswear brand Li Ning has followed suit, acquiring brands such as Italy's Testoni and Britain's Clarks to enhance its global footprint.

These actions are reflective of a broader pattern where Chinese textile and fashion firms are actively seeking to fortify their positions in the international arena through strategic overseas brand acquisitions," said Fan.

Some of the remaining key hurdles to overseas investment are identified by the China Chemical Fibre Industry Association's (CCFA) Country Guide for Foreign Investment and Cooperation in the Textile Industry, published in February.

Myanmar for example, is described as having a superior geographical location for trade with Europe, abundant labour resources and low costs, while as a member of ASEAN (Association of Southeast Asian Nations) and the RCEP, enjoys export-related tariff preferences, but it is being disrupted by civil conflict and war. Also, it is heavily dependent on imports for its apparel sector inputs such as yarns and surface accessories. And its product manufacturing cycle is long.

In addition, Myanmar's infrastructure construction is undeveloped, water and electricity supply are insufficient, and logistics and transportation efficiency are low.

There are different challenges in Vietnam as labour costs have risen rapidly, strikes are sometimes a problem and environmental protection requirements are tough, the CCFA pointed out.

Despite this, Michael Laskau, a Vietnam-based business executive who links local apparel manufacturers and overseas buyers, told Just Style retailers and wholesalers he knows are shifting orders out of China, a trend that is still picking up speed.

"Vietnamese factories that were dormant are now coming back to life with orders through the end of the year," he said.

"Currently many of the workers that stopped working during the pandemic are coming back and new factories are opening in depressed areas where this is population and unskilled workers."