STATEMENT FROM THE DELEGATION OF TAIWAN AT THE 80th PLENARY MEETING OF THE INTERNATIONAL COTTON ADVISORY COMMITTEE

(2022)

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 led Taiwan as a major supplier of textile products to the world.

In 2021, Taiwan's textile industry consisted of 4,568 manufacturers and 141,000 employees; a production reached NT$345.6 billion. In the same year, the gross export and import values for Taiwan's textiles & apparel were US$9 billion and US$3.9 billion, respectively, and as a result, Taiwan's textile industry recorded a total trade surplus of US$5.2 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)

Because of the impact of COVID-19 pandemic, international trade has dropped significantly the start of 2020. Therefore, the ratio of total exports of textiles and apparels to total production dropped to 77% over the past 10 years. However, this still shows that the textile industry of Taiwan is highly export-oriented. In 2021, as the pandemic situation eased and countries around the world relaxed their lockdown policies, Taiwan's textile industry recovered gradually due to a rebound in the global economy and consumption. Nevertheles, the number of manufacturers and employees still contracted.

Table 1: 2010~2021 Taiwan's Textiles & Apparel Production Value, Manufacturers and Employees

Year	2010	2015	2021	2010	2015	2021	2010	2015	2021
	Production Value (NT$ billion)			Current Manufacturers			Employees		
Textiles	445.5	387.4	328.1	3,134	3,163	3,406	95,736	110,943	109,267
Apparel	27.2	21.9	17.5	1,119	1,144	1,162	31,271	32,071	31,617
Total	472.7	409.3	345.6	4,253	4,307	4,568	127,007	143,014	140,884

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 billion in 2021, an increase of 19.8% over 2020. Fabrics exports amounted to US$6.3 billion in value, up sharply by 23.7% compared with the previous year. Yarn exports amounted to US$1.3 billion, up by 24.7%. Fabrics were the main export item, accounting for 69.4% of total textile exports, while yarn ranked second at 14.2%. (Please refer to Table 2)

Table 2: 2020~2021 Taiwan Textiles & Apparel Exports

Items	Export Volume (10,000 Tons)			Export Value (100 million USD)			Share (%)	Unit Price (US$/Kg)		
	2020	2021	Growth Rate (%)	2020	2021	Growth Rate (%)		2020	2021	Growth Rate (%)
1.Fiber	40.1	38.8	-3.3	4.8	5.1	5.1	5.6	1.2	1.3	8.7
2.Yarn	39.8	42.9	7.7	10.2	12.8	24.7	14.2	2.6	3.0	15.8
3.Fabric	62.5	69.7	11.6	50.6	62.6	23.7	69.4	8.1	9.0	10.9
4.Apparel	2.1	2.2	6.3	4.1	4.7	14.4	5.2	19.9	21.5	7.6
5.Miscellaneous	7.1	7.1	0.4	5.6	5.1	-8.3	5.7	7.9	7.2	-8.7
Total	151.6	160.7	6.0	75.3	90.2	19.8	100.0	5.0	5.6	13.0

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

Taiwan Textile Imports

Taiwan textiles and apparel imports amounted to US$3.9 billion in 2021, up by 14.5% compared with 2020. Apparel imports amounted to US$1.9 billion, up by 5.8% and accounting for 49.7% of total textile imports. Yarn imports amounted to US$600 million, (up 73.6%, and 15.2% of total), fabrics imports US$600 million (up by 6.3%, and 14.9% of total), miscellaneous textiles US$400 million (up by 12%, and 11.3% of total), and fiber imports US$300 million (up by 18.3%, and 8.8% of total) (Please refer to Table 3).

Table 3: 2020~2021 Taiwan Textiles and Apparel Imports

Items	Import Volume (10,000ton)			Import Value (100 million)			Share (%)	Unit Price (US$/Kg)		
	2020	2021	Growth Rate (%)	2020	2021	Growth Rate (%)		2020	2021	Growth Rate (%)
1.Fiber	17.3	17.5	1.0	2.9	3.4	18.3	8.8	1.7	1.9	17.1
2.Yarn	9.6	13.0	35.0	3.4	5.9	73.6	15.2	3.5	4.5	28.5
3.Fabric	9.6	9.0	-6.7	5.4	5.7	6.3	14.9	5.6	6.4	13.9
4.Apparel	11.6	11.6	0.1	18.1	19.2	5.8	49.7	15.6	16.5	5.7
5.Miscellaneous	7.8	8.5	9.9	3.9	4.4	12.0	11.3	5.0	5.1	1.9
Total	56.0	59.7	6.6	33.7	38.6	14.5	100.0	6.0	6.5	7.4

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 2020 were 102,808 tons, with a value of US$139 million. In 2021, cotton imports rose to 110,139 tons and the value grew to US$177 million. These figures represented an increase of 7.1% in weight and a sharp rise of 27.7% in value from the previous year. The United States was the largest supplier of raw cotton to Taiwan in 2021, providing 39% of the total imports by value, followed by India (32.4%) and Australia (10.8%).

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

1. Cotton prices surged to a 10-year high since July 2011.

   In addition to being affected by a labor shortage and consistently rising shipping costs, the imbalance in global supply and demand was also the reason for the rise in cotton prices. On the supply side, drought and heat waves caused serious damage to cotton production in the world's three largest cotton producing countries, namely the United States, India and China, resulting in supply shortages. On the demand side, due to the issue of forced labor in China and the zero-COVID strategy, the country's demand for US cotton has increased significantly, which in turn has put pressure on international cotton prices.

2. A rise in cotton demand driven by increased global consumption of textiles and apparel due to the abating pandemic.

   Since vaccines have been effective in slowing the spread of COVID-19, and due to economic and trade considerations, many countries gradually eased their border restrictions. This allowed professional sports events to resume and stimulated global consumption. As a result, brands increased their quantity of orders, boosting demand for cotton.

Analysis of Cotton Yarn Production, Sales and Inventory

The production of cotton yarn (excluding CVC yarn) was 455,772 bales in 2021, slightly down by 0.4% from 2020. Domestic sales totaled 156,306 bales (34% of total sales), down by 1.5% from 2020, while exports reached 299,669 bales, up by 0.5% from 2020. Ending inventories amounted to 48,841 bales, an increase of 34.9% over 2020 (Please refer to Table 4).

Table 4: 2012~2021 Production, Sales and Inventory of Cotton Yarn (Unit: Bales)

Year	Production	Domestic Sales	Export Volume	Ending Inventory
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
2020	457,759	158,710	298,209	36,202
2021	455,772	156,306	299,669	48,841

Note: 1 bale=400 pounds=181kg.

Source: Taiwan Spinners Association.

Taiwan's total production of spun yarn was 744,608 bales in 2021, a decline of 2.5% from 2020. Domestic sales (including for self-use) of spun yarn totaled 395,301 bales (53% of sales), up by 4.2% from the previous year, while exports amounted to 362,783 bales, up by 4.8%. Ending inventory for 2021 stood at 162,607 bales, a decrease of 0.5% over 2020. (Please refer to Table 5).

Table 5: 2017~2021 Production, Sales and Inventory of Spun Yarn (Unit: Bales)

Products	Year	Production	Domestic Sales	Export Volume	Ending Inventory
Cotton (including CVC yarn)	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
	2020	519,564	206,038	319,843	52,105
	2021	**549,818**	**204,493**	**345,804**	**64,715**
Man-made fiber yarn	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
	2020	207,131	173,216	26,332	111,341
	2021	**194,790**	**190,809**	**16,979**	**97,892**
Total	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
	2020	726,695	379,254	346,175	163,446
	2021	**744,608**	**395,301**	**362,783**	**162,607**

Note: 1 bale=400 pounds=181kg.
Source: Taiwan Spinners Association.

Analysis of Cotton Yarn Trade

The export volume of cotton yarn was 72,900 tons in 2021, down by 8% from the 79,200 tons shipped in 2020. During the same period, the value of exports dropped by 14.7%, to US$157.2 million. The import volume for this period was 25,100 tons, up by 4.1% compared to 2020, while the import value was US$84.6 million, up by 41.5% from 2020. (Please refer to Table 6).

Table 6: 2020~2021 Exports & Imports of Cotton Yarn

	Volume (1,000 tons)			Value (million US$)			Unit price (US$/Kg)		
	2020	2021	Growth Rate (%)	2020	2021	Growth Rate (%)	2020	2021	Growth Rate (%)
Exports	79.2	72.9	-8.0	137	157.2	14.7	1.7	2.2	24.8
Imports	24.1	25.1	4.1	59.8	84.6	41.5	2.5	3.4	36.1

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 the 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, while the range of products covers 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 80th Plenary Meeting of the International Cotton Industry Advisory Committee (ICAC) will be held in virtual format from Nov. 29 to Dec. 1, 2022, by virtual platform.

World Cotton Day falls on Oct. 7. As a member of the ICAC, Taiwan actively participates in related activities to promote in the international cotton sector. This year, the Department of International Cooperation under the Ministry of Economic Affairs organized a field trip for government agencies, cotton and textile industry representatives, as well as dozens of students from six colleges and universities around Taiwan to a pair of textile enterprises in southern Taiwan on Oct. 6, to promote awareness of the cotton sector as well as Taiwan's important role in the global textile value chain.

Conclusion

In recent years, Taiwan's textile industry has been utilizing novel technology to produce high value-added and top quality products, thereby raising the high-quality image of Taiwan textile products and boosting its competitiveness in the Asia-Pacific region.

As a means of creating product differentiation, Taiwan's textile industry is developing many high value-added materials. Facing the twin effects of oversupply and higher energy prices, the industry has been moving forward 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, over the years, the government of Taiwan 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).

Moreover, despite the ongoing COVID-19 pandemic, which has impacted ICAC activities including the format for the 80th plenary meeting, Taiwan as an active member of the ICAC organized several World Cotton Day events this year to promote the cotton industry and its products. Moreover, the Taiwan Textile Federation has jointly organized with the ICAC Secretariat a total seven seminars in Taipei since 2005 and will continue such collaboration in the future as part of efforts to expand information exchanges and knowledge-sharing with other ICAC member.