Tariff and Production Cost Issues Dominate US Textile Sourcing Show

A glum early-year show saw exhibitors at Apparel Sourcing USA concerned over mooted US import tariffs, rising production costs, consumer disinterest in environmental surcharges and the consequences of Brazilian corruption.

Many at this year’s Apparel Sourcing USA were clearly concerned as to just how international trade would fare under the Trump administration – and this was before the President’s recent tariff-imposing intervention in the steel and aluminium sectors. While no new import tariffs have yet to be imposed on overseas clothing makers selling into the US, the mere possibility of such trade barriers materialising has, apparently, been enough to have had a negative impact in certain quarters.

Hailing from one of those quarters was Carlos Corona Betancourt, the West Coast Sales Manager for SGS Seamless Global Solutions, a seamless-sports-fabric maker based in the south-central Mexican state of Puebla. Outlining the problem as it stands, he said: "Throughout Latin America, business has already taken a hit while people wait to see what will happen. Prior to taking office, Trump made a lot of noise about resolving trade deficits, particularly with regard to Mexico, but also with Latin America in general.

"These threats have definitely had an impact, even though there has been no follow-up
action as yet. At the moment, things are more or less okay, but we are readying ourselves for any future legislation."

Sounding a similar note, Claudio Pardo Barber, the Commercial Manager of Texgroup, a Lima-based cotton specialist, said: "While this has not yet hit us, we are praying that no major changes are in the pipeline."

Problems of a different kind were preoccupying a number of the Chinese manufacturers in New York for the event. Voicing the concerns of many, Frank Gu, the Merchandise Manager for Zhangjiagang Winstar Import & Export, a Jiangsu-based knitwear manufacturer, said: "The rise in labour costs – not only in China but in a number of other countries – is a big problem. On top of that, another level of costs has been added in terms of implementing more environmentally-friendly production practices."

Despite these escalating costs, Gu still sees the US as the primary market for Chinese clothing manufacturers, not least because of the positive attitude local consumers have when it comes to ethical sourcing. Expanding upon this, he said: "One of the unique characteristics of US customers is that they care a great deal about environmental protection and human rights, far more than, for instance, European consumers."

Similarly concerned about China's rising labour costs was Sutex (Nantong), a Jiangsu-based manufacturer of outerwear, with the company having a less positive outlook as to the altruism of US consumers. Spelling out the concerns of the business, its spokesperson said: "In China, the cost of everything is increasing in line with our commitment to environmental protection. In addition to that, many factories found to have been responsible for air or water pollution have been shut down."

"Despite this, US consumers are not willing to pay a little bit more to help protect China's environment. Our clients are focused on price and nothing else."

"When we tell them that environmental levies have pushed our costs up, they don't want to know. As it's now very expensive to manufacture in China, many factory owners are looking to relocate their production facilities to other countries, with Bangladesh being a particularly popular choice."

Citing a slightly different consequence of rising mainland prices, Swis Chen, Sales Manager for Wangzai Dress, a Fujian-based manufacturer of children's outerwear, said: "As many factories have shut down or slimmed down, with many migrant workers returning to their hometowns to open their own businesses, the sector has become far less competitive."

For a number of exhibitors at the show, shifting up the value chain seemed the best way to absorb the rising costs, with their subsequently higher-quality output commanding a far greater price. One proponent of this approach was Joe Guan, General Manager of Time For Sport International, a Xiamen-based manufacturer of sports and leisure clothing.
Outlining his company's approach, he said: "What we try to do is produce our range to a higher-than-average standard, giving us something of an advantage over more basic products. If we stuck to a basic approach, we couldn't compete on price."

For Mexico's *SGS Seamless Global Solutions*, offering enhanced quality was also seen as the way forward, with Corona saying: "Luckily, people have a clear understanding of the advantages offered by seamless garments and, in particular, by compression garments. Athletes, for instance, know only too well just how much compression can assist them when their muscles are tired.

"As a result, you can sell such items for a lot more. Quality is very important, especially when it comes to sportswear, where you get a lot more wear and tear because of the rigorous movements involved."

For other exhibitors, their preferred solution seemed to be forsaking the large-volume, low-value US market in favour of the higher-paying, but relatively low-volume, European market. Acknowledging the mixed blessings of such a shift in focus, Guan said: "Generally speaking, the order quantity from European customers is smaller than that from American customers. The prices offered by European buyers, though, are normally higher."

*Sutex (Nantong)*, too, was well aware of the better prices on offer from European buyers, but had other concerns, with its spokesperson saying: "While European customers are willing to pay more, they also expect better quality, with higher specifications for almost everything, including fabrics and trims.

"American consumers also have different preferences when it comes to materials. In the case of hood trims, for instance, in Europe they want real fur, while North Americans nearly always opt for faux fur.

"Price-sensitivity, though, is much greater in the US. When I speak to retailers, they tell me Americans are willing to pay US$10 for a glass of juice but, crazily, they won't pay $20 for a jacket."

Highlighting another difference between US and European buyers, Eric Shi, Deputy General Manager of *Suzhou Multicolor Textile*, said: "European customers – especially the Germans – tend to be stricter with regard to quality control. By contrast, the US customers I deal with are more concerned with styles and fabrics."

Despite paying less per unit than their European counterparts, North American buyers
were still highly valued by Latin American manufacturers, particularly compared with purchasers closer to home. Expanding upon just why, Texgroup’s Barber said: "North American customers value the kind of pima cotton we produce far more than South American buyers. They are also willing to pay a premium price for it.

"At the moment, the US is our most important market, although we used to have a number of high-volume buyers in South America, particularly in Brazil – which was a great market, but widespread corruption there has now created something of a crisis situation. In the future, we are hoping to make inroads into a number of new markets, with Ecuador, Mexico and Canada among our priorities."

Concerns over US / European buying preferences and increased mainland overheads aside, the overall sentiment at the event was somewhat downbeat. For his part, Shi viewed business as mediocre at best, saying: "While this show has been okay, the sector is not what it once was." Wangzai’s Chen was more concise in his overall assessment, dismissing the current state of the industry as: "So-so."

Pretty much the lone voice when it came to talking the sector up was Winstar’s Gu. Maintaining that better times – probably – lie ahead, he said: "Generally I think demand in the US market has increased compared with last year. Maybe the US economy is recovering. Things are getting better slowly, but steadily."

Apparel Sourcing USA Winter 2018 took place from 23-25 January at New York’s Jacob K Javits Exhibition Center. The event featured 371 exhibitors from 14 countries and attracted more than 4,000 visitors throughout the course of its three-day run.

James O'Donnell, Special Correspondent, New York

Tariff and Production Cost Issues Dominate US Textile Sourcing Show