

7 China Denim Products Trade

OVERVIEW

Denim products manufacturing in China has a relatively short history. Jeans have become popular in the Chinese market only since the mid-1980s. However, this sector has undergone rapid development during the past two decades due to China's comparative advantages of an abundant low-cost labor supply and easy access to raw materials such as cotton.

According to a survey on the nationwide denim production from 1995 to 1997 [1, 4], its annual cotton consumption captured 23.3% of the national spun-cotton supplies, or 5% of total cotton consumption. About 96% of denim yarn were pure cotton, 3% blends with linen and 1% blends with polyester or silk. There were about 400 denim manufacturers in 1997 with a production capacity of about 1.2 to 1.3 billion meters, accounting for about 5% of China's annual woven fabric production. In 1997, the sector produced 807 million running meters of woven denim fabric, 108 million less than that in 1995. Domestic consumption experienced strong growth from 158 million meters in 1995 to 388 million meters in 1997.

The denim apparel sector in China was also composed of over 400 manufacturers with an annual average output of 111 million units from 1995 to 1997. With the increasing popularity among Chinese youngsters in the past decade of denim apparel, sales of jeans have been growing at an annual average rate of 10% in the past ten years. According to a 1998 survey in 238 department stores in China, the jeans sales amounted to 26.4 million units [2]. The entry of world-famous brands such as Levi Strauss and Lee greatly sharpened the market competition. Today, foreign labels have occupied almost half of the Chinese market.

By contrast to the boom in the domestic denim market, the export performance of China denim products in 1997 was lackluster. As regards denim fabric exports, it was 420 million meters in 1997, plunging from 757 million meters in 1995. Denim apparel exports suffered similar setbacks, dropping from 65.3 million units to 35.2 million in 1997. The import quotas upon Chinese textile and apparel exports imposed by the US and the EU have been particularly tightened in recent years, causing additional troubles for domestic denim manufacturers which are export-oriented due to the rising quota prices. According to one HK apparel manufacturer's estimation, if costs in China inclusive of quota prices are calculated as 100, then Korea is 80, Sri Lanka 79, Indonesia 77, and Mexico 85 [3]. Therefore, though the manufacturing costs in China are cheaper than in many other low-cost competitors such as Mexico and Indonesia, the overall price level is higher if quota prices are taken into consideration.

7.1 IMPORTS

The analysis of China's denim product trade adopts the same approach as that of the

Japan denim trade due to the lack of sufficient supporting data. Trade with HK is explained in the corresponding section, so this part will focus upon the US and EU markets.

7.1.1 Denim products imports

7.1.1.1 Imports from the US

China enjoyed a very large trade surplus with the US concerning denim products. The gap was US\$ 36.3 million in 1995, widening to US\$ 43.7 million in 1996 and narrowing back to US\$ 36.0 million in 1997. (Table 7.1)

China was not the major export destination for US denim products, only accounting for 0.07% of US total denim product exports in 1997. The import value from the US peaked in 1995 with US\$ 1.6 million and then slumped to US\$ 607 thousand.

Among the denim product imports from the US to China, denim fabrics occupied a dominant share, increasing from 71.8% in 1993 to 95.6% in 1997.

7.1.1.2 Imports from the EU

Denim product trade between China and the EU was not balanced, with China having a large trade surplus against the EU. The gap was 26.3 million Euro in 1994 and reduced to 17.9 million Euro in 1997 because of sharp fall of both import and export values. (See Table 7.1)

Denim product imports peaked in 1996 with a value of 527.7 thousand Euro, plunging by 86.6% in 1997 to 70.5 thousand Euro. Its share in the EU denim product export market was less than 0.01% in 1995 and 1997.

Compared with the product mix of the US exports to China, the EU denim product exports were quite balanced with the denim fabrics taking a relatively larger share. In 1997, the proportion of denim fabrics was 60.9% (See Tables 7.1 and 7.2)

Figure 7.1 shows that among all the EU suppliers, Italy was the most important with the share of 48.2% in 1997. In 1994, only three countries exported to China. They were Italy (77.0%), the United Kingdom (13.8%) and Germany (9.3%). In 1997, the top three suppliers remained unchanged, with the UK still the No. 2 exporter to

Table 7.1 Denim product exports from the US to China between 1993 and 1997

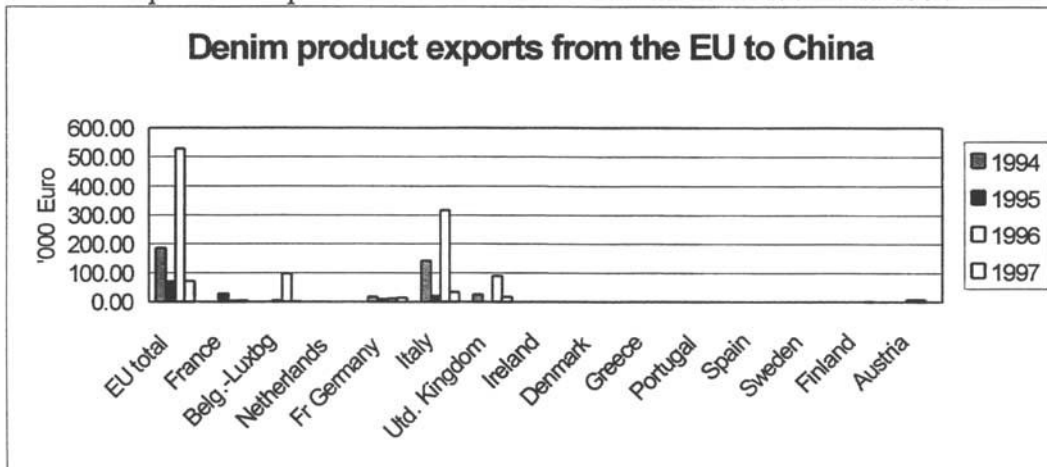
Denim product exports from the US to China					
	1993	1994	1995	1996	1997
Total US exports ('000 US\$)	591675	625678	719365	853902	855767
to China ('000 US\$)	1391	265	1607	431	607
Exports to China / Total US exports	0.24	0.04	0.22	0.05	0.07
Fabric / Total China imports from the US	71.75	100.00	99.00	100.00	95.55

Table 7.2 Denim product exports from the EU to China between 1994 and 1997

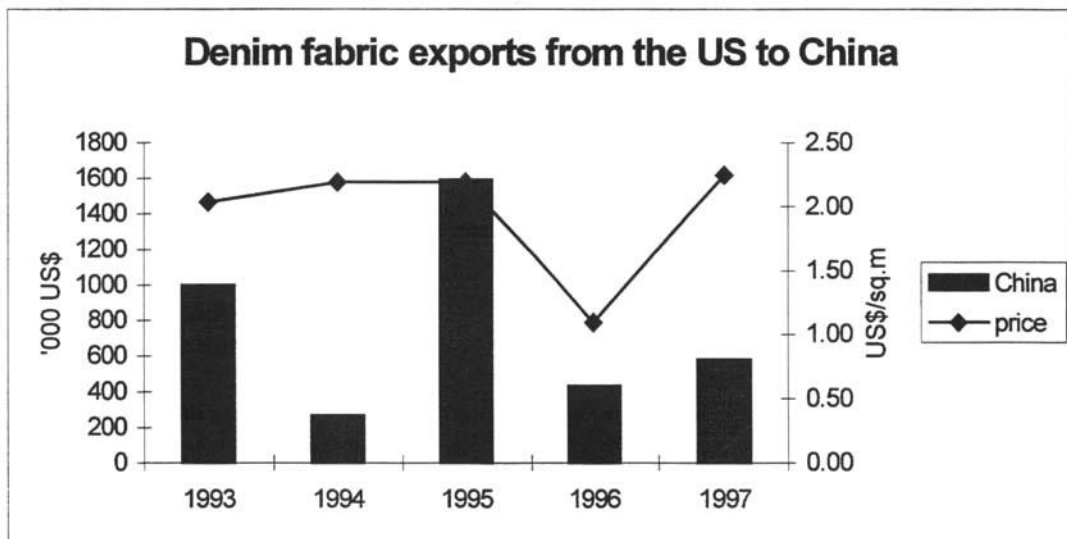
Denim product exports from EU to China					
	1994	1995	1996	1997	
Total EU exports ('000 Euro)	1744331.6	1790602.7	2034903	1971950.3	
to China ('000 Euro)	185.32	69.68	527.66	70.52	
Exports to China / Total EU exports %	0.011	0.004	0.026	0.004	
Fabric/Total denim product exports to China %	56.82	44.98	48.95	60.85	

the China market with a 23.6% market share. Germany and France held another 20.5% and 6.1%.

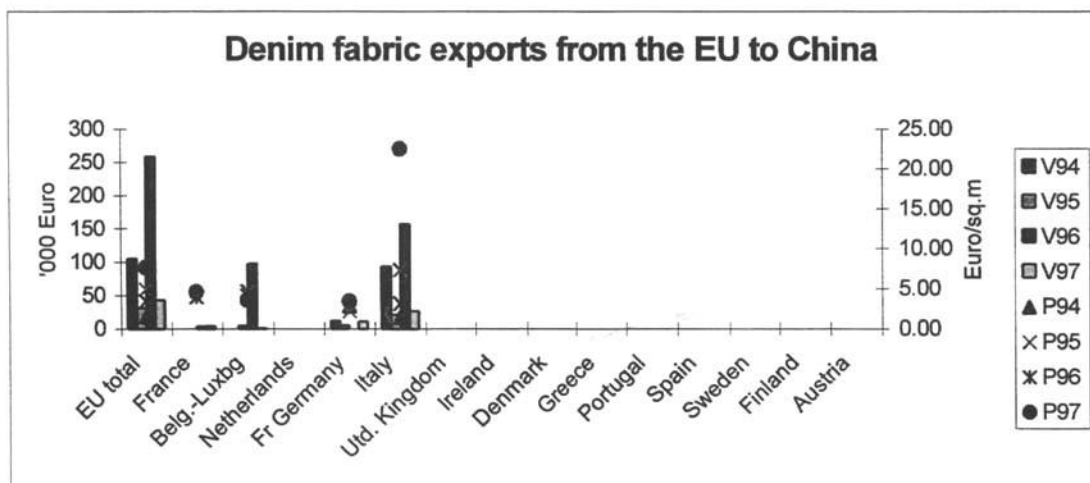
7.1 Denim product exports from the EU to China between 1994 and 1997



7.2 Denim fabric exports from the US to China between 1993 and 1997



7.3 Denim fabric exports from the EU to China between 1994 and 1997



7.1.2 Denim fabric imports

7.1.2.1 Imports from the US

Denim fabric imports from the US were US\$ 580 thousand in 1997, only about 36.5% of the peak level in 1995. The share in the US denim fabric export market was continuously down from 0.55% in 1993 to 0.05% in 1997.

The average import price in 1997 was US\$ 2.3 per square meter, rising from US\$ 2.0 in 1993. This was actually the highest price in the four-year period.

7.1.2.2 Imports from the EU

Denim fabric imports from the EU to China fluctuated violently between 1994 and 1997. The value hit bottom in 1995 with 31.3 thousand Euro and rose sharply and suddenly to 258.3 thousand Euro in 1996 and then slumped to 42.9 thousand Euro in 1997. (See Fig. 7.3)

Italy was the leading EU supplier, accounting for 62.2% of total EU denim fabric exports to China in 1997. Its role was even more dominant in 1994 when it occupied 88.6%. Germany held another 25.7% in 1997. France began exporting to China in 1996 and accounted for 10.0% in 1997. (See Fig. 7.3)

The average import price from the EU was 7.7 Euro per square meter in 1997, rising sharply from 1.6 Euro in 1994. Italian denim fabrics were imported at the highest price which was 22.5 Euro per square meter in 1997. Those from Germany, Belgium and France were around 3.4, 3.6 and 4.6 Euro respectively.

7.1.3 Denim apparel imports

7.1.3.1 Imports from the US

Denim apparel imports from the US to China were negligible--US\$ 393 thousand for 1993, US\$ 16 thousand for 1995 and US\$ 27 thousand for 1997. The small import volume can be mainly attributed to two reasons: one is that China itself is a big apparel producer and exporter; the other is that many foreign labels have successfully penetrated the Chinese market and engaged in local production there.

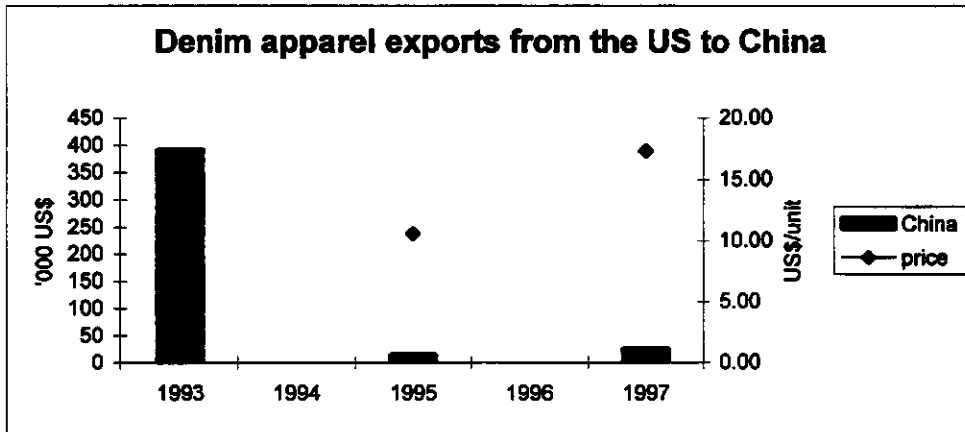
Accompanying the slump in import value was the sharp rise in import prices. In 1993, the average import price was about US\$ 3.27 per unit and, four years later, it jumped to US\$ 17.31 per unit. (See Fig. 7.4)

7.1.3.2 Imports from the EU

Denim apparel imports from the EU to China underwent the same development pattern as the denim fabric imports. The value peaked in 1996, reaching 269.4 thousand Euro. It then suddenly plunged to 27.6 thousand Euro in 1997.

Italy, Germany and the United Kingdom were the traditional suppliers among the EU countries, except for the year 1995 when there were no exports from Italy and the UK. Italy was the leading supplier in 1994 and 1996, accounting for 61.6% and 59.6% respectively. The UK replaced Italy in 1997 as the No. 1 supplier, capturing 60.2% of EU total exports to China. Though Germany exported denim apparel to China each year during the four-year period, its value was not large, holding a share of 12.5% in 1997. France was the most important EU supplier in 1995, holding a 74.4% market

7.4 Denim apparel exports from the US to China between 1995 and 1997



share, but there were no exports from France to China during the other three years. (See Fig. 7.5)

The average import price was not stable. It could be as high as 32 Euro per unit in 1995 and 1997 and as low as 6.0 Euro in 1994. The Italian and British exports in 1997 registered higher unit prices which were 36.3 and 37.1 respectively. Those from Germany and Austria were imported at relatively lower prices--19.2 Euro and 23.3 Euro respectively.

7.2 EXPORTS

7.2.1 Denim products exports

7.2.1.1 Exports to the US

Denim product exports from China to the US were of relatively small consequence in the US denim product import market, accounting for 2.4% in 1995. The export value reached a peak in 1996 with US\$ 44.1 million. It dropped by 17.0% in 1997, then holding a 1.8% market share.

Totally different from its import product mix, China denim product exports to the US were almost exclusively composed of denim apparel. There were only US\$ 24 thousand worth of denim fabric exports during the three-year period.

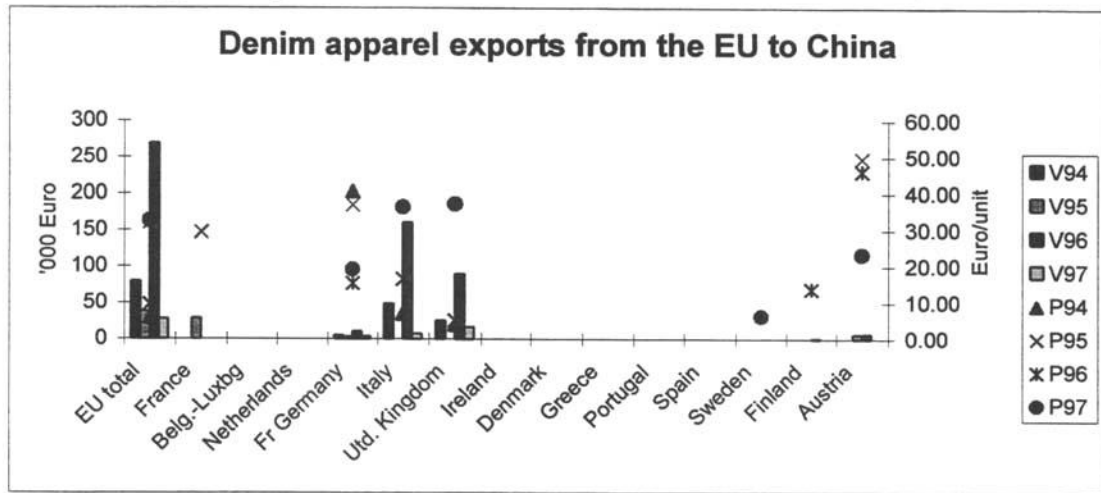
7.2.1.2 Exports to the EU

Denim product exports from China to the EU were much larger than its imports from the EU. The export value reached 31.2 million Euro in 1996 and then fell to 18.0 million Euro in 1997. Its share in the EU denim product import market shrank from 1.1% in 1994 to 0.7% in 1997. (See table 7.3)

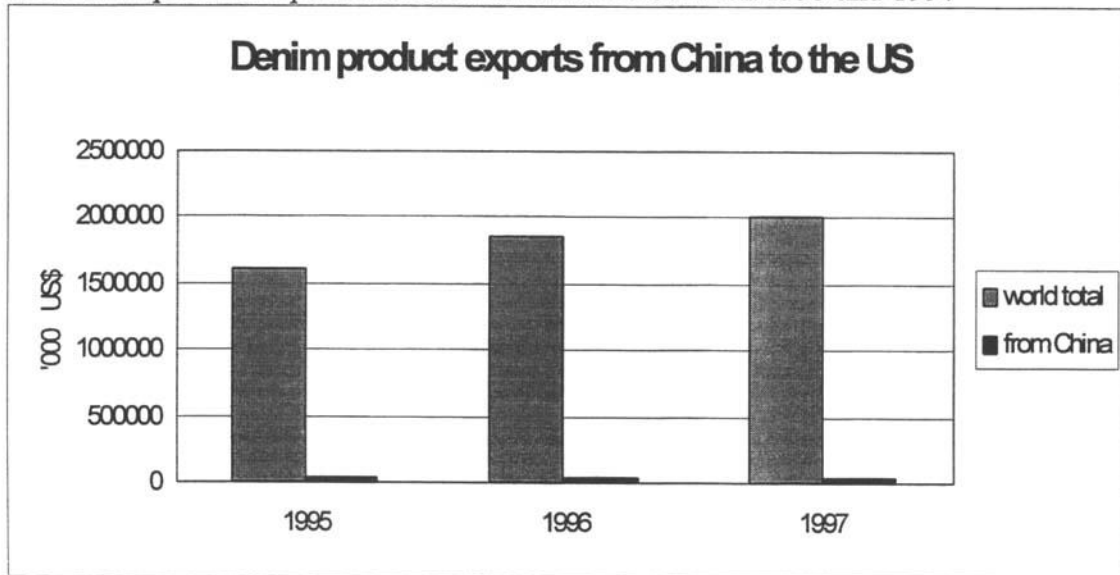
Denim fabrics were of little consequence in the total denim product exports from China to the EU, though its overall share increased a little to 1.2% in 1997.

Almost all the EU members imported denim apparel from China, except Greece and Portugal, who stopped imports in certain years. Germany held 31.3% of the EU total denim product imports from China in 1997, followed by Denmark (13.1%), Netherlands (12.9%), the UK (11.4%) and Italy (10.6%). France imported less denim products from China since 1995 and its market share shrank to 4.8% in 1997. By

7.5 Denim apparel exports from the EU to China between 1994 and 1997



7.6 Denim product exports from China to the US between 1995 and 1997



sharp contrast, those destined to Denmark showed a clear uptrend and peaked in 1997 with 2.4 million Euro.

7.2.2 Denim fabric exports

7.2.2.1 Exports to the US

As mentioned earlier, denim fabric exports to the US were very small. There were no exports in 1995 and 1997. In 1996, the value was US\$ 24 thousand, accounting for 0.003% of US total denim fabric imports.

The average export price per square meter was US\$ 1.2, indicating the low value-added feature of China-label denim fabrics.

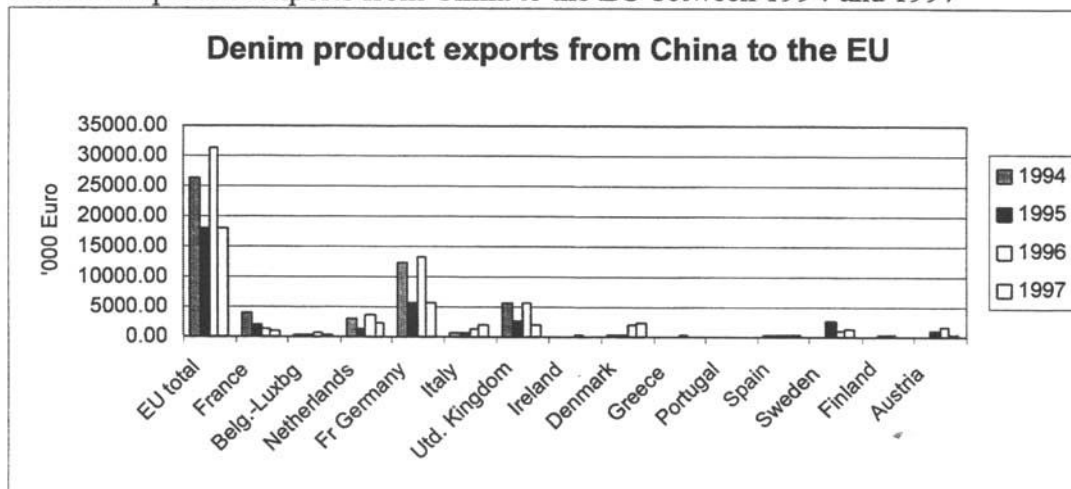
7.2.2.2 Exports to the EU

Denim fabric exports from China to the EU were small in value. It dropped from 205.5 thousand Euro in 1994 to 128.6 thousand Euro in 1996 and then picked up to

Table 7.3 Denim product exports from China to the EU between 1994 and 1997

Denim product exports from China to the EU				
	1994	1995	1996	1997
Total EU imports ('000 Euro)	2452160.7	2357516.9	2771175.2	2648607.1
From China ('000 Euro)	26481.48	17837.44	31248.1	17989.07
Imports from China / Total EU imports %	1.08	0.76	1.13	0.68
Fabric/Total denim product imports from China %	0.78	0.86	0.41	1.15

7.7 Denim product exports from China to the EU between 1994 and 1997



206.5 thousand Euro in 1997. The share of the EU denim fabric import market was insignificant, less than 0.1% throughout the investigation period. (See Fig. 7.9) The United Kingdom was the leading EU importer except for the year 1995 when Italy took the No. 1 place with 91.1% of the market share. The UK's share increased from 57.0% in 1994 to 72.7% in 1997, while that of Italy dropped to 24.8% in 1997. The two were responsible for almost all the Chinese denim fabric exports. Germany also imported from China since 1995, but its import value was really negligible.

The average export price was relatively stable during the four years, from 1.5 Euro per square meter in 1994 to 1.3 Euro in 1997. Denim fabrics exported to Germany registered the highest unit export price, which was 4.4 Euro in 1997. Those to Italy were above the average level as well, reaching 1.9 Euro in 1997 but those to the UK were under the average level, only 1.2 Euro in the same year.

7.2.3 Denim apparel imports

7.2.3.1 Exports to the US

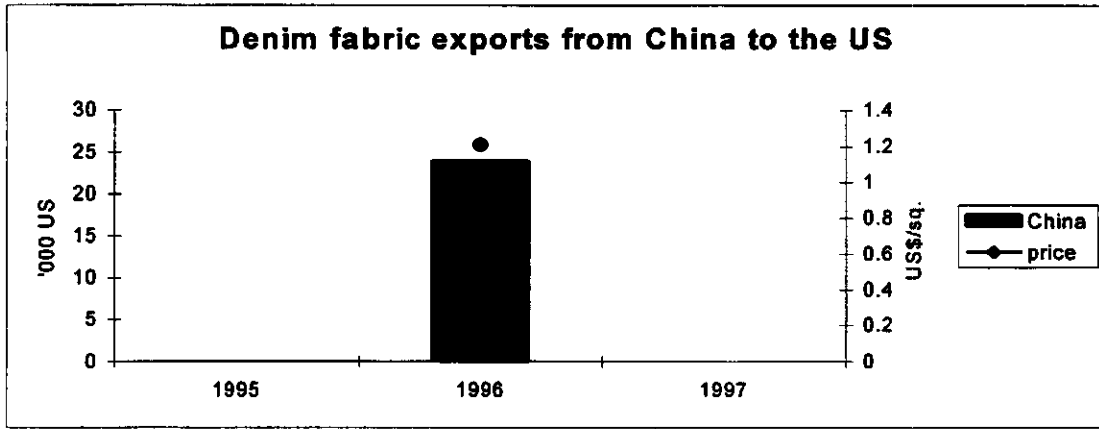
China's strength in apparel production is well illustrated by its export performance. Its denim apparel exports to the US reached US\$ 36.6 million in 1997, capturing 2.2% of the US total denim apparel imports. The export value peaked in 1996 at US\$ 44.1 million.

The average export price showed an upward trend, from US\$ 7.0 per unit in 1995 to US\$ 10.4 in 1997. (See Fig. 7.10)

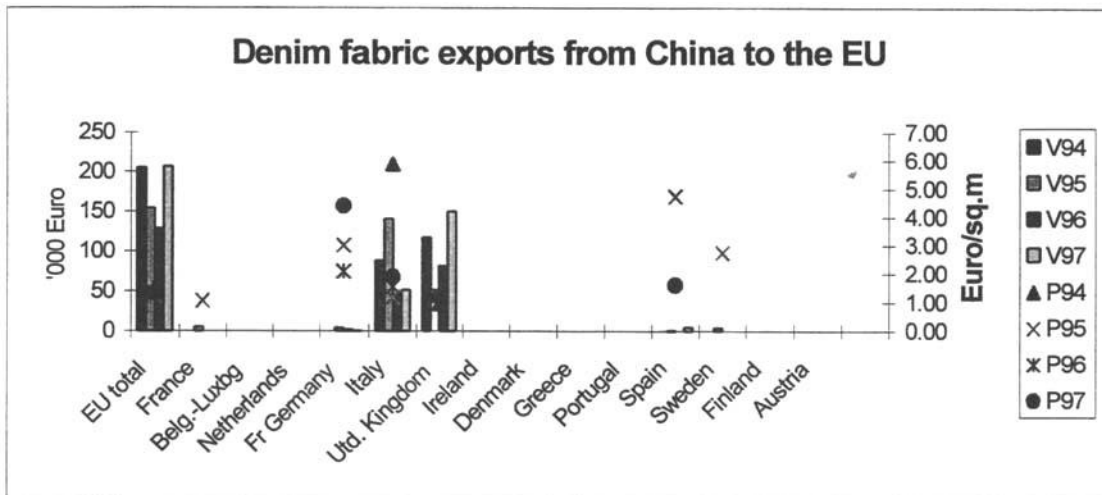
7.2.3.2 Exports to the EU

Chinese denim apparel achieved a much more successful penetration into the EU market than its denim fabrics did, though its market share of EU total denim apparel

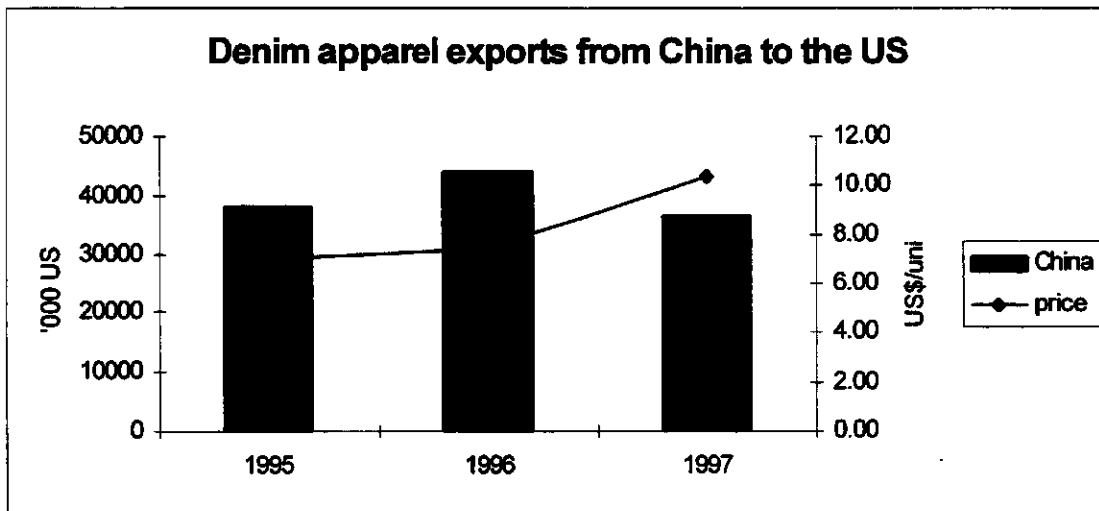
7.8 Denim fabric exports from China to the US between 1995 and 1997



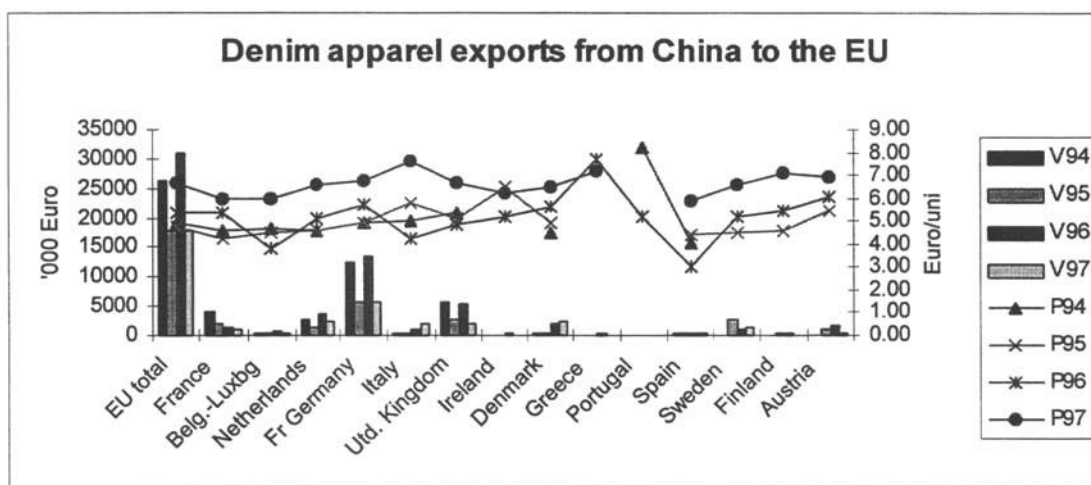
7.9 Denim fabric exports from China to the EU between 1994 and 1997



7.10 Denim apparel exports from China to the US between 1995 and 1997



7.11 Denim apparel exports from China to the EU between 1994 and 1997



imports shrank from 1.1% in 1994 to 0.6% in 1997. As mentioned earlier, denim apparel was the major item in China's denim product exports to the EU. The export value reached a peak in 1996 with 31.1 million Euro. However, the export performance was dull in 1997, only reaching 17.8 million Euro. (See Fig. 7.11)

All the EU countries¹ imported denim apparel from China since 1994, except for Greece which started importation in 1996, and Portugal, who only imported from China in 1996. Germany was the most important EU importer, capturing 47% of total EU denim apparel imports from China in 1994. Though its market share reduced to 31.7% in 1997, it was still the leading EU importer. Imports to Italy and Denmark rose very quickly, enlarging their shares from 1.7% and 1.1% in 1994 to 10.5% and 13.3% respectively in 1997. However, those to France and the United Kingdom dropped sharply, from 15.7% and 21.2% in 1994 to 4.8% and 10.7% in 1997 respectively. Sweden also imported less denim apparel from China after it joined the EU, from 15.5% in 1995 to 6.7% in 1997.

The average export price increased a little from 4.9 Euro per unit in 1994 to 6.7 Euro per unit in 1997. Those to Italy were imported at the highest unit price at 7.8 Euro; those to France, Belgium, Ireland, and Spain were sold below the average price; and those to Germany, the UK, Netherlands, Denmark, Sweden and Australia were at or near the average price.

REFERENCES

1. Jurg Rupp, A.B., Denim: jack in a box of the fashion industry. ITB International Textile Bulletin, 2000?p.10.
2. Wang, J., Changing fashion world. JTN Monthly, 1999?p.60-61.
3. Anon, Hong Kong: amber lights on apparel exports to Europe and US. JTN Monthly, 1999.
4. Lei Yao, Yi Li., Denim in China, Textile Asia, March 2000

¹ Because Sweden, Finland and Austria didn't join the EU until 1995, their 1994 figures with China were not available.