

Investment Opportunities in the Textile Industry in Taiwan

I. Reasons to Invest in Taiwan Textile Industry

Textile industry has been one of Taiwan's most important export-oriented industries. In recent years, due to challenges coming from the rising cost of raw materials, increasing competitive pressure from developing countries, the rising of emerging markets and rising demand for environmental protection, Taiwan's textile industry is facing a stern test. Therefore, our government strived to improve laws and regulations to expedite the research and development capability of Taiwan's textile industry. Meanwhile, our government focuses on "carbon and energy reduction" and "eco-friendly manufacturing process", with an aim of developing functional fibers and fabrics, textiles for home décor and high-tech industrial textiles, building an industry value chain that integrates all production technologies.

In conjunction with President Ma's platform, "Program for Promoting the Development of New-Generation High-Tech Industrial Technology" is one of the programs to revive culture, education and technology. These programs are helping Taiwan's textile industry to assume a leading role in the development of functional and technical textiles. Ministry of Economic Affairs' goal is to achieve 580 billion NTD output value from textile industry by 2015. In 2008, Industrial Development Bureau, Ministry of Economic Affairs makes "assuring the value of clothing and home décor textiles" and "increasing the value of industrial textile" two major goals, expecting that the industry's output structure could shift a 59 : 11 : 30 ratio of clothing, home décor, and industrial textiles in 2008 to a 48 : 12 : 40 ratio by 2015. Considering favorable conditions such as Taiwan's close economic cooperation with China, the support of government policies, and the opening of international market, it is the best time to invest in Taiwan's textile industry.

From a niche investments point of view, investing dyeing and finishing plants in Taiwan can make up the supply chain in textile industry. Dyeing and finishing can be seen as the make-up artist in textile industry. However, dyeing and finishing plants in Taiwan could be divided into two types: one is equipped with superior techniques and

management, as a matter of course, receiving more orders; the other is unable to meet the client's needs due to its old facilities, facing the fate of elimination.. Therefore, investing dyeing and finishing plants in Taiwan can not only make up the supply chain in textile industry, but also help to manufacture high-added value products. Take pure silk grey importing from China to Italy for example: the price is 3 U.S. dollars for each yard. However, if the pure silk grey is dyed and printed in Italy, the price becomes 10 U.S. dollars for each yard. Manufacturing high-added value products like this can bring a lot of business opportunities.

Taiwan is an export-oriented country, and the export value is 11 billion U.S. dollars each year. Exporting fabrics accounts for 60% of the export value. Taiwan is also the world's fifth biggest exporter in textile industry. Foreign firms related to fabrics includes DuPont and Invista from America; Lenzing from Austria; Toray, Teijin Fibers, Asahi KASEI and TOYOBO from Japan; Nylstar from Italy; BASF and Bayer from Germany and Hyosung from Korea. The above firms are suppliers which provide Taiwan's textile industry with fibers and raw materials, and they are Taiwan's important business partners in selling and producing.

Taiwan's textile industry has a close cooperative relationship with international manufacturer of fiber materials and specialty chemicals for a long time. We have upstream firms such as Li Peng Enterprise Co., Ltd., Lealea Group, Chain Yarn Co. Ltd., Far Eastern Textile, Shinkong Synthetic Fibers Corporation, Formosa Plastics Group, Nan Ya Plastics Corporation, Chung Shing Textile Co., Ltd. and Suntex Fiber. They form an alliance in the dyeing and production of functional and industrial fibers and materials, exchanging techniques. Mid-stream firms such as weaving factories and finishing plants includes Everest Textile Co., Ltd., Hoyu Textile Co., Ltd., Formosa Taffeta Co., Ltd., Li Peng Enterprise Co., Ltd., Nam Liong Group, U-Long Prosperity Co., Ltd., Universal Textile Co., Ltd., TAIWAN TAFFETA CO., LTD., ZONG CHOU Textile Co., Ltd., Tiong Liong Corporation, San Wu Textile Co., Ltd., Taiwan KK Corp, Chyang Sheng Dyeing & Finishing Co., Ltd., ECLAT Textile Corporation Ltd. and Chia Her Industrial. These middle or large enterprises keep a close cooperative relationship with multinational firms, and the alliance

relationships helps Taiwan's textile industry become global.

II. Taiwan has become the best supplier of functional fibers and fabrics

A. Taiwan's has the capability to provide a complete supply chain of functional textile industry in production, sales, service and branding.

Regional economy is on the rise, and the new market competition has re-established. While emerging countries have increasing needs of low cost textiles, quantity pricing strategy is no longer the international trend. In order to survive in a global market, Taiwan's textile industry has to reform. Manufacturing and marketing functional textiles makes Taiwan different from other emerging countries. Surrounded by enemies on the market, Taiwan textile business responds to the challenge by manufacturing high quality functional textiles with a full range of marketing service. Functional textiles are developed basically on artificial fibers, and Taiwan's artificial fiber is the world's best ever. Therefore, with a priority condition as well as the experience and capability to develop fashion-forwarding textiles, Taiwan has the advantage to provide international brands with functional textiles and services.

B. Functional textiles makes market segmentation

Everyone knows that developing functional textiles is important to textile industry. Even though most small and medium enterprises (SMEs) could not expand its scale to the global, they will try to create more business opportunities with "market segmentation".. Gui-ying, Zheng, General Manager of "Gui Da International Co., Ltd." once said, "The secret to make distinguished and inexpensive products is to add special elements in products", indicating the emphasis on function is the key to product differentiation.

C. Taiwan has become world's biggest supplier of functional textiles.

Taiwan's textile industry started with buyers' needs. That is to say, just bring a piece of cloth or clothing to Taiwan, you can find or produce exactly the same one here in shortest time. After years of research and development, the professional image is rooted in people's minds. Therefore, the image of "Think Functional Textiles, Think Taiwan." has been rooted in international buyers' minds.

In textile exhibitions which focus on outdoor sportswear such as ISPO in Munich

Germany, “European Outdoor” in Friedrichshafen Germany and “Outdoor Retailer” in Salt Lake City America, 90% of the firms in these exhibitions choose to use functional fabrics produced by Taiwan. It shows that Taiwan has established its global leading position in the manufacturing of functional fabrics for sportswear.





Figure 1

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D. Inspection system with credibility helps to lay the foundation of textile industry

Consumers often find it difficult to understand the textiles' function and quality brought by the manufacturing process.. Therefore, establishing an inspection mechanism like CAS system for agriculture foods or GMP system for pharmaceutical productions is very important. In view of this, Taiwan Textiles Federation, under the support of the Ministry of Economic Affairs, has developed Taiwan Functional Textiles (TFT) certification system and label in 2000. TFT label serves as a quality assurance to consumers. At the same time, under the support of TTRI's board of directors, "the Committee of Conformity Assessment of Accreditation and Certification on Functional and Technical Textiles" was established in 2002. They establish the Specified Requirements of Functional and Technical Textiles and "Certification of Taiwan Technical Textiles" (CT3). With a set of scientific and objective criteria and certification procedure, the two systems serve as a quality

assurance to buyers and consumers as well as manufacturers. For consumers, TFT and CT3 have become important systems and labels— like CAS system for agriculture foods and GMP system for pharmaceutical productions.

III. Taiwan— World’s most reliable eco-friendly fabric manufacturer

In 2010 FIFA World Cup held in South Africa, nine national teams, including Brazil, Netherlands, Portugal, America, South Korea, Australia, New Zealand, Serbia and Slovakia, chose to wear jerseys made from polyethylene terephthalate (PET) bottles. These soccer jerseys use eco-friendly fabrics made in Taiwan, showing that Taiwan’s textile industry has the edge of world-leading techniques. By taking responsibility of energy conservation, carbon reduction and environmental protection in combination with the inevitable green concept, Taiwan’s functional and eco-friendly textiles has become the most trustworthy supplier for the global brands.

IV. Taiwan devotes entire research and development efforts to developing industrial textiles.

High functional eco-friendly fabrics make industrial textile industry even more active, proving that “one plus one is greater than two.” As we all know, in addition to traditional clothing and home décor textiles, the industrial textile market grows rapidly, which is widely used in transportation, medical treatment, home use, agriculture, construction, packaging, sports equipment, civil engineering and groundwork, environmental protection, electronics, information and biotechnology. Ching-Ming Jwo, the chairman of Taiwan Technical Textiles Association once said, “The invention of high functional eco-friendly fabrics revitalize industrial textiles, and the innovation significantly increases the value that high functional applies to eco-friendly fabrics.”

Manager Qin-Lun, Zhuo, Sales Representative of “Hoyu Textile Co., Ltd.”—a company that focuses on the manufacturing of industrial textiles such as automotive airbags and conveyor belt— points out the great business opportunities in industrial textiles: “Take woven fabrics made from nylon for example. Its price is no more than 3 U.S. dollars for each yard when it is sold to clothing brands. However, if it is used in transportation or medical treatment, the price will rise three times.”

V. Textile industry has a promising prospect

A. High-tech functional fabrics spread over the whole world

The application of functional fabrics is expanding. Textile mills have developed increasingly more functional materials, including easy wash clothing, wrinkle-resistant white shirts for office workers, far infrared quilts that keeps you warm, breathable moisture wicking shoes, moisture wicking shirt, breathable waterproof raincoat made of micro fibers and nanotechnology, thermostat underwear that maintains at 30° C and anion coat that makes you healthy and comfortable. Since single function could not satisfy consumers' needs, a combination of wrinkle resistant cotton, far infrared, breathable waterproof, moisture wicking, antibacterial deodorant and anti-UV comes into existence. The application of functional fabrics has covered clothing, home décor and industrial textiles.

B. To reinforce the status as world's most trustworthy eco-friendly fabric Manufacturer

Taiwan's textile industry stands out in research and development, aiming at the combination of fashionable, functional and eco-friendly textiles. The chemical fiber-based supply chain and those eco-friendly fibers, as figure 2 shows, have satisfied downstream firms', (including weaving industry, international brands and distributors) needs with high quality materials and service..

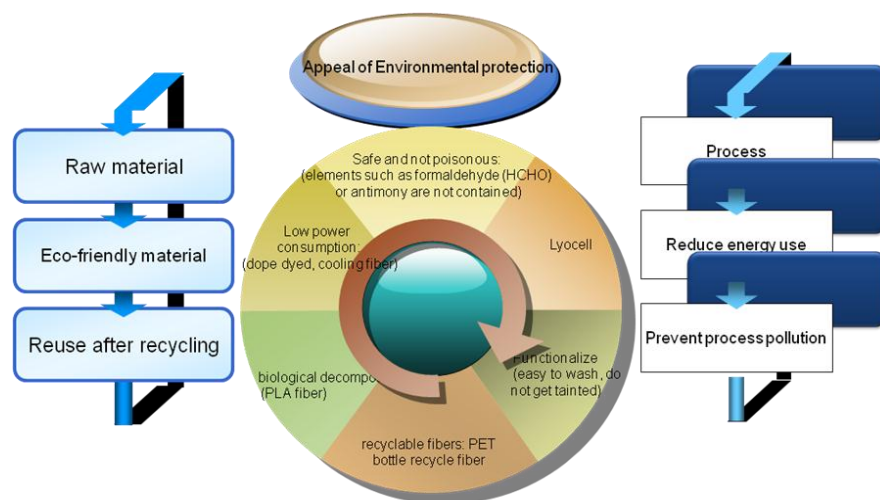


Figure 2: Taiwan chemical fiber industry aims at developing eco-friendly fibers

C. Promote Taiwan's inspection system and make it globally accepted

As shown in Figure 3 and Figure 4, after a set of scientific and objective criteria

and certification procedure, TFT and CT3 certification system and label are assurance of quality. Under the support of TTRI's board of directors, "the Committee of Conformity Assessment of Accreditation and Certification on Functional and Technical Textiles" was established to examine the quality of functional textiles. Responding to the need for such a system, the TTF joined forces with partners such as Taiwan Textile Research Institute (TTRI), SGS Taiwan and Intertek Testing Services Taiwan to plan and implement the TFT certification system. The system seems complicated, but it is necessary to keep it objective and free of bias. TFT and CT3 certification system and label help to be in line with international practice, promoting Taiwan's inspection system and making it globally accepted.

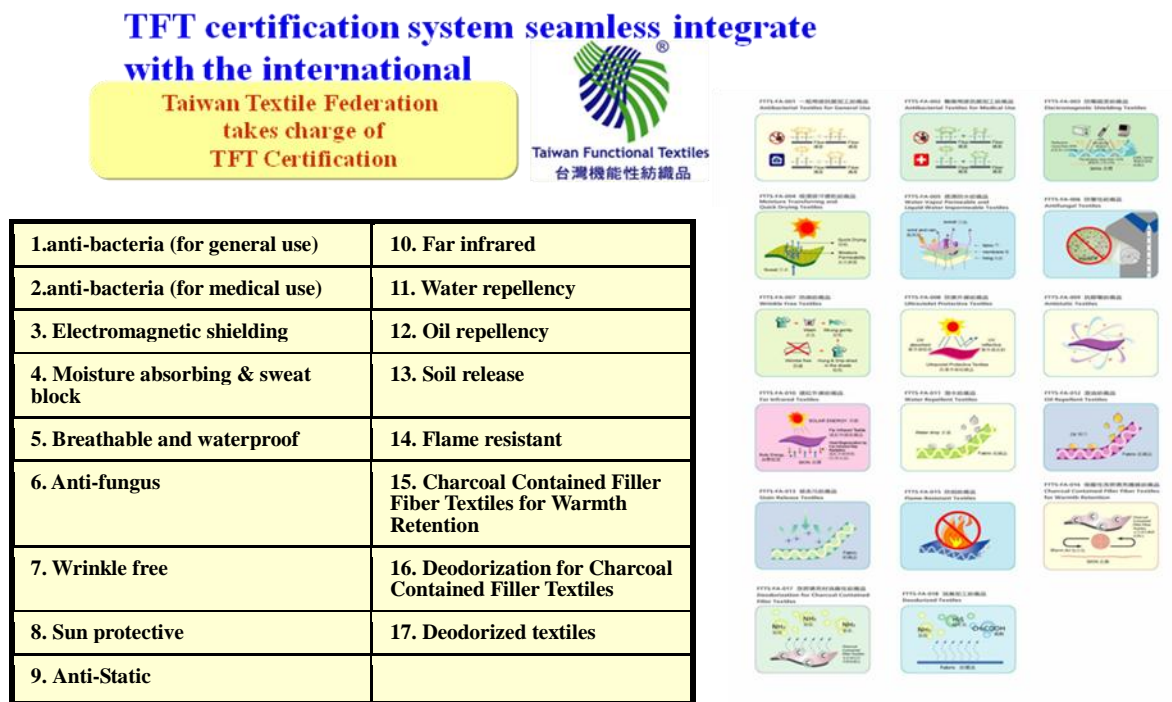


Figure 3. Taiwan functional textiles certification system



FTTS-FP-101 disposable dust mask	FTTS-FP-108 firefighter uniform
FTTS-FP-102 disposable dust mask with activated charcoal	FTTS-FP-109 protective functions for surgical gowns
FTTS-FP-103 disposable one-piece medical protective clothing	FTTS-FP-111 motorcyclists' back protectors
FTTS-FP-104 High efficiency particulate air filter	FTTS-FP-112 motorcyclists' protective clothing against mechanical impact
FTTS-FP-105 protective gloves against mechanical risks	FTTS-FP-113 protective clothing for professional motorcycle riders
FTTS-FP-106 protective clothing for works exposed to heat	FTTS-FP-114 protective gloves for professional motorcycle riders
FTTS-FP-107 fire hoods for firefighters	FTTS-FP-110 hydraulic fluid power filters, multi pass method for evaluating filtration performance
FTTS-FP-117protector for roller sport equipment (for wrist, palm, knees and elbows)	

Figure 4. Taiwan industrial textiles certification system

D. The gradual adjustment of industry structure helps to achieve the goal of transformation

Consumers nowadays demand for healthy, safe and comfortable fibers, and therefore, inventing high functional fibers for clothing, home décor and industrial textiles is the future trends for textile development. High functional materials include high tenacity polyesters, Polyamides, Polyolefin, aromatic polyamide, carbon fiber, polytetrafluoroethylene, metal, glass, silicate and ceramic are used in industrial applications such as transportation, industrial, medical treatment, agriculture, construction, packaging, sports equipment, civil engineering and protection. Developing high functional textiles has become an important development strategy and direction for Taiwan textile industry.. In view of this, Consumer Goods and Chemical Industries Division under Industrial Development Bureau, Ministry of Economic Affairs is promoting “Doubling the Value of Technical Textile Output Program”. In addition to establishing project office and interchange platform providing services, including market information, technical guidance, investment consulting and assessment, the government improves laws and regulations to expedite the research and development capability. By promoting industrial upgrading and technology integration, the goal is to form an alliance with the same trade,

cross-industry alliance and collaborative development. As shown in Figure 5, the industry's output structure could shift from 59 : 11 : 30 ratio of clothing, home décor, and industrial textiles in 2008 to a 48 : 12 : 40 ratio in 2015.

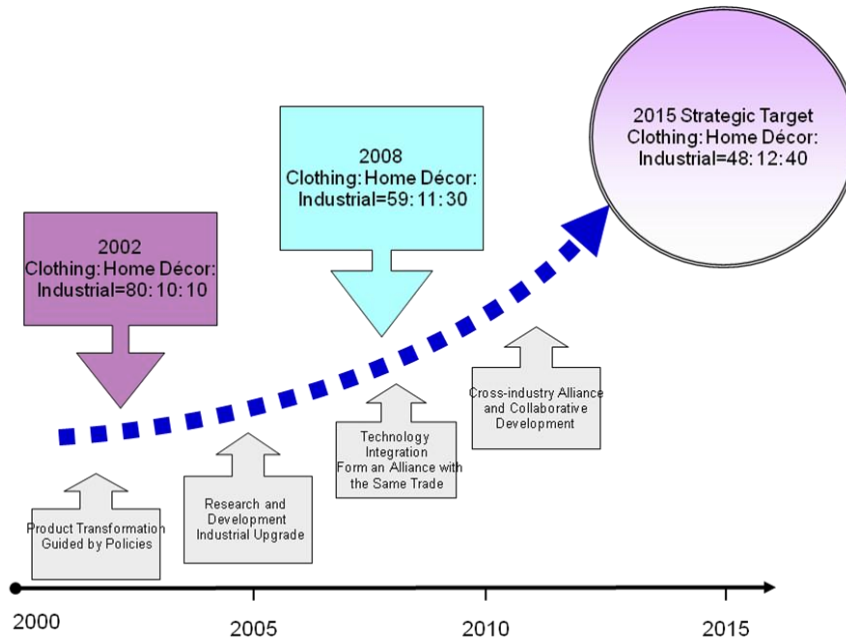


Figure 5. The target of the industry's output structure

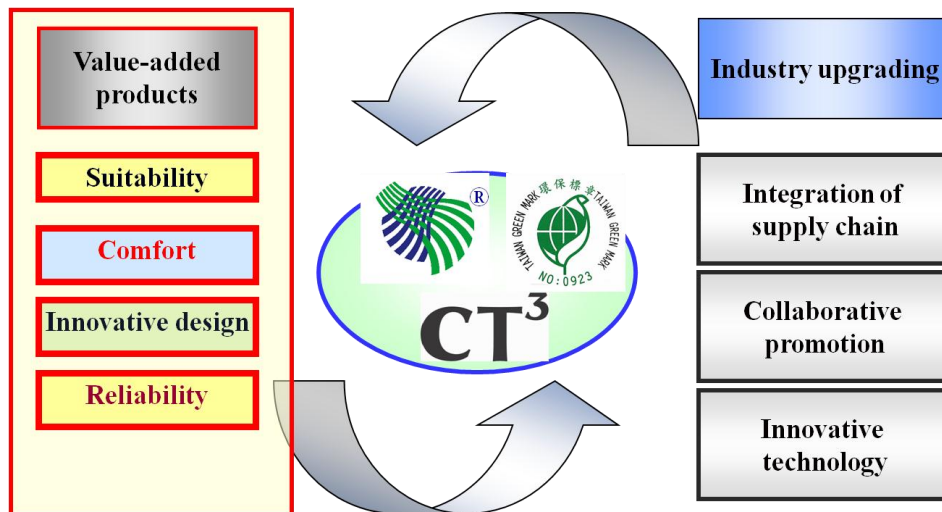


Figure 6. Taiwan chemical fiber industry reaches the goal of value-added products and industry upgrade

E. To explore new areas in textiles

Aside from clothing and home décor textiles, the applications in electronic, construction, civil engineering, transportation, aerospace, agriculture, environment

and fire safe protection increase gradually. Every industry needs different kinds of textiles. Cross-industry alliance will be the future trends that help to expand international market. Moreover, the development in information technology, the emergence of new types of industry and new business activities has poignantly changed consumers' behaviors. All kinds of innovative techniques change in response to the structure of economic society, such as the aging society., thus bringing about a variety of new industries and new products.