

STATEMENT FROM THE DELEGATION OF TAIWAN

AT THE 78th PLENARY MEETING OF THE

INTERNATIONAL COTTON ADVISORY COMMITTEE

Overview

Faced with restrictive domestic business conditions and intensified international competition, Taiwan's textile industry has been placing greater emphasis on design and R&D to enhance the added value of products and upgrade product differentiation. In other words, the industry has gradually changed its production focus from price to innovation. As a sector of the textile industry, Taiwan's cotton spinning industry has actively incorporated with other sectors to develop unique, refined and innovative products.

Two recent global consumption trends in fashion and home textiles are functionality and environmental sustainability. There have been no revolutionary breakthroughs in cotton spinning technology in recent years since the sector is technically very mature. The cotton spinning industry has instead placed an emphasis on investment in research and development to improve production processes and elevate facility automation and production efficiency.

Thanks to the fully developed textile value chain in Taiwan, the cotton spinning industry is able to work with the synthetic textile sector to develop high sensitivity, high-performance and high-value products to meet consumers' needs. Meanwhile, to protect the environment and consumers' health, many cotton spinners in Taiwan, including Far Eastern New Century, Formosa Taffeta, Everest and etc. have actively engaged in the production of organic cotton textiles.

It is forecast that textiles using organic cotton and eco-friendly fibers will become important export items for Taiwan in the future. Taiwan's textile industry is also considering ways to develop more eco-friendly functional textiles. This combination of advanced functionality and environmental sustainability is making the industry even more competitive and socially responsible.

Background on Taiwan's Textile Industry

Textile industry: Taiwan's fourth-largest trade surplus industry

Over the years, Taiwan's textile industry has steadily upgraded its operations from processing imported raw materials and exporting finished goods, to developing synthetic yarn and using imported raw cotton yarn and man-made staple yarn. During this period, Taiwan's textile industry has also become more vertically integrated.

Since the 1950s, Taiwan's textile industry has steadily invested in new machinery and has developed innovative products to meet changing global market demands. These efforts have lead Taiwan as a major supplier of textile products to the world.

In 2019, Taiwan's textile industry comprised 4,255 manufacturers and 142 thousand employees; the production reached NT\$360.7 billion in value. In the same year, the gross export and import values for Taiwan's textiles & apparel were US\$9.18 billion and US\$3.56 billion, respectively, and as a result, Taiwan's textile industry recorded a total trade surplus of US\$5.62 billion, ranking it fourth among all sectors in Taiwan in this regard. Today, Taiwan is one of the world's leading suppliers and innovators of high-quality man-made fabrics. (Please refer to Table 1)

The textile industry of Taiwan is highly export-oriented. Exports have accounted for more than 79% of total textile and apparel production over the past 10 years. In 2019, Taiwan's textile industry has experienced contraction of the overall production value and number of manufacturers. Because of the economic conflict between China and the United States at the end of year 2018 and outbreak of COVID-19 at the end of year 2019, whole supply chain as well as market demand have been impacted seriously.

Table 1: 2010~2019 Taiwan's Textiles & Apparel Production Value, Manufacturers and Employees

Year	2010	2015	2019	2010	2015	2019	2010	2015	2019
	Production Value (NT\$ billion)			Current Manufacturers			Employees		
Textiles	445.5	387.4	342.9	3,134	3,163	3,115	95,736	110,943	110,124
Apparel	27.2	21.9	17.8	1,119	1,144	1,140	31,271	32,071	31,894
Total	472.7	409.3	360.7	4,253	4,307	4,255	127,007	143,014	142,018

Source: Compiled by Taiwan Textile Federation (TTF) with data from Directorate-General of Budget, Accounting & Statistics, Executive Yuan (DGBAS); Department of Statistics, Ministry of Economic Affairs (MOEA).

Taiwan Textile Exports

Taiwan textiles & apparel exports amounted to US\$9.18 billion in 2019, decreased by 8.91% compared with 2018. Fabrics exports amounted to US\$6.23 billion in value, went down by 6.43% compared with the previous year. Yarn exports amounted to US\$1.44 billion in value, dropped by 14.15%. Fabrics were the main export item, accounting for 67.86% of total textile exports. Yarn ranked second in this regard, accounting for a share of 15.68%. (Please refer to Table 2)

Table 2: 2018~2019 Taiwan Textiles & Apparel Exports

Items	Export Volume (10,000 Tons)			Export Value (100 million USD)			Share (%)	Unit Price (US\$/Kg)		
	2018	2019	Growth Rate (%)	2018	2019	Growth Rate (%)		2018	2019	Growth Rate (%)
	1.Fiber	50.27	43.54	-13.39	8.06	6.04		-25.06	6.58	1.60
2.Yarn	58.72	52.79	-10.10	16.75	14.38	-14.15	15.68	2.85	2.72	-4.50
3.Fabric	85.18	78.44	-7.91	66.55	62.27	-6.43	67.86	7.81	7.94	1.60
4.Apparel	2.65	2.45	-7.55	5.10	4.71	-7.65	5.13	19.24	19.19	-0.25
5.Miscellaneous	8.66	8.34	-3.70	4.28	4.36	1.87	4.75	4.93	5.23	5.93
Total	205.48	185.56	-9.69	100.74	91.76	-8.91	100	4.90	4.94	0.86

Source: Compiled by Taiwan Textile Federation (TTF) with data from Taiwan Customs Statistics.

Taiwan Textile Imports

Taiwan textiles and apparel imports amounted to US\$3.56 billion in 2019, went down by 3.42% compared with 2018. Apparel imports amounted to US\$1.95 billion, increased by 0.78% and accounting for a share of 54.73% of total textile imports, fabrics imports amounted to US\$ 0.50 billion (dropped by 1.39%, 13.94% of total), fiber imports amounted to US\$0.41 billion (decreased by 19.18%, 11.63% of total), miscellaneous textiles US\$0.37 billion (grew by 7%, 10.32% of total), and yarn US\$0.33 billion (went down by 15.23%, 9.39% of total) (Please refer to Table 3).

Table 3: 2018~2019 Taiwan Textiles and Apparel Imports

Items	Import Volume (10,000ton)			Import Value (100 million)			Share (%)	Unit Price (US\$/Kg)		
	2018	2019	Growth Rate (%)	2018	2019	Growth Rate (%)		2018	2019	Growth Rate (%)
1.Fiber	26.35	22.71	-13.81	5.11	4.13	-19.18	11.63	1.94	1.82	-6.05
2.Yarn	10.21	8.67	-15.08	3.94	3.34	-15.23	9.39	3.86	3.85	-0.2
3.Fabric	8.49	8.24	-2.94	5.02	4.95	-1.39	13.94	5.91	6.02	1.71
4.Apparel	12.60	11.96	-5.08	19.31	19.46	0.78	54.73	15.33	16.27	6.18
5.Miscellaneous	7.77	8.15	4.89	3.43	3.67	7.00	10.32	4.42	4.5	1.81
Total	65.42	59.73	-8.70	36.81	35.55	-3.42	100	5.63	5.95	5.8

Source: Compiled by Taiwan Textile Federation (TTF) with data from Taiwan Customs Statistics.

Background on Taiwan's Cotton Spinning Industry

Raw Cotton Imports

Taiwan depends on imports for all of its raw cotton needs. Imports of raw cotton in 2018 were 19,860 tons, with a value of US\$318 million. In 2019, cotton imports declined to 16,640 tons and the value plummeted to US\$242 million. These figures represented a decrease of 19.35% in weight and a drop of 23.9% in value from the previous year. The United States was the largest supplier of raw cotton to Taiwan in 2019, providing 60% of the total imports by value, followed by India (8%) and Indonesia (6%).

The reasons for the contraction in raw cotton imports by value are as follows:

1. The US-China trade conflict has cast a shadow on the downstream cotton market, and it has caused the enterprisers to lack confidence and to become conservative. Moreover, China is the largest exporter of textiles and apparel for USA. In 2018, the value of textile and apparel exported from China to USA accounted for 17% of USA's total export value. Therefore, the trade conflict also affected the trade of cotton products for both countries, which in turn impacted cotton consumption and caused a reduction of the price.
2. The production of USA and other major cotton-producing countries, such as India and Brazil, increased significantly in 2019/20, but the level of global cotton

inventories and consumption remained the same as in previous years, which caused cotton prices to fall. Furthermore, China has a large cotton inventory, and the cotton warehouse receipts have repeatedly reached new highs, made an influence on cotton price. Whatsmore, the country exported plenty of the reserve cotton, mainly exported low-quality cotton, caused the cotton price reduce.

3. The operating ratio of cotton spinning spindle reduced to 62.45% in 2019 from 69.41% in 2018, and the number of the spindle dropped from 740,829 in 2018 to 525,738 in 2019. It means that the production of the spindle decreased and caused the import of cotton decline. In addition, because of dramatically increasing volume of the spindle from emerging markets, Taiwan was not competitive on the price and had a decrease in the production. (The details please refer to table 4). Besides, since cotton-spinning machineries need to be replaced by new, it also has impacted on the operating ratio of the cotton spinning spindle.

Analysis of Cotton Yarn Production, Sales and Inventory

The production of cotton yarn (excluding CVC yarn) was 696,077 bales in 2019, dipped by 2.89% from 2018. Domestic sales totaled 277,633 bales (a share of 40%), dropped by 6.44% from 2018, while the export volume grew up to 427,421 bales, went up by 1.04% from 2018. Ending inventories amounted to 33,077 bales, a plunge of 21.97% over 2018 (Please refer to Table 4).

Table 4: 2010~2019 Production, Sales and Inventory of Cotton Yarn (Unit: Bales)

Year	Production	Domestic Sales	Export Volume	Ending Inventory
2010	882,361	465,785	431,872	45,874
2011	658,001	352,265	297,957	55,605
2012	955,044	518,713	435,740	56,336
2013	965,507	532,673	424,696	71,980
2014	902,732	501,491	402,532	78,567
2015	660,604	285,446	377,567	77,747
2016	805,158	429,115	392,712	60,776
2017	664,340	305,602	373,637	45,071
2018	716,791	296,733	423,029	42,388
2019	696,077	277,633	427,421	33,077

Note: 1 bale=400 pounds=181kg.

Source: Taiwan Spinners Association.

Taiwan's total production of spun yarn was 1,259,967 bales in 2019, a decrease of 0.54% from 2018. Domestic sales (including for self-use) of spun yarn totaled 695,601 bales (a share of 55%), climbed by 1.43% from the previous year, and the export volume amounted to 577,408 bales, slightly reduced by 0.09%. Ending inventory for 2019 stood at 185,361 bales, a decrease of 1.23% over 2018. (Please refer to Table 5).

Table 5: 2015-2019 Production, Sales and Inventory of Spun Yarn (Unit: Bales)

Products	Year	Production	Domestic Sales	Export Volume	Ending Inventory
Cotton (including CVC yarn)	2015	901,995	418,907	475,860	122,691
	2016	1,073,272	587,155	498,251	115,419
	2017	838,722	416,822	447,968	81,372
	2018	859,785	383,429	485,708	76,356
	2019	866,720	391,861	484,891	64,016
Man-made fiber yarn	2015	525,865	411,594	95,417	144,252
	2016	430,684	374,892	60,927	115,599
	2017	466,355	390,821	82,893	116,663
	2018	407,044	322,236	92,221	111,304
	2019	393,247	303,739	92,517	121,346
Total	2015	1,427,860	830,501	571,277	266,943
	2016	1,503,956	962,048	559,178	231,018
	2017	1,305,077	807,643	530,861	198,035
	2018	1,266,829	705,666	577,929	187,660
	2019	1,259,967	695,601	577,408	185,361

Note: 1 bale=400 pounds=181kg.

Source: Taiwan Spinners Association.

Analysis of Cotton Yarn Trade

The export volume of cotton yarn was 125 thousand tons in 2019, reduced by 4.6% from the 131.03 thousand tons shipped in 2018. During the same period, the value of exports decreased 15.67%, to US\$252.21 million. The import volume for this period was 18.43 thousand tons, plummeted by 27.50% compared to 2018, while the import value was US\$50.47 million, slumped by 34.42% from 2018. (Please refer to Table 6).

Table 6: 2018~2019 Exports & Imports of Cotton Yarn

	Volume (1,000 tons)			Value (million US\$)			Unit price (US\$/Kg)		
	2018	2019	Growth Rate (%)	2018	2019	Growth Rate (%)	2018	2019	Growth Rate (%)
Exports	131.03	125	-4.60	299.08	252.21	-15.67	2.28	2.02	-11.60
Imports	25.42	18.43	-27.50	76.96	50.47	-34.42	3.03	2.74	-9.57

Source: Compiled by Taiwan Textile Federation (TTF) with data from Taiwan Customs Statistics.

Shaping Sustainability in the Cotton Value Chain

The Situation of "Sustainability" in Taiwan in Recent Years

As global environmental conditions continue to experience more volatility, consumers worldwide are becoming more and more eco-savvy. Therefore, governments in a number of countries have begun to stipulate more rigorous environmental regulations and standards. When environmental regulations and market demand coincide, brands and retailers adopt a positive response to “green sourcing” policies and are willing to set mandatory guidelines for their suppliers. Such a shift in trade symbolizes the advent of the “eco-economy”.

The organic textile market has gradually taken shape in Taiwan after years of promotion. Organic cotton production in Taiwan has a long history. Several companies have had their organic cotton products certified, such as Far Eastern New Century, Formosa Taffeta, Everest and etc. Organic certification bodies, such as the Institute for Marketecology (IMO) and the Control Union, have grown more prominent.

The worldwide “green wave” has directly and indirectly created greater demand for eco-friendly products, generating thriving research and development in “green” textiles around the world. As a result, “eco-textiles” are emerging and becoming more mainstream. Given greater consumer interest in climate change and global environmental conditions, it can be expected that concerns about ecology will surpass purely economic factors for both industry and consumers. As a result, eco-friendly and green products will prove to be good for business. Introducing eco-friendly practices into the production of goods should create jobs and generate new business opportunities.

In fact, eco-textiles and related services are now a popular focus at international textile exhibitions. The Taipei Innovative Textile Application Show, organized by the Taiwan Textile Federation, has devoted special sections to displaying eco-textiles and

the relevant certification services (including their identification marks) to facilitate buyers' sourcing choices. The Taiwan Textile Federation (TTF) also publishes a "Taiwan eco-textiles selection" and promotes the products through its website, exhibitions, and other channels.

Digital printing and paper transfer printing can work directly on fabrics, reducing energy consumption and enabling the skipping of the wastewater treatment process. Companies in Taiwan specializing in such applications are thus considered eco-friendly. Advances in the related technology have greatly enhanced dyeing efficiency and printing speed.

The Role of the Government of Taiwan in Facilitating "Sustainability" of the Sector

Taiwan has implemented the VPC (Voluntary Product Certification) for organic textiles. In recent years, the importance of sustainability in economic and development work has been widely recognized internationally. Introducing innovations in the manufacturing process to meet ecology demands as well as environmental protection goals are prevailing trends in both the textile and apparel industries. Consumer groups have requested that the Taiwan government, establish an organic certification mechanism as a way to manage production of organic textile products. The range of materials included in the certification system covers organic cotton, organic wool, organic hemp, organic silk and organic leather. The products covered yarn, fabrics, clothing and household textiles categories. The validation process includes product testing and factory inspection, and is divided into four grades:

- (A) The first level: the product contains more than 95% organic material or organic transition material.
- (B) The second level: the product contains more than 70% organic material or organic transition material.
- (C) The third level: the product contains more than 55% organic material or organic transition material.
- (D) The fourth level: the product contains more than 5% organic material or organic transition material.

International Cotton Advisory Committee seminars

The 79th Plenary Meeting of the International Cotton Industry Advisory Committee (ICAC) originally scheduled to be held in Seville, Spain from November

22nd to 26th, 2020. Due to the impact of the COVID-19 epidemic, it will be postponed to 2021.

Every year on October 7th is the anniversary of the World Cotton Day. As a member of the ICAC, Taiwan actively participates in related activities to engage in the cotton market. In addition to establishing an exclusive website for the 2nd International Cotton Day on October 7th, 2020, the Ministry of Economic Affairs (MOEA) announces information about the global cotton events. Moreover, the MOEA also organized relevant activities before the "World Cotton Day", inviting people in Taiwan to participate in for increasing understanding of cotton products and future vision of Taiwan's cotton industry.

Conclusion

In recent years, Taiwan's textile industry is utilizing novel technology to produce high value-added and best quality products. In doing so, we raise the high-quality image of Taiwan's textile products and broaden Taiwan's competitive edge in the industry and in the Asia-Pacific region.

Taiwan's textile industry is developing many high value-added materials as a means of creating product differentiation. Facing the twin effects of over-supply and higher energy prices, the industry acts prudently by concentrating its innovative efforts on developing functional applications, including promoting the use of eco-fibers, as well as developing attractive, high-quality products.

In addition, the government has significantly assisted the textile industry to realize the vision set for the sector: namely to become a global R&D and production base for functional and technical textiles and a fashion design center in the Asia-Pacific region. Another objective is to shift from made-in-Taiwan (MIT) to designed-in-Taiwan (DIT) and branded-in-Taiwan (BIT).

Regarding the effort on promoting cotton market, although the 79th ICAC Plenary meeting was postponed to 2019 due to the COVID-19 in this year, Taiwan, as a member of ICAC, organized related activities in conjunction with "World Cotton Day" for increasing attentions of Taiwan people's on cotton products. Moreover, the Taiwan Textile Federation and the ICAC have jointly organized seventh seminars in Taipei since 2005, and will keep the collaboration going for all attendees to gain new knowledge and exchange information.