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China as a Textile Giant Preserving its Leading Position in the World, and What it Means for the EU*

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Abstract

Since the mid 2000's China has dethroned the EU as the world's biggest provider of apparel and textiles. China's low labour costs have without a doubt triggered this evolutions. Less clear however are the reasons why, despite the fact that China is rapidly losing its labour cost advantage, the country successfully maintains its leading position in the industry. This article poses that the Chinese government uses a twofold strategy. First of all, the state tries to maintain its competitive advantage in labour-intensive textile products by supporting the relocation of Chinese textile production bases to poorer Chinese provinces and adjacent LDCs (least developed countries). At the same time, the Chinese government launched several policies, pushing the Chinese textile firms to create capital-intensive textile goods, niche-products and international brands. By revealing China's pragmatic approach of combining liberalism and economic nationalism in order to cope with the challenges it faces in the textile sector, this case study exemplifies that liberal and mercantilist policy tools are not mutually exclusive; something that has been insufficiently recognized. Moreover, whereas China's competitiveness was mainly felt in the apparel-producing southern-European countries, China is becoming increasingly competitive in the high-end parts of the sector too.

Keywords: China, European Union, Economic Nationalism, Mercantilism, Textile Industry

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I. Introduction

Since the accession of China to the WTO and the following phase-out of existing trade barriers, China's textile sector has been booming. In less than a decade, China replaced Europe as the world's largest garment manufacturer and exporter, currently providing one-third of the world with textiles and apparel (UNCTADstat, 2019). It goes without saying that the textile sector has been vital to China's early industrialization process, and it still is. So far, no other nation has succeeded in dethroning China as the global textile giant. However, some shifts are occurring and they pose severe challenges for the continued maintenance of the country's position in the industry. China's low labour cost advantage, which is at the root of the nation's dominance in the textile sector, is fading as its surrounding lesser developed neighbours become more cost competitive. Moreover, the Chinese textile industry suffers from declining returns on capital and low profit figures. Still, the Chinese government is not planning to give up on its ambition to preserve a textile and apparel sector that no other nation can compete in (Mc Cann, 2011). In this vein, it is applying a two-fold strategy. To tackle China's fading labour cost advantage, the state is supporting the relocation of Chinese textile production bases to poorer Chinese provinces and adjacent LDCs. Concurrently, the Chinese government launched several policies to push the Chinese textile firms to create capital-intensive textile goods, niche-products and international brands.

Europe, being the largest importer of textiles and garments, has been an important market for China's textile sector (Statista, 2015). European imports of Chinese garments started to accelerate in 2005, which was followed by the disappearance of half of the European low-end textile jobs (Scheffer, 2012: 17). The sudden exposure of the European clothing sector to Chinese competitive pressure resulted in the so-called 'bra crisis', a trade dispute introducing the beginning of an era of fiercer Sino-European competition. The bra wars revealed the Union's internal divisions, with the north defending free trade and the south opposing it. While China's competitiveness did trigger several European textile companies to modernize, specialize and distance themselves from the production of labour-intensive garments, the Union has still been consisting of 'two Europes'; one in which the capital-intensive textile industry gained in importance and one in which the production of clothing and apparel still dominates. While China's recent strategies are not triggering a trade crisis similar to the one in 2005, they do fuel alterations in the Sino-European trading landscape. Whereas China mostly

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affected the southern parts of Europe, its current twofold strategy, which not only focuses on low-end but also on high-end textile products, could be felt in the entire Union.

The reason why China was able to become a textile giant in the first place cannot be reduced to its supply of cheap labour but is also the result of a sequence of national and subnational policies, which supported the industry over the past 40 years (Rodrik, 2011: 153; Subramanian & Kessler, 2013: 23). The following textile case backs Baldwin's critique of making a rigid distinction between strategic, military-oriented sectors and non-strategic industries. Whereas the textile sector is not on their list of so-called 'strategic emerging industries' (SEI's), Chinese policymakers consider it to be a pillar industry. China introduced free competition in textiles as early as the 1980s, which led to a deregulated and decentralized textile industry. However, there are a myriad of ways for the state to control the development of an industry without prohibiting competition or private entry. (Hsueh, 2015: 86). As the economic and social importance of the industry is just too big to let it slip away, the government is protective of its market share (Adhikari & Yamamoto, 2006: 209; Gereffi & Frederick, 2010: 28) and exercises guidance through macroeconomic instruments and indirect support mechanisms (Hsueh, 2015: 97). This also fits within Dani Rodrik's approach of an industrial policy. In contrast to the conventional idea of a government using its state-owned enterprises to enhance its economic interests, China's industrial policy also implies that the government works together with its most privatized sectors to reach its national goals (Rodrik, 2004: 3).

The case also reveals China's two-double faced approach in the textile sector. The government uses tax policies, subsidies and other mercantilist measures to boost the production of high-end textile products, while Chinese low-end textile companies relocate their production bases to China's LDC's and profit from the free trade initiatives (FTA's) and other trade deals that these LDC's set up with the West. Moreover, the large-scale program that the Chinese government launched to transform the western Xinjiang province into a textile hub is part of its 'Belt and Road Initiative', which focuses on facilitating and expanding trade flows between Europe and Asia. The Chinese strategy is an illustration of how the economic-nationalist stance, which stresses the role of states in national and international economy, does not necessarily exclude free trade support (Rodrik, 2011: 156). Whereas they are often associated with protectionism, isolation and even autarky, economic-nationalists will prefer free trade if it increases national power (Nakano, 2004: 224; 2007: 60). The

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Chinese pragmatic combination of economic-nationalist and liberalist policy tools in this case proves to be lucrative. China is not only able to preserve its position as a leading manufacturer of apparel and garments, it also gains ground in the high-end part of the sector.

This article starts with a literature overview, which has two purposes. First of all, it shows that while many scholars have recognized the *dirigiste* character of the Chinese government when it comes to SEI's and state-owned enterprises, existing research insufficiently recognizes the possibility of governmental interference in less strategic and almost entirely privatized industries. Secondly, it proves how throughout history industrial and trade-policy scholars studying economic-nationalist strategies overemphasized defensive and protectionist policy measures. As a consequence, the abundance of offensive and outward-oriented policy measures has not received the attention it deserves. What follows is a historical overview which sketches the increasing Sino-European competition triggered by the removal of several trade barriers which resulted in the 'bra wars'. This part is mainly based on existing scientific literature and on articles from newspapers such as the Financial Times.

Then this study will look into Europe's current interests in what remains of its textile sector, after which China's ambitions and ongoing policies in the industry will be presented. To indicate the importance of the European and Chinese textile industries, quantitative sources like employment, turnover- and other economic figures are used. The section is followed by an analysis of China's current ambitions and policy tools and how they can pose a challenge for the EU. This analysis is based on trade figures from the United Nations Conference on trade and Development Data Center (UNCTADstat) and UN Comtrade, and also on policy papers from different Chinese (non)governmental bodies. To exemplify the Chinese brand-building efforts, the chapter will dwell on the story of Bosideng, China's largest down apparel producer. The last part presents the changes in the Sino-European trade landscape and the European concerns triggered by China's current policies in the textile sector. Within the framework of this study, eleven interviews were conducted, to which will be referred to throughout this paper.[1]

[1] Within the framework of this paper, interviews were conducted with two representatives of Fedustria, an organization representing the textile companies in Belgium; A former and a current representative of ACV-Metea, the biggest Belgian labour union covering industries from the textiles to the metal sector; two representatives of Euratex, the European Apparel

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II. Theoretical Framework

Despite globalization and the consequent academic assumptions that it would make nation-states, retreat, erode, dissolve and even end entirely, it has become clear that governments continue to play an important role in national economies and global trade (Reich, 1991; Ohmae, 1996; Strange, 1996; Gritsch, 2005). A large body of academic literature within the field of international political economy (IPE) has recognized that-while having triggered the birth of a global economy in which transnational economic actors, regions and networks interrelate-globalization has meant anything but the end of state interference when it comes to national economic development and interstate trade relations (Gerschenkron, 1962; Keohane & Nye, 1977; Weiss, 2000; Pickel, 2003: 113; Helleiner & Pickel, 2005: 5-6). Still, within this literature, the debate on economic-nationalism or mercantilism has overemphasized protectionism, which is still only one of the many possibilities in the economic-nationalist toolkit.

In his *War and Change in World Politics,* Gilpin refers to mercantilism as "a striving for security through economic means". According to Gilpin, this implies the encouragement of trade and manufacturing through protectionism (Gilpin, 1981: 171). Hence, this interpretation only represents the defensive character of mercantilism, entailing the goal to create a favorable balance of trade by limiting imports as much as possible. In his article *Economic Structure and International Security*, Barry Buzan states that (1984: 600) "Central to the economic side of the (liberal) theory is the assumption that we have only two choices about the form of economic structures: liberal, based on free trade, and mercantilist, based on protection". The definition of mercantilism is again narrowed down to its defensive feature. Helleiner and Pickel bemoan the scientific custom to define economic-nationalism as a protectionist ideology. Crane shows how, in an age of increasing economic integration, many nationalist policymakers have come to see more liberal policies as serving to enhance the competitiveness of nationally-based industries and to attract increasingly mobile transnational corporations and financial capital (Helleiner, 2002: 310; Crane, 1998: 74). Zhang and He similarly denounce the over-simplified dichotomy of liberalism and protectionism in political economy and, referring to the work of D'Costa, plead for a shift in the defining characteristic of economic-nationalism

and Textile Confederation; three European and one Chinese trade expert and a European Commission official.

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from protecting domestic capital against foreign capital to leveraging local resources, to extract economic benefits from the global economy (D'Costa, 2009: 622; Helleiner & Pickel, 2005: 220; Zhang & He, 2014: 214).

Without repudiating the value of existing research on the economic-nationalist policy tools used by countries such as Japan and China, it has so far not been able to fully grasp the growing fragmentary evidence of more complex and offensive national-economic policies and trade distortion (Johnson, 1982; Amsden, 1989; D'Costa, 2009). Moreover, a major amount of the academic attention, when it comes to analyzing Chinese economic- nationalism, has gone to the analysis of SEI's (Pearson, 2005: 297; Mattlin, 2009: 11-15; Nolan, 2011: 51; 2014: 748; Sanderson & Forsythe, 2012: 53). The distinction between strategic and non-strategic industries might sound quite relevant but is not always justifiable. To follow Baldwin's line of thought, a high level of power in 'non-strategic' sectors can equally create international leverage as having powerful strategic industries (Baldwin, 1985: 214-216). This follows Robert Gilpin's claim that (Gilpin, 1981: 24): "Since the emergence of an international market economy in the seventeenth century and its extension throughout the globe in the nineteenth century, market power or economic power has itself become a principal means by which states seek to organize and manipulate the international division of labor to their own advantage."

The strategic industry-bias has gone hand-in-hand with the neglect of the role of private-owned companies in the analysis on Chinese economic-nationalism. As Milhaupt and Zheng have shown, in the Chinese institutional context, the dividing line between private-owned companies and state-owned enterprises is particularly blurry. In this vein, many large private-owned Chinese firms exhibit substantial similarities with public companies in terms of market dominance, receipt of state subsidies, proximity to state power, and execution of the state's developmental policy objectives (2015: 716-717). This case study illustrates that, while the textile sector is not on the government's list of SEI's, and while it can be considered highly privatized, the Chinese government still recognizes it as a pillar industry which should be steered through a range of policy goals and measures. In this regard, Dani Rodrik's approach of industrial policy is appropriate as he defines this as a "strategic collaboration between the private sector and the government with the purpose to uncover where the most significant obstacles to restructuring lie and what type of interventions are most likely to remove them (2004: 3)." This approach also harks back to Christopher Mc Nally's description of the Chinese pragmatic approach (2013:

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66): "It is not 'the market wins, the state loses' or vice versa. Rather, private sector forces, market forces and state power have actually augmented each other in concert."

III. History

Due to its low fixed costs and emphasis on labour-intensive manufacturing, the textile industry is the typical starter industry for countries engaged in export-oriented industrialization (Adhikari & Yamamoto, 2006: 183). In China as well, the textile industry was one of the first sectors in which a profound privatization process was encouraged (Hsueh, 2011: 138). Until the nineties, China's textile industry knew a high level of inefficiency (The European Commission, 2005a: 13). Consequently, the Chinese central government set up an extensive restructuring program, which included the stimulation of private entry and pouring millions of dollars into the sector in order to upgrade the old infrastructure (Dun & Bradstreet, n.d.: 23). This operation fitted within the broad national *zhuanda fangxiao* plan, which focused on grasping the large firms and letting go of the small. Thus, with a fund of $1.5 billion, small inefficient state-owned textile enterprises were dismantled and had to make room for bigger and more profitable firms (The European Commission, 2005a: 14). In the framework of China's 1999 Go Out Policy, Chinese policymakers created an additional program to increase China's international competitiveness in the textile industry. The plan implied the introduction of new systems and ancillary technologies (Wu & Chen, 2012: 114). By 2000, the industry was making profits and by 2004, 95 percent of the Chinese textile firms were considered privately owned (The European Commission, 2005a: 14). Today the share of private-owned enterprises (POE's) has even increased to 99 percent as only 359 Chinese textile and apparel manufac-turing firms, out of a total of 22,474 companies are owned by the state (National Bureau of Statistics of China, 2018).

With this reform and opening up procedure, China anticipated the removal of export quotas in 2005, which had been protecting developed industries for more than four decades (Comino, 2007: 821; Gereffi & Frederick, 2010: 2). These were implemented for the first time in 1961 in order to shield the textile industries of developed economies against the developing countries' comparative advantage (Comino, 2007: 821). Under the GATT, the two mentioned arrangements resulted in the Multi-Fibre-Agreement (MFA), which China entered in 1980. During the so-called Uruguay Round, the Agreement on

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Textiles and Clothing (ATC) was adopted. It laid down several provisions for a gradual phase-out of the MFA restrictions. While this liberalization procedure was divided into four stages, the main deadline was 2005 (Monfort et al., 2008: 2; Heron, 2007: 195; Brambilla et al., 2007: 3-5).

The initial upgrade of China's low-end textile infrastructure soon proved its worth. Between 1995 and 2002, China succeeded in increasing its world market share in the clothing and textile sectors respectively from 22.5 percent, to 30 percent and from 16 percent to 22 percent (Nordas, 2004: 16). But it was in 2005, when trade was fully liberalized, that the global export of Chinese textile products accelerated (Hou & Ren, 2006: 75). The exports to western countries grew by numbers ranging from 100 percent to 500 percent (Comino, 2007: 830-831). The influx of low-end textile products in the European market resulted in a European north-south division with the southern member states demanding immediate curbs, and their northern counterparts defending the removal of all protective quotas (Minder, 2005). A former representative for ACV experienced this trend. He commented:[2] "Southern- European countries suffered the most from the liberalization." A manager of Fedustria added:[3] "In the UK, Scandinavia and the Netherlands on the other hand, where the retailers rather than the producers dominate, the damage was much less severe." Peter Mandelson, former trade commissioner, decided to launch an investigation into nine categories of Chinese textiles in April 2005, when the Chinese openly ventilated their dissatisfaction: Mr. Cao Xinyu, representative of the China Chamber of Commerce for Import and Export of Textiles, said: "Europe has reaped so much by selling jets and locomotives to China. Why did they get so sensitive about a small rise in China's exports (Mc Gregor, 2005)?"

After several negotiations, China and Europe constructed the Shanghai agreement in June 2005. Within ten product categories, the rate of imports would be limited while a fair and reasonable growth for Chinese exports would be allowed. These restrictions were to be imposed until 2008 (The European Commission, 2005b). However, in as early as August 2005, the amount of Chinese goods exported to Europe had already exceeded their export ceilings within seven of the ten restricted categories. Consequently, a large amount of trousers, bras and pull-overs were blocked at European warehouses and custom points (Buck, 2005). This provoked fear among European retailers that they

2 ACV interview, 2015.
3 Fedustria interview, 2015.

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would end up with empty shelves. The 'bra crisis' deepened the gulf between the north and the south. Despite Mandelson's call for pragmatism and solidarity, the internal scrambling interfered with a proper solution for the blockade until September 5. Except for Lithuania, all member states backed the new quota deal, which implied that one-half of the blocked garments would be released and could enter Europe freely, while the other half would count against Chinese textile quotas for 2006, or against other unfilled textile quotas.

Many European officials showed relief. Fogh Rasmussen, Denmark's prime minister stated: "This example of protectionism takes place in an area where companies have had ten years to prepare for competition from China. Such protectionism is bad policy for Europe (Parker, 2005)." French Prime Minister Dominique de Villepin hailed the deal as a great moment for Europe (Patten, 2005). Mandelson reacted: "I am for open trade, I am for liberalisation. I am not, as a matter of basic conviction, in favour of intervention in markets or managing trade (Parker, 2005)." Tony Blair said: "In the world that is developing around us today there is no case for resisting change. The changes that are happening around us I see not as a threat but as an opportunity (The Telegraph, 2005)."

However, the handling of the 'bra wars' was subject to a lot of criticism too. Chris Patten, former EU Commissioner for External Relations believes that Europe found itself in the humiliating position of being lectured on free trade by a totalitarian regime. He stated that China used to believe in Europe as a serious player on the world stage, but that European clumsiness, which is rooted in a lack of internal coherence, certainly has altered this vision (Patten, 2005). Jean-Pierre Lehmann stated: "The ridicule that Mandelson earned in the ignominious European policy vis-à-vis China in the 'bra wars' should in fact have resulted in his resignation. He has not since been able to regain credibility or respect (Lehmann, 2006: 223)."

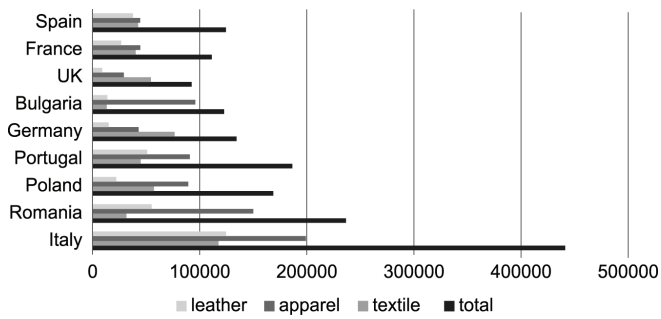
Maybe the point is then not about letting go of a sector that has already been lost, but about the long-term result of Europe's internal fragmentation when it comes to international trade issues with China, and that new issues would be bound to ensue. Mandelson himself recognized this as he asked (Parker, 2005): "Yesterday textiles, today footwear, tomorrow what?"; and also: "Consumer electronics? Cars? Where will it go and when will it end? We are at the beginning of the China story, not the end." In fact, the end of the 'bra wars' did not mean the end of Europe's textile industry nor the end of Sino-European competition in the textile sector.

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IV. European Interests

While the European textile industry is too easily written-off as the removal of the quotas which led to the loss of more than 40 percent of the former European textile jobs (Scheffer, 2012), the EU-28 still has a considerable textile industry. It is the second world exporter of textiles and clothing and covers 222,399 companies, employs 1.8 million people and creates an annual turnover of €202 billion. In 2016, the industry accounted for a value-added amount of €57 billion (Eurostat, 2019).[4] Moreover, the textile, apparel and footwear manufacturing sector provides a considerable amount of jobs, especially in southern and eastern European member states. Italy, Portugal, Romania and Poland are the leading producers. Still, German and British textile sectors also cover a serious amount of jobs, with the former employing around 134,000 people, and the latter providing 92,000 jobs (Eurostat, 2019).

Figure 1 Employees in the European Textile, Apparel and Footwear Sector in 2016



Source of figure: Eurostat (2019)

The graph reveals another trend. In the southern and eastern European countries it is mainly the production of apparel which creates jobs. In the western and northern European member states, the division of jobs between the apparel-producing sector and the (higher value-added) textile-producing sector is more evenly balanced: however, western European countries such as the UK and Germany contribute more to textile production. (The European Commission, 2015). It seems that the low-end textile industry no longer dominates the sector like it did in Europe before 2005 (Monfort et al., 2008: 2). An economic advisor

[4] This includes the manufacture of textiles, apparel, leather products and footwear.

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at Fedustria confirmed:[5] "The production of classic textile products has mostly disappeared in northern- and central-Europe, and technical material for very specific applications have replaced this branch." A Manager at Euratex added:[6] "The positive thing that came out of the Chinese competitive pressure is that the European industry was forced to become more innovative and to distance itself from the products that China could create at a much lower cost." A former representative of ACV exemplified:[7] "In Belgium we still have a large company called Bonar, which employs 300 people and which produces specific fabrics that are used in the horticulture. They also make materials to solidify streets and dykes. Such niches will probably be able to withstand unless China is able to compete in this sector too."

Nevertheless, when looking at the annual turnover and added-value figures, this shift should be nuanced. The manufacturing of apparel products still accounts for a turnover of €71 billion, which is not much lower than the €78 billion turnover that Europe's more capital-intensive textile sector creates (Eurostat, 2019). Still, overall, the role of technical textiles is growing. With an annual value-added amount and turnover of respectively €15 billion and €51 billion, technical textiles represent 26 and 23 percent of the total value-added amout and turnover of the entire textile manufacturing industry. Germany, the UK, France and Italy are the most important players in this regard (Eurostat, 2019). Technical textiles account for 37 percent of textile sales outside the EU-28. A major part of Europe's textile and apparel exports comes from intra-trade among the European member states. With 26 percent of the global market share, the EU is only one place behind China (Yevchuk, 2015). A representative of Euratex stressed the importance of extra-European exports:[8] "Around 20 percent of our turnover comes from extra-European trade. Together with some other big markets like the US and Russia, China has been essential in this evolution."

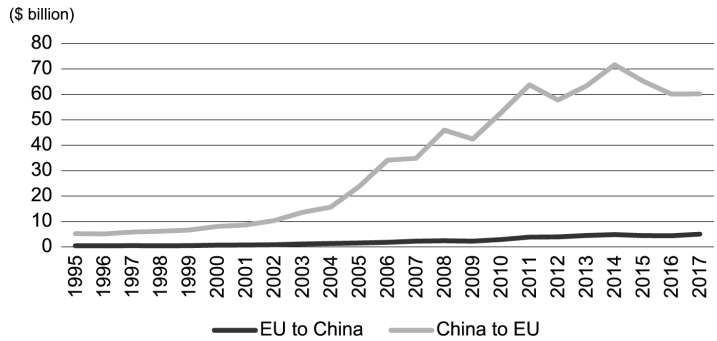
Thus, globalization can be considered both a threat and an opportunity for Europe. The sudden surge of imports of Chinese low-end textile products was followed by the loss of almost half of the European textile jobs (Scheffer, 2012: 17). However, fiercer competition also pushed European textile companies to modernize and specialize. However, the ability of especially the eastern European

5 Fedustria interview, 2015.
6 Euratex interview, 2015.
7 ACV interview, 2015.
8 Euratex interview, 2015.

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member states to make this transition remains limited (Eurostat, 2019). European regional differences already became visible during the 'bra wars', and to a certain extent still persist (Eurostat, 2019; Scheffer, 2012: 11). Up until today, China remains challenging for the European textile sector. As figure 2 indicates, the European absolute exports may be increasing due to the opening up of the Chinese market, and this increase remains modest compared to China's textile exports to the EU. Moreover, as China feels the pressure from the rising wages and increasing competition from its neighboring LDC's, the Chinese government increases its efforts to maintain its competitiveness.

Figure 2 Absolute Exports of Textile and Apparel Products from China to the European Union and Vice Versa



Source of figure: UNCTADstat (2019)[9]

V. China's Ambitions

As Jack McCann pointed out in 2011 (Mc Cann, 2011: 33): "The strategy of the Chinese government is to create a textile and apparel sector that no other nation can compete in." While the textile industry is not on China's list of SEI's, and while 99 percent of the firms manufacturing textiles and apparel are considered privately owned, the textile industry remains a pillar industry in which the Chinese state keeps a hold of (Yan, 2007: 812; National Bureau of Statistics of China, 2018). A trade expert mentioned how:[10] "Although China emphasizes the (development of) high technology, we never said that we will give up the traditional industries." According to UNCTADstat figures, the value of Chinese global textile exports increased from $138 billion to $320 billion between

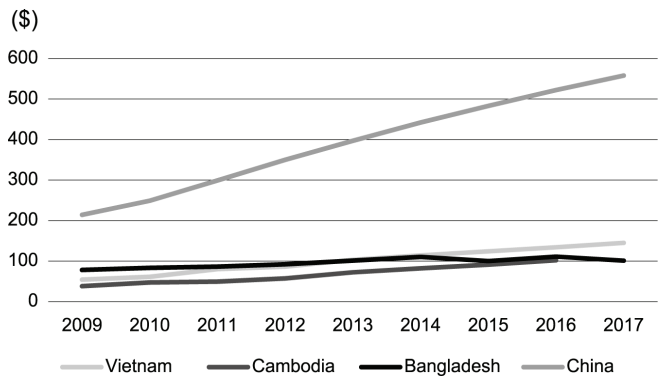
9 See Appendix 1 for a more detailed overview of the product groups.
10 Interview with Chinese trade expert, 2019.

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2005 and 2017 (UNCTADstat, 2019). Moreover, the manufacturing of textile products directly provided around 5 million jobs in 2017 (National Bureau of Statistics of China, 2018).[11] Indirectly, the Chinese textile and apparel sector is estimated to provide more than 10 million Chinese jobs (Chen et al., 2017: 1). Trade expert explains how employment, but also the fact that the textile industry is at the basis of the industries such as machinery, is the main reason why the government keeps on giving attention to its development.[12]

Restructuring and modernizing is not only vital because of its considerable economic contribution, it is beholden on the textile firms to adapt, as the industry is confronted with several difficulties. Despite high export figures, the Chinese textile industry suffers from low returns on capital and low profit margins. This is due to a trend of rising wages and higher material costs together with a lack of strong Chinese brand names (Zhang & Wang, 2010: 10). The labour cost advantage is diminishing in China and is shifting towards countries like Vietnam and Cambodia. Figure 3 shows the rise of Chinese wages between 2009 and 2017. In eight years, the average wage of people working in the manufacturing industry tripled, whereas the average wages in Vietnam, Cambodia and Bangladesh remained low and stable.

Figure 3 Average Monthly Wages in China, Vietnam, Bangladesh and Cambodia in USD



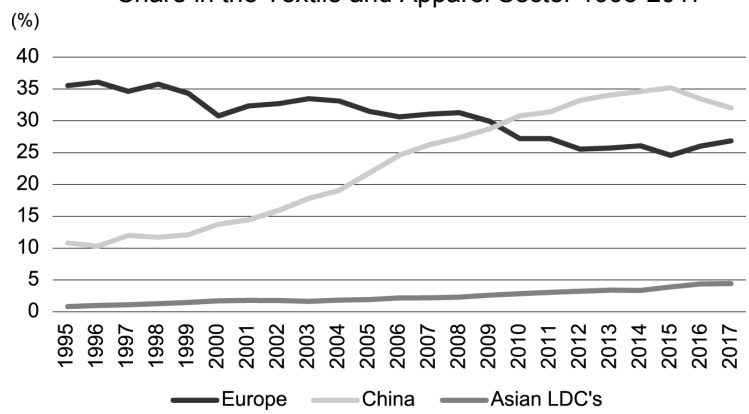
Source of figure: General Statistics Office Vietnam (2019); Chinastat. (2019); Bangladesh Bureau of Statistics (2015); Jetro (2015-2017); CEIC data (2019)

[11] This includes the manufacturing of textiles, apparel, leather products and footwear.
[12] Interview with Chinese trade expert, 2019.

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The Asian LDC's labour cost advantage already resulted in a rise of the Asian LDC's global market share of textile products. As figure 4 indicates, they were able to increase their global market share in textiles from less than 1 percent in 1995 to 4.5 percent in 2017. China's momentum, on the other hand seems to have started slowing down since 2015. Still, this slowdown is modest when considering that Chinese wages in the manufacturing industry have more than tripled over the past decade. Moreover, in 2017, all Asian LDC's together globally exported only 13.75 percent of what China exported in the same year. When looking at figure 5, which isolates the manufacture of apparel, garment and footwear, it seems that the Asian LDC's do better. They were able to increase their global market share to almost 7 percent. Still it is remarkable that, even in these labour-intensive parts of the textile industry, all Asian LDC's together only exported one-fifth of what China exported in 2017. When it comes to the European imports of textile products, the situation is slightly different. As shown by figure 6, the Asian LDC's were able to increase their share of the European market to more than 12 percent by 2017, while China lost almost 8 percent of its share over the past ten years. Nevertheless, the entire group of Asian LDC's together only cover half of the Chinese market share in Europe. As it is the world's largest importer of textile products and garments, Europe is an important market for China, and the Chinese government is trying hard to maintain China's position in the manufacturing of labour- intensive textile products (Anz Insighst, 2012: 7).

Figure 4 The European, Chinese and Asian LDC's' Global Market Share in the Textile and Apparel Sector 1995-2017

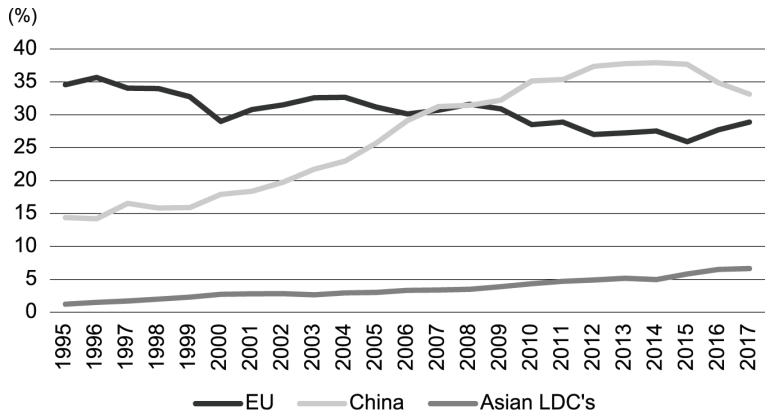


Source of figure: UNCTADstat (2019)[13]

[13] See Appendix 1 for a more detailed overview of the product groups.

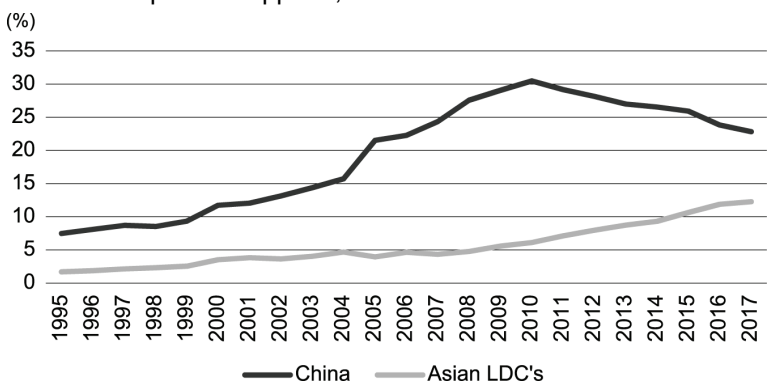
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Figure 5 The European, Chinese and Asian LDCs' Global Market Share in Apparel, Garments and Footwear 1995-2017



Source of figure: UNCTADstat (2019)[14]

Figure 6 The Chinese and Asian LDC's' Share in the European Imports of Apparel, Garments and Footwear 1995-2017



Source of figure: UNCTADstat (2019)[15]

A. Relocation

According to the Chinese Ministry of Commerce, over 55 percent of FDI coming from Chinese textile and apparel companies went to Southeast Asia in 2017 (Lu, 2018). This indicates how Chinese companies try to compensate the loss of labour-competitiveness by moving their production to the Asian LDC's.

[14] See Appendix 1 for a more detailed overview of the product groups.
[15] See Appendix 1 for a more detailed overview of the product groups.

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A representative of ACV-Metea reacted to this:[16] "When visiting Cambodia, we saw a lot of Chinese textile firms that moved their production out of China as the wages in China increase." Not only is Vietnam targeted, but also Pakistan, Bangladesh, Cambodia, and even Kenya and Ethiopia, as being advantageous locations to export from (Mofcom, 2015; Schumacher, 2015; Sanderson & Forsythe, 2012: 94; Dhaka Tribune, 2015).

Yet, there is an additional advantage to producing in the Asian LDC's. As they latter often have specific trade deals and tariff-exemption agreements with other countries, Chinese textile firms can use them as a backdoor to export their products duty-free (Ito, 2014). One example is Youngor Group, a Chinese apparel maker, which received $200 million in subsidies from the Chinese government between 1999 and 2018 (The Trade Lawyers Advisory Group LLC, 2007: 18-20; Youngor Group 1999-2018). The company runs a factory in the northern-Vietnamese Nam Dinh province from which it can export to the US without paying the duties it would have to pay if exporting from China (Wright & Magnier, 2015). To anticipate the Trans-Pacific Partnership, the Chinese spinning company Texhong Textile Group, which received $113 million in state subsidies between 2006 and 2018, began operating a big factory in Mong Cai, a Vietnamese city near the border (Ito, 2014). According to its balance sheets, Texhong received several government grants 'relating to the relocation of a subsidiary', explicitly indicating state support for displacement (天虹紡織服裝集團有限公司，2006-2018). Luthai Textile Co., Ltd, a Shandong-based textile company that received government grants at the value of $73 million between 2007 and 2017 (Luthai Textile Co. Ltd, 2003-2017) will invest $30 million in setting up a garment company in An Giang, Vietnam (Fibre2fashion, 2015). Anticipating the Vietnamese-European FTA, many Chinese textile companies have followed its example (Wang et al., 2008: 18).[17]

Despite the integration of rules of origin, European textile producers are concerned about Chinese firms circumventing European duties by exporting from Vietnam.[18] A representative for Ningbo Jing Yong Import and Export Co., Ltd stated: "Bangladesh textile exports enjoy tariff exemption to the EU and fewer quota restrictions to Europe and America. Our company built the production line in Bangladesh and expanded cashmere wool exports volume to

16 ACV-Metea interview, 2015.
17 For a detailed overview of these government grants and subsidies see Appendix 2.
18 Fedustria interview, 2015.

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Europe (Li, 2014: 35).” The existence of firms that specialize in bypassing trade tariffs, as well as the difficulties that governments already experienced in implementing solid monitoring systems, indicate that tariff dodging via transshipment occurs (Bradsher, 2018). An important indicator to analyze is hence the value of “made in China” goods within other Asian countries’ textile exports to the world. However, as it is an illegal practice, accurate data on such transshipments is hard to find. What we do see is an increasing import/export intensity index between the Asian LDC’s and China which indicates an increasing amount of Chinese textile goods going to countries such as Vietnam, after which the finished products are re-exported to China or other advanced economies. Moreover, when looking at the foreign value-added origins in exports of Asian countries, it seems that Vietnam and Cambodia are mostly engaged in final assembly manufacturing, with China providing a growing share of the input and value-added amount for final goods to be exported. It is estimated that around 60 percent of Cambodia’s exports in textile and apparel, for example, is derived from other countries (Auboin & Borino, 2018).

China’s second way to tackle the labour-cost challenge is by relocating the industry domestically. Whereas the industry used to be concentrated within the coastal areas of China, it saw a shift towards the hinterland and the west. In 2011, Wang Yongming, director of Economic and Information Commission of the westernmost Xinjiang province, mentioned (王永明，2011): “Under the strong support and policy guidance of national, regional and local governments in recent years, the textile industry in our regional economy has made considerable progress.” In 2013 this project got even more traction as Xinjiang is considered an important hub within China’s so-called Belt and Road Initiative, a project to facilitate trade between Asia and Europe. In 2014, the regional government established a fund of $3.22 billion to support textile industrial parks and clothing factories in the area (Reuters, 2015; Clever & Wu, 2014). The China Textile Industry Association mentioned that the central government would launch a $1.5 billion fund to promote these developments (徐文英，2014). In 2015, the local government was negotiating with Xinjiang’s railway department about launching 10 freight trains that lead to Central Asia, Russia and Europe (China Textile Leader, 2015). Sun Huaibin, spokesman for the China National Textile and Apparel Council, stated (孫淮濱，2015): “Xinjiang is an important zone in the Eurasian continent and got a lot of policy support from the State Council.”

In a 2015 policy paper, the State Council mentions Xinjiang province as one of the main areas in which the textile sector should be guided. It stresses

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the importance of Xinjiang within the framework of the BRI referring to the province's geographical location, as a border territory with Europe. The policy paper mentions how there should be quality-improvement, expansion of the international market (i.e. full exploitation of the geopolitical advantage of Xinjiang), upgrading of the infrastructure within the industrial parks and zones, development of textile-related services, and proper training of personnel. The European market is referred to as a market that needs to be opened up further. It mentions that the central government will release funding to support the industrial clusters, and finance employees' social security grants and training grants. It also mentions that the local government has to relocate financial funds to the textile sector. Moreover, the paper emphasizes the need to continue and improve the existing freight subsidy policy in the area, and that financial support should go to the textile companies through beneficial loan procedures and local supporting policies (中華人民共和國國務院，2015；工業和信息化部，2015). Both Youngor Group and Texhong Textile Group, two companies that relocated parts of their production to Vietnam, were planning to expand their activities in Xinjiang, persuaded by the subsidies Beijing offered to lure firms to the region (Patton, 2016). Between 2015 and 2016, exports of textiles and garments from Xinjiang to Central Asia and Russia rose by 60 percent (Bermingham, 2016).

By 2023, Beijing wants to create 1 million textile jobs in Xinjiang (Patton, 2016). In 2017, there were already more than 2700 registered textile companies in the area, employing around 350,000 local residents. Whereas the goal of 1 million jobs has not yet been reached, new policy measures have been implemented to encourage the expansion of the sector in the area (Xinhua, 2018). In 2017, the local government launched its *13th Five-Year Development Plan For New Industrialization in Xinjiang*. Among other industries, the textile industry is highlighted as one of the most important employment-providing and development-steering industries in the region. It mentions the goal of promoting textile zones and parks with infrastructure. It emphasizes Xinjiang's position as an export base for textiles and garments towards Central Asia and Europe, and hence refers to the necessary support for textile cities, zones and trade centres. It then follows by stating that the preferential policies for the development of the textile and garment industry in the region would continue to be improved in order to promote more employment (新疆工業和信息化部，2017a). In the same year, the local government came up with a more specific *Textile Industry Development Work Plan*. The plan mentions support for several leading enterprises in the textile industry, the creation of textile clusters, zones

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and trade centers, and the guidance of firms in innovating, upgrading and exporting. Investment promotion, subsidy policy, trainings and preferential credit policies are all referred to in this regard (新疆工業和信息化部，2017b). In 2018, local officials aimed at creating an additional amount of 110,000 textile jobs. Measures to encourage this process included rent-free factories, interest-free loan deals, funds aimed at increasing exports, low electricity prices, transportation subsidies, a tax rate ceiling of 15 percent, and an advantageous tax rebate policy (Sattar & Tanveer, 2018). Even at the county-level, plans had been developed to encourage the textile sector in Xinjiang. The *Action Plan for Promoting Employment in the Textile and Apparel Industry in Hotan County* refers to the existence of special subsidy funds for the textile and garment industry. It called for the promotion of some specific firms and financial support via loans (和田縣人民政府辦公室，2017). In the 2016, 2017 and 2018 Texhong Textile Balance Sheets, it is mentioned that their subsidy income of respectively $18 million, $25 million and $30 million was "mainly related to incentives for development in Xinjiang, Xuzhou, Shandong, Changzhou and Shanghai of Mainland China, and comprised of grants provided by municipal governments (天虹紡織集團有限公司，2006-2018)."

B. Modernization

To encourage the modernization and technological upgrade of the industry, the Chinese government made different guidelines and policy papers. In 2006, the NDRC created several drafts in which they called for further restructuring and modernization of the sector. Moreover, these drafts included a 'go global' component with the aim of developing overseas industrial parks and production bases. In July 2006, a policy paper on the promotion of development in the textile industry was developed. It states that special financial funds should be raised by local ministries of finance and commerce to encourage the going-out process of Chinese textile companies. In this realm, technological innovation, brand building and the creation of overseas marketing networks and industrial parks were to be supported. (中華人民共和國財政部，2006). The 'go global' funds, which amounted to $86 million, were provided by the provincial governments. The central government launched an additional fund of $123 million and ensured the funding of innovation-related projects (The Trade Lawyers Advisory Group LLC, 2007: 6).

After 2008, the Chinese government created two guideline plans to promote further progress in the textile industry. The first plan was the *Adjustment and*

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Revitalization plan of the Textile Industry (Tusiad, 2012: 6; Zhu & Pickles, 2014: 46). It was a response to the international financial crisis, and it states that the industry remains a 'traditional pillar industry playing an essential role for China's employment rates, its international competitiveness, its export figures and its urbanization' (中華人民共和國中央人民政府，2009). The plan refers to banks and local governments as important agents to carry out the guidelines. The plan mentions innovation, brand-building and exploration of foreign markets as the main objectives. To reach them, the provision of SME's with informational assistance and higher financial support in order to help textile companies that face financial problems, are put forward. Next to this, the plan pleads for the improvement of the existing tax rebate policy (中華人民共和國中央人民政府，2009；Tusiad, 2012: 6-7). Since 1985, such a tax rebate policy has been being applied to the textile industry. The rate is modified on a regular basis, depending on what kind of goods should be exported or technologically improved, and fluctuates between 5 percent and 17 percent. Whereas, in 2009, the rate was already increased to 16 percent for almost all textile items, and the MOF decided to pull the rate up to 17 percent in 2015 (中華人民共和國財政部，2014；中紡商城，2016；Haimowitz, 2015).

The second plan concerns the 2012 *Textile Industry Twelfth Year Plan*. It lays down the overall guiding principles and objectives that were to be reached by 2017 in the textile industry. Again, innovation, quality, and brand-building, consolidation of overseas market shares, for example in Europe, and the training of personnel, are put forward as vital to improve the industry's competitiveness. Political guidance, preferential fiscal policies and cooperation with the Ministry of Industry and Information Technology (MIIT), and several industry associations, are presented as the necessary actions to ensure that the goals would be reached (工業和信息化部，2012a；2012b；Dorn & Cloutier, 2013: 63-67). In China's *13th Five Year Plan for the Textile Industry (2016-2020),* the Chinese government again refers to the textile industry as a traditional pillar industry for the country, but also recognizes several issues such as weak innovation capacities, structural overcapacities, and the lack of brand influence. To tackle these shortcomings, it calls for the promotion of the development of hi-tech- and new-generation fibres and industrial textile goods. While this sector is not on its list of SEI's, the Chinese government still connects these upgrading efforts with China's more general *Made in China 2020-2025* goal. While the plan stresses a market-oriented approach and the importance of free competition, it aimed at encouraging enterprises to focus on research and development, and quality creation, in order to promote brand-building and intelligent textile manufacturing, and also in guiding national textile

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champions in their foreign activities. Measures to achieve these goals included financial and taxation support, for example trough the central government's science and technology budget and loans-, training talent and encouraging valuable M&A's. Local governments and textile industry associations were asked to cooperate in line with the aforementioned policy goals (工業和信息化部，2016).

C. Brand Building

In the 2006 policy guidelines, brand building was already mentioned as key to modernizing China's textile industry. However, from 2009 on, it became a priority considering the global financial slowdown and the necessity to enhance the industry's competitiveness. The MIIT together with the NDRC, MOFCOM, the People's Bank (PBOC), and the General Administration of Quality Supervision, published the *Guiding opinions on brand building in the textile and clothing industry*. It represented how this brand building process should be encouraged by informative and financial support. Again, it is stressed that the governmental and intermediary organizations, such as the China Textile Industry Association and the State Administration for Industry and Commerce (SAIC), should cooperate to help Chinese textile enterprises to create strong, independent and international brands (工業和信息化部，2009). However, in a 2012 MIIT draft, it was said that the international influence of Chinese brands in the sector remained very limited. By making the comparison with France, Italy and Germany, the paper mentions that not only should hard power or quality be enhanced, but that cultural or soft power is equally important if China wants to have a mature textile sector. Informative and infrastructural support measures at both the national and subnational level were suggested to accelerate this brand building process. The paper also refers to intermediary organizations, media channels such as CCTV, and design centres in Shanghai, Beijing, etc., as important tools to reach this goal (工業和信息化部，2012a；2012b). In a 2014 work-plan on quality and brand building, similar objectives were put forward. It highlighted that preferential tax policies should be applied to promote textile companies with a highly creative and technological profile (工業和信息化部，2014). In 2017, the MIIT published a similar Work-Plan calling for the encouragement of brand alliances and brand-cultivation through specific awards (工業和信息化部，2017).

(A) Bosideng

By means of example, the next paragraph will elaborate on the story of

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Bosideng, China's largest down apparel producer that is currently trying to gain an international foothold following its national success (Felsted, 2013). In close cooperation with local officials, Gao Dekang founded Bosideng in 1975. At the beginning, the company was registered as a town and village enterprise (TVE). After four decades, Bosideng became a textile giant with more than 7500 retail outlets across China (CGTN, 2018). According to Gao, the intervention of the central government and the regulatory environment of the textile sector contributed to Bosideng's success. The state-initiated merger with the Hualian Group in 2001 considerably enhanced Bosideng's competitiveness. By 2007, after the firm was listed on the Hong Kong Stock Exchange, it ranked second in profit among China's top garment producers (Hsueh, 2011: 140).

Contrary to a lot of textile firms, which moved from the coastal regions towards the hinterland and the western regions of China, Bosideng experienced a within-province relocation. Being located in the south of Jiangsu, they built a manufacturing base in the poorer northern part of the province to profit from the lower wages (Schuurman & He, 2013: 8). Bosideng also exemplifies China's aim to create strong firms at home before encouraging them go global. In a 2007 prospectus, the company mentions several risks related to doing business in the PRC. One of them is that they may cease to enjoy financial subsidies granted by local government authorities (Bosideng, 2007: 9). They explained how they respectively received $1.3 million, $7.4 million and RMB 12.1 million in 2004, 2005 and 2007: "the discontinuation of any of these government grants could adversely affect our results of operations and financial condition." Up to today, Bosideng continues to receive government subsidies. Between 2004 and 2019, Bosideng received $59 million in government grants (Bosideng, 2018).[19] Bosideng also described the tax exemptions and other preferential tax treatments that contributes to the firm's profitability (Bosideng, 2007: 172-173). The company was encouraged to develop its brand internationally by sector associations, MOFCOM and other relevant government departments. Under the 'China Fabrics' program, launched by the China Textile Information Centre, the firm received tariff exemptions for its efforts to internationalize its brand (Hsueh, 2008: 241).

In 2005, Bosideng decided to concentrate on Europe when they started to co-operate with Greenwoods Menswear, a British retailer of men's garment. In 2009, they acquired a 50 percent stake in Greenwoods for £50 million. In the

[19] For a detailed overview of these government grants and subsidies, see Appendix 2.

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same year, two Bosideng-branded clothing outlets were set up in the UK, and in 2012, the firm spent £30 million for its new flagship store, which was not only a store but also where its European headquarters were to be located (China Retail News, 2012). These initiatives are part of Bosideng's ambition to become a world-know brand. Mr. Gao Dekang, Chairman and CEO of Bosideng, said, "The acquisition of the property is an important move by Bosideng in its expansion into the international market and development into a world-famous brand (Tsui, 2011; Chinadaily, 2013)." While Bosideng reflects a success story on the Chinese domestic market, it also illustrates that China still has a gap to fill when it comes to internationalizing its brands. After operating in London for only four years, Bosideng decided to close its store due to low returns on investments and uncertainties concerning Brexit. However, the company will not give up on its efforts to expand in overseas markets. Through runway shows in New York and cooperative projects with western designers, it hopes to gain international brand recognition. They decided they will reopen the London store after several adjustments are made (Bloomberg, 2017; CGTN, 2018).

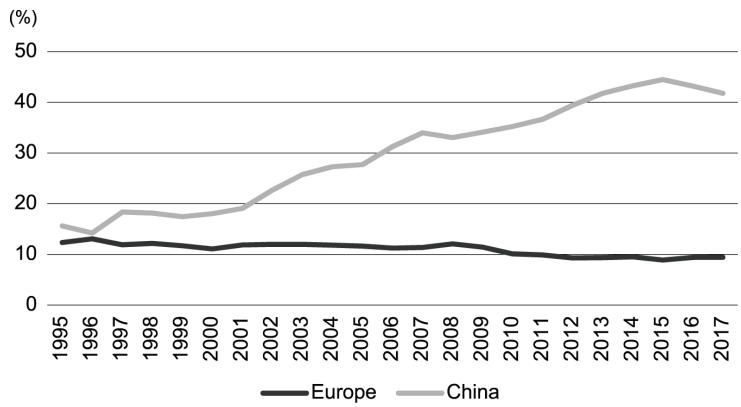
VI. European Concerns

As figure 4 shows, China successfully deposed the European Union as the world's most important manufacturer of textile and apparel. The 2005 'bra wars' revealed how internal fragmentation and a lack of proactive adaptation stood in the way of a European response to the China challenge. Such European divisions still persist. As the Chinese government encourages relocation in order to avoid losing its dominant position in the world's low-end textile sector, the apparel producing member states still feel China's competitive pressure in the lower segments of the market. Figure 7 shows how China dominates when it comes to exports of textile and apparel to the developed economies. Over the past decades, it has managed to increase its market share from 18 to 41 percent. A representative of Euratex reacted:[20] "Since the mid 90's China is creating overcapacities. These overcapacities continue to be a problem today and put competitive pressure on Europe." Moreover, despite Chinese wages tripling since 2012, China only lost a limited amount of its market share in low-end textiles to the surrounding more cost-competitive Asian LDC's. If considering the possibility that several Chinese factories re-export to the West from these LDC's, China's loss in market share might be even more modest.

[20] Euratex interview, 2015.

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Figure 7 The Chinese and European Market Share of Textile and Apparel in Developing Countries 1995-2017



Source of figure: UNCTADstat (2019)[21]

The continuous support of the Chinese government to its textile sector raises concerns among European textile companies (Lau et al., 2009: 58; Eckaus, 2005; Zhang & Wang, 2010: 2; NCTO, 2004: 4-6). A Fedustria manager mentioned: "Certain is that the Chinese government uses non-market conform practices to reach its goals. I am not talking about cheaper loans, China does not have a monopoly on low wages, but what they do use is export subsidies and other supportive measures which lead to unfair competition and dumping." A Commission official commented that low energy, property and investment costs all play a role in China's competitive prices. However China, not being a market economy, also heavily subsidizes its industries, including the textile sector.[22]

Sino-European competition in the textile sector is likely to persist rather than to flatten out. The Chinese government wants to upgrade the textile industry, in which the development of capital-intensive products is key. A Fedustria manager commented:[23] "Whereas the pressure is not as high as it was in 2005, the interior textile and technical textile sector experiences competition from China too." A representative of ACV-Metea confirmed:[24] "Ten years ago, the Chinese were focused on copying western products, which worked and which hurt our industries quite hard. The era of copying has been replaced by

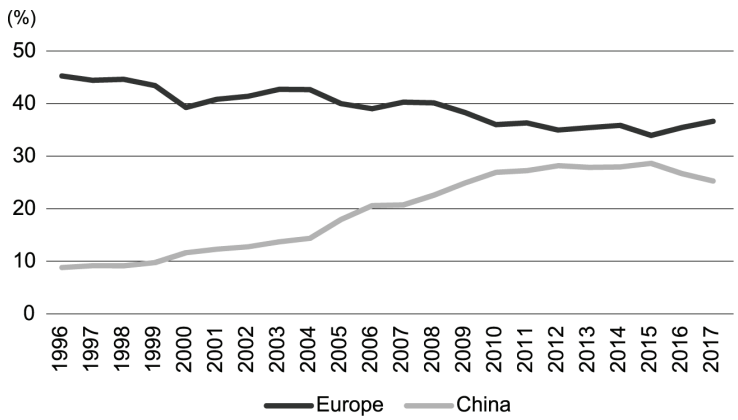
21 See Appendix 1 for a more detailed overview of the product groups.
22 Interview with Commission official, 2015.
23 Fedustria interview, 2015.
24 ACV-Metea interview, 2015.

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an era of trying to become a pioneer in the industry." Figure 8 shows that over the past two decades, China also became a competitor with Europe in developed economies. Between 2000 and 2017, it was able to double its market share in these countries. The European Union, on the other hand, lost 10 percent of its share during the same period. According to figure 9, China's global export value of textile articles and products for technical use rose from $220 million in 2009 to $575 million in 2017, narrowing the gap with the EU's exports.

Between 2008 and 2011, China's production of technical textiles increased by more than 50 percent. The same trend can be seen when it comes to the production of chemical fibres (Wang, 2012: 2). Between 2010 and 2013, the share of technical textiles in China moved up from 20 percent to 23 percent (ITA, 2015: 13). China increasingly sells these high value-added products to the rest of the world. As figure 10 shows, China's global market share in 2011. The second trade expert explained that:[25] "China also focuses on improving the high-end segments of its textile industry. Knowledge and added-value, rather than low labour costs are key for this evolution. This way, the Sino-European competition will also shift towards branches of sophisticated material such as technical textiles, carpets and vinyl." When looking at the European market we can see that European producers of special textile products still dominate the

Figure 8 The Chinese and European Market Share of Textile and Apparel in Developed Countries 1995-2017



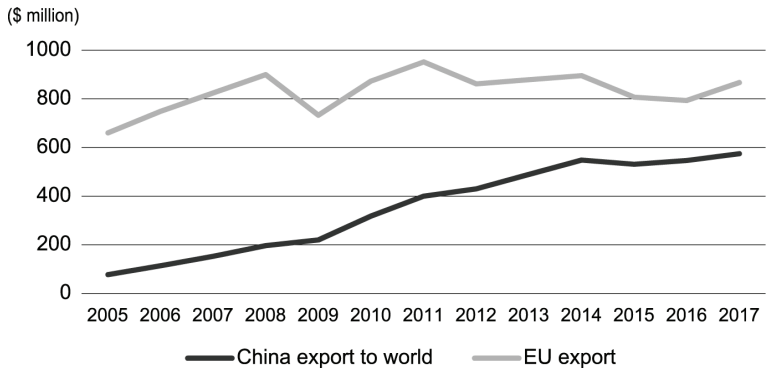
Source of figure: UNCTADstat (2019)[26]

[25] Interview with European trade expert, 2015.

[26] See Appendix 1 for a more detailed overview of the product groups.

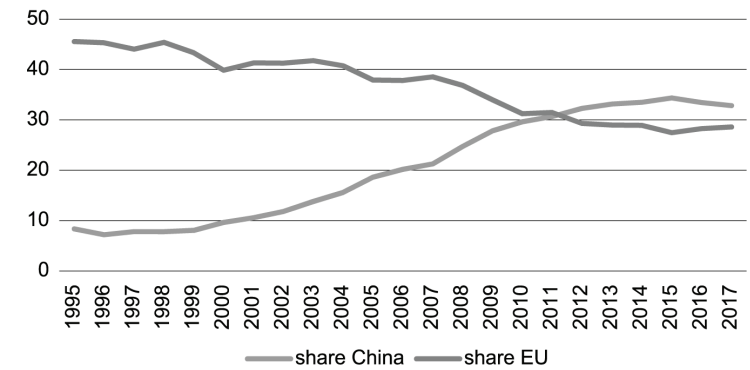
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Figure 9 Chinese and European Absolute Global Exports of Textile Products and Articles for Technical Use 2005-2017



Source of figure: Comtrade (2019)

Figure 10 Chinese and European Global Market Share in Special Yarn, Textile Products and Floor Coverings



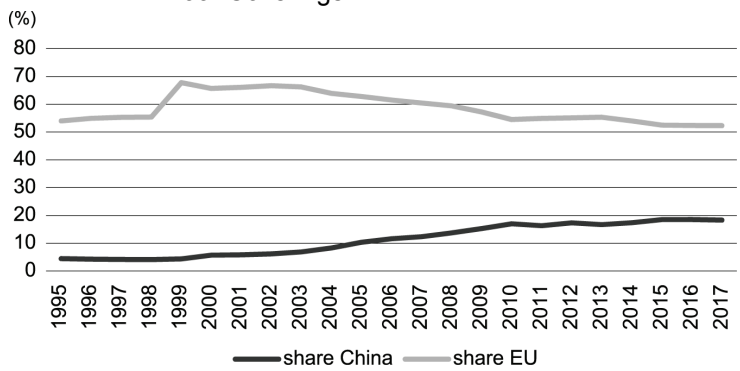
Source of figure: UNCTADstat (2019)[27]

domestic markets. Figure 11 indicates how the rise of China's share in European imports of these products is not comparable with the import acceleration of Chinese garments and clothing in 2005. Still, since 2006, the intra-European trade of special textile products and floor coverings has been declining and is simultaneously being replaced by imports from China.

[27] See Appendix 1 for a more detailed overview of the product groups.

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Figure 11 Europe's and China's Share in European Imports of Special Yarn and Textile Products and Floor Coverings



Source of figure: UNCTADstat (2019)[28]

It seems that today China's competitiveness affects both the low-end as well as the high-end part of Europe's textile sector. This is not only because of low wages. As a Fedustria manager mentioned: "The price gap between Europe and China becomes smaller and the pressure is less severe compared to what we experienced in the low-end textile industry, but this is not to say China always plays by the book. It still applies unfair policies for example to get rid of its overproduction." A representative of Euratex confirmed:[29] "It's not only low wages, it is also about industrial and state-driven policies. There are policy incentives specifically targeting the textile industry. They cover the entire value chain, it goes from incentives to weave, to spin, to produce manmade fibres and to create innovative applications."

VII. Conclusion

The analysis of China's strategy in the textile sector and its consequences for Europe sheds light on some remarkable trends. First of all, while the Chinese government liberalized its textile sector and opened up its economy for foreign investment in the 90's and joined the WTO in 2001, it continues to apply a range of mercantilist policy measures with the aim of keeping the Chinese textile industry

[28] See Appendix 1 for a more detailed overview of the product groups.
[29] Euratex interview, 2015.

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competitive. This pragmatic approach has not been given sufficient academic attention due to the unjustified theoretical equalization of economic-nationalism with protectionism and even autarky. While China's textile industry is highly globalized, little-protected, and almost fully liberalized, the Chinese government remains an active participant in the sector. Dozens of policy guidelines and plans have been set up by the state to relocate and modernize the industry, and hence maintain and encourage China's competitiveness in the low and high segments of the market. Rather than closing off its market to protect the textile sector, the Chinese government uses its domestic resources and cooperates with China's POE's to deal with the challenges its industry faces; a policy approach that has been recognized by scholars such as Dani Rodrik and Christopher Mc Nally.

The protectionism-bias in studying economic nationalism is closely related to the overall underexposure of POE's and 'non-strategic' sectors in the existing academic work. The importance of which the Chinese state adheres to its textile industry can be observed by how it regularly refers to it as a pillar industry for China, contradicting the general idea that non-strategic industries are left out when it comes to increasing one's national power. This also backs Baldwin's argument that military potency is not necessarily the most important source of power in international relations; economic dominance and competitiveness can equally be prioritized by a state to enhance its relative strength vis-à-vis the rest of the world.

The interests and power of states, acting to maximize their national goals, define the structure of international trade (Krasner, 1976; Cohen, 2008; Holslag, 2010: 643). The textile case reveals how China's accession to the WTO and its domestic economic policies have changed the Sino-European trade landscape. Half of the European textile jobs disappeared after the removal of existing MFA trade restrictions in 2005 and the sudden influx of Chinese apparel and garments led to a trade dispute referred to as the 'bra wars'. A lack of pro-active adaptation as well as the fragmented European approach in the crisis hurt the European Union's image as a credible and coherent economic block. Nevertheless, Chinese competition also forced several member states to modernize and specialize their textile industries. Until today the European textile industry remains an important growth and employment provider.

Despite the fact that its low labour cost advantage is rapidly diminishing, China manages to remain Europe's toughest competitor in the industry.

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Considering the rise in average Chinese wages, China only lost a modest amount of market share to its neighbouring LDC's. It remains the dominant provider for textiles and apparel in developing economies and, while not having been able to surpass the EU, it managed to gain an important position in developed markets too. China's recent policy papers prioritize the creation of technology-intensive and industrial textile products and international brands, which could mean that the existing gap between the EU and China in the high-end segments of the textile market will continue to narrow. Yet, since 2015, it seems that Europe has been regaining some of its market share. Moreover, the current Sino-European competition in the textile sector is not as severe as it was in 2005, and European companies are hence less alarmed compared to how they were 15 years ago. Still, European concerns on the difficulty of implementing solid rules of origin, as well as on the Chinese dumping and illegal subsidizing of its textile products, persist. The textile case confirms Rodrik's assumption that the Chinese government has become very adept in bending globalization's rules to its own requirements (Rodrik, 2011: 155). There is no doubt that China will remain a challenge for Europe's textile industry, but whether Europe will be able to cope with it remains to be seen.

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Appendix 1
Considering the Figures Derived from UNCTADstat

- When referring to 'Textiles and Apparel', the following product groups are included:

Articles of Apparel & Clothing Accessories
841 Men's clothing of textile fabrics, not knitted
842 Women's clothing, of textile fabrics
843 Men's or boy's clothing, of textile, knitted, croche
844 Women's clothing, of textile, knitted or crocheted
845 Articles of apparel, of textile fabrics, n.e.s.
846 Clothing accessories, of textile fabrics
848 Articles of apparel, clothing access., excluding textile

Textile yarn and related products
651 Textile yarn
652 Cotton fabrics, woven
653 Fabrics, woven, of man-made fabrics
654 Other textile fabrics, woven
655 Knitted or crocheted fabrics, n.e.s.
656 Tulles, trimmings, lace, ribbons & other small wares
657 Special yarn, special textile fabrics & related
658 Made-up articles, of textile materials, n.e.s.
659 Floor coverings, etc.

Textiles fibres and their wastes
261 Silk
263 Cotton
264 Jute, other textile bast fibre, n.e.s., not spun; tow
265 Vegetable textile fibres, not spun; waste from them
266 Synthetic fibres suitable for spinning
267 Other man-made fibres suitable for spinning
268 Wool and other animal hair (incl. wool tops)
269 Worn clothing and other worn textile articles

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Leather, leather manufactures and dressed furskins
611 Leather
612 Manufactures of leather, n.e.s.; saddlery & harness
613 Furskins, tanned or dressed, excluding those of 8483

Footwear
851 Footwear

- When referring to 'Apparel, Garments and Footwear', the following product groups are included:

Articles of Apparel & Clothing Accessories
Footwear

- When referring to 'Special Yarn and Textile Products and Floor Coverings', the following product groups are included:

657 Special yarn, special textile fabrics & related
658 Made-up articles, of textile materials, n.e.s.
659 Floor coverings, etc.

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Appendix 2

Overview of Government Subsidies to Chinese Textile Companies: Texhong, Youngor, Luthai and Bosideng[30]

Government Subsidies ($ million)				
	Youngor	Texhong	Lu Thai	Bosideng
1999	5.3			
2000	8.3			
2001	9.7			
2002	12.3			
2003	12.3		0.33	
2004	13			1.3
2005	12			7.4
2006	7.5	4		
2007	4	5.7	0.31	1.8
2008	6.4	5	4	
2009	6	2.2	3	1.4
2010	35	7.4	6	4
2011	25	3.3	7	0.9
2012		0.82	4	3.6
2013	11	4.5	7.7	6
2014	9.6	2.3	14.8	9.9
2015	1.9	1,5	6.4	10.4
2016	8.2	18.7	9.6	6
2017	8.6	25.3	9.8	3.5
2018		32		2.6
Total	196.1	112.72	72.94	58.8

[30] The grey cells indicate that the notification of government subsidies was not publicly available for that year.

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中國作爲全球紡織龍頭對歐盟的意義*

*Astrid Pepermans***

摘　要

自 19 世紀中期以來，中國已取代歐盟成爲全球最大的服裝和紡織品供應國，中國的低勞動力成本無疑地觸發這種轉變，儘管轉變原因尚未明確。中國正迅速失去其勞動力成本的優勢，但其仍成功地保持著在該行業的領先地位。本文將對中國政府的雙重策略進行討論。首先，國家支持將中國紡織品生產基地遷移到中國較貧困的省份和鄰近最不發達的國家，企圖保持其在勞動密集型紡織品的競爭優勢。另一方面，中國政府推出了多項政策，推動中國紡織企業創造資本密集型紡織品、利基產品和國際品牌。通過揭示中國將自由主義與經濟民族主義相結合的務實方針來應對紡織業面臨的挑戰，本案例研究證實自由主義和重商主義政策並非相互排斥，且仍存有未被外界認知的部分。另外，儘管中國的競爭力主要體現在外包南歐國家的服裝生產面向，但中國在紡織業高端市場上的競爭力仍持續增強中。

關鍵詞：中國、歐盟、紡織工業、經濟民族主義、重商主義

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