EVOLUTION OF EU TEXTILE IMPORTS FROM CHINA
in 2005 and the first 7 months of 2006
Brussels, 2 October 2006

Summary

- The disruptive impact of liberalisation of Chinese textile exports to the EU in 2005 has been limited to a fairly narrow range of textile product categories.
- In these categories during 2005 there have been absolute rises in textile imports and steep falls in unit prices. Among the categories affected were the 10 categories covered by the June 10 EU/China Textiles Agreement.
- China's share of exports to the EU in the textile categories liberalised on 1 January 2005, has increased sharply at the expense of traditional EU suppliers, mainly in Asia but also in North Africa and the ACP. There has, however, been only a modest rise in textile imports to the EU, either in the 35 products liberalised on 1 January 2005, or in total textile imports.
- A deceleration in the rate of growth of imports from China in the products covered by the 10 June Agreement has been noticeable since September 2005.
- During the first seven months of 2006 we are observing an absolute decrease in imports from China and increases in unit prices.

Trade trends following liberalisation 1 January 2005

In general, in 2005, China increased its exports to the EU by 42 % in value and by 36 % in volume. For categories liberalised in 2005 there was an increase in China's market share by 130 % in volume and 82 % in value. This suggests significant falls in unit prices. In these products China, India, the US and Turkey were the only significant suppliers to have increased their exports in 2005. India's increase in exports by value was 18 %; the US' 14 % and Turkey's 4 %.

This has been at the expense of other suppliers to the EU. All other major suppliers have suffered export displacement in products liberalised in 2005. Pakistan, Indonesia, Thailand, South Korea, the Philippines, Taiwan, Hong Kong and Macao have all seen exports fall (by between 10 % in the case of Thailand and 50 % for S. Korea) in value. It is noteworthy that the most significant displacement by China has been exports previously originating from Hong Kong, Macao and Taiwan.

Textiles exports from ACP countries in 2005 fell by 17 % - Mauritius has seen exports to the EU fall by about 14% in value and volume. Morocco has seen a fall in exports of around 10 % in value and volume. Bangladesh has largely sustained its market share in volume but with a 6 % fall in value, suggesting price-cutting and rationalisation. One purpose of the June Agreement was to alleviate pressure on these more vulnerable producers.

During the first seven months of 2006 world exports in all textile categories to the EU decreased by - 1% in volume, but increased by 10 % in value-terms. As far as China is concerned there is an overall decrease in exports to the EU of – 8 % in volume while unit prices increased by 12 %. This is largely due to the quantitative limits introduced in June 2005 which cover the ten most sensitive textile categories for which decreases in China's exports to the EU range from – 38 % to – 70 % (with a mean – 56 %) in volume while unit prices increased for all ten categories (for some significantly). For the majority of the other categories Chinese exports continue to increase both in terms of volume and value which is considered as a normal result of trade liberalisation. On unit import prices, for these categories, we observe modest increases for some and modest decreases for others.

Regarding the six major suppliers (China, Turkey, India, Bangladesh, Pakistan, Indonesia) it is worth noting that while China's exports decreased by – 8 %, all others experienced increases ranging from 3 % (Turkey) to 16 % (Indonesia).
There were also notable increases in textile exports to the EU from Vietnam, Hong Kong and Macao in excess of 100 % in volume terms.

Growth markets for EU textile exports

China is becoming a key growth market for European textiles; exports were up 15 % in 2005 and 15 % in value for the first seven months of 2006 – although the starting point is still relatively low, as yearly exports account for less than 1bn euro.

Russia is also an important market for European textiles with exports increasing by 25.6 % during the first seven months of 2006.