



# The Analysis of Problems and Countermeasures for Western Region Undertaking the Textile Industrial Transfer

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## Abstract

A new round of industrial transfer inside and outside is speeding up. Meet with the trend of economic globalization and regional economic integration, western region is trying to undertake the east and seaside regions' textile industrial transfer, promoting the optimization of industrial structure and the strengthen of economic competitiveness. Based on analyzing the main problems for western region undertaking eastern textile industrial transfer and the reasons, this thesis offers several countermeasures and suggestions according to present conditions and new requirements. (1) Develop western border trade and the western inland market. (2) Combine western competitive advantages and eastern latest technologies and achieve the integration of advantage resources of western and eastern textile industries. (3) Build a new special industrial chain for western textile industry. (4) Learn mature management modes from eastern textile companies. (5) Build a favorable environment in the west for undertaking the textile industry.

**Keywords:** Textile industry, Industrial undertaking, Problems, Countermeasures and suggestions

For a long period, "more on the east, less on the west" is a vivid description for China's textile industry, which reflects the unbalanced condition of textile industry in China. During the past more than one decade, China's textile industry has developed fast. Textile and clothing companies mainly locate in Pearl River Delta, Yangtze River Delta, and around Bohai. Western region has rich fiber resources and cheap labors. However, the clothing and textile and labor-intensive industries do not develop well. The textile productivity merely accounts for 12% of the national, and the value of output only 4.5% or so. In recent years, due to the appreciation of RMB, the decrease of export rebates, the rise of labor costs, the increasing price of raw materials and energies, and the adjustment of income taxes for domestic enterprises and foreign-funded enterprises, eastern enterprises' costs are rising significantly. All these factors impact on the labor-intensive textile and clothing industry. According to a survey by China Textile Industry Association, since 2008, the average return for two-thirds textile enterprises in Jiangsu, Zhejiang, Shandong, Guangdong, Fujian, and Hebei is only 0.62%. Under the unprecedented pressure, textile industry tends to move toward the inland from the seaside.

## 1. The inevitability for eastern textile industry's gradient transfer

Since the application of reform and opening-up policy, the eastern region in China has taken advantages of location and grasped chances of industrial transfer in developed countries and Hong Kong, Macao, and Taiwan, and developed lots of labor-intensive manufacturing industries, which powerfully drives local economic development and turns into important strengths for pulling China's economic growth. After years of fast development, capitals in eastern region are so sufficient that local market can not satisfy the needs for capital increment. Plus the high commercial costs and the environmental issues, the optimization and upgrade of industrial structure become an inevitable trend. The eastern region has already passed the initial industrial stage (textile industrialization) and stepped into the advanced industrial stage (heavy industrialization). It needs to complete the transformation from scale expansion to structural improvement. Processing industry and labor-intensive industry move toward the middle and western regions.

## 2. Problems for western region undertaking the textile industrial transfer

Although in the world every industrial transfer creates an "economic myth" in the undertakeance region to a different degree, we should know that there are lots of problems (Yixiong Yang, 2006) in western region undertaking the textile industrial transfer from the eastern and seaside region. In detail, firstly the expensive transportation from western region to ports blocks the steps of textile enterprises toward western region. Here we take the western city Chengdu for example, where the foreign trade develops well. From the Table 1, we know that the enterprises in Chengdu have to pay extra transportation fees in export. Plus the time consumed in transportation, the transaction efficiency is low. Besides,

some enterprises may choose roads instead of railways in transportation. A 20 feet container carrier has to pay 4628 RMB for logistics. The cost of transportation exerts a significant effect on western region undertaking textile industrial transfer. Secondly, from the West Development Program to the new round of industrial transfer, many textile enterprises that move in western region can not find equipped enterprises and get necessary products, materials, and services. Thirdly, investments in western region consume more labor search costs, training costs, and regulatory costs. It may face higher labor efficiency risk and talents lose risk. Fourthly, western market is immature. Migrant enterprises do not possess economic freedom. Besides, the efficiency of government in western region is low in general.

### **3. Factors that restrain western region to undertake the textile industrial transfer**

#### *3.1 The exterior development of eastern textile enterprises increases the logistics costs for western migrant enterprises.*

Because of regional advantages and favorable policies after the application of reform and opening-up policy, eastern seaside region undertakes the labor-intensive industries from developed countries in the first round of world industrial transfer. After several decades' development, eastern seaside region becomes the important export base for China's textile and clothing industry, which takes Europe, America, Japan, and related region as the center. Therefore, western region, due to the special location, will face high logistics cost as it undertakes eastern textile industrial transfer. For western textile enterprises, the high cost includes the logistics cost from inland to seaside ports, which turns into a barrier for western migrant enterprises.

#### *3.2 Western region has weak industrial base and low industrial equipment.*

The industrial base in many western regions is weak. Except Chengdu and several cities, there is not a complete industrial equipment system. Western region is lack of talents, and industrial technologies. Amounts of talents are losing. The industrial chain is short. The added value of product is low. The degree of information in production is low. It is hard to form industrial clusters. Industrial cluster regions have better base for industrial development, which can benefit migrant enterprises in many aspects, such as market, skilled labor, human resource, and coordinative equipment. In general, because of weak industrial base and limited industrial cluster development, the industrial equipment capability in western region lags behind of eastern and middle region. As a result, many textile enterprises that move in western region can not find the relevant enterprises. They could not get necessary products, materials, and services.

#### *3.3 The human capital is at a lower level and the labor productivity is low in western region.*

Although western region has rich labor resources and the labor price is low, it can not satisfy the needs of migrant textile enterprises because of the lagged behind basic education. Meanwhile, due to differences of job opportunities, material treatments, and development spaces, lots of technologists, managers, and professional laborers from western region choose to work in eastern region. As a result, the human resource structure makes western region at an inferior position, which directly influences the labor productivity, impacting on the timeliness of products suiting for the market. For textile enterprises, all these factors mean that: to invest in western region requires more labor research costs, training costs, and supervision costs, and it may face higher labor efficiency risk and talent lose risk.

#### *3.4 In western region the marketization is at a lower level and the transaction cost is high.*

Marketization can improve resource distribution efficiency. The degree of marketization determines the efficiency of regional resource distribution efficiency. According to a survey, about 12 provinces locate in seaside among the 14 provinces that have better marketization. Here, Guangdong province has the higher marketization index, namely 95.2%. Qinghai province, in the western region, is the one. Its marketization index is only 14.8%. The low marketization level in western region directly causes the low efficiency of western resource distribution and high transaction costs. Western region has the lowest marketization level in China. Therefore, migrant enterprises have to endure kinds of special costs due to the absence of economic freedom, and low efficiency of government.

### **4. Countermeasures for promoting western region undertaking textile industrial transfer**

#### *4.1 Develop western border trade and dig out western market*

The migrant textile enterprises can make best use of the special regional advantages, namely the western borders that are more than 2000 kilometers and more than 20 trading ports, develop environment-friendly textile products, build textile export processing zones, promote border trade, expand exports, and drive western textile industrial development.

In western region the population is nearly 400 million, accounting for 29% of the total in China. However, the social commercial retails in western region only account for 16% of the total in China. It means that the consumption market has a wide space. Besides, develop western industrial textile products and make it turn into a new economic growth point for industrial industry. Focus on covers materials, raw materials, medical materials, industrial materials, package materials, and auto decoration materials. The west development program and the industrial transfer will bring about lots of infrastructure projects, which will turn into a great demand for industrial textiles.

#### *4.2 Combine western competitive advantages and eastern advanced technologies and realize the advantage resource integration of eastern and western textile industry*

Apply the “eastern advantage resource + western advantage resource” investment mode. Build an investment mode by a most effective resource distribution way. Adopt the “eastern capitals, technologies, talents + western lands, labor resources, western market” mode. Build textile industrial clusters in proper regions. Meanwhile, make best use of the “eastern advantage enterprises + western related enterprises + overall market” mode. Build an integrated industrial chain combined R&D, design, production, and sales together. The textile industry in Xinjiang has been in loss since 90s last century. Till 2003 and 2004, conditions do not change. But recently, the whole industry is profitable. Exports rise significantly. What are reasons? The answer is the combination of east and west. In recent years, the textile industry in Xinjiang begins to win profits and exports more than ever by combining with eastern latest production technologies and marketing ways. Some famous eastern enterprises, such as Younger, Lutai, and Yida, make best use of Xinjiang’s resources and labors, combine with eastern latest management and marketing, achieving better effects. Some eastern enterprises that merely move old machines into Xinjiang do not get profits.

#### *4.3 Build a new featured industrial chain for western textile industry*

21<sup>st</sup> century is the time of information technology and knowledge economy. Amounts of specialists and scholars emphasize on the importance of building an industrial chain. The industrial chain includes cotton planting, textile dyeing, clothing equipment production, clothing processing, clothing auxiliary production, clothing trade platform, clothing research, and market research. The center is to develop the mature eastern textile industry. Take design and marketing as the main body, western textile industry as the assistant. Emphasize on textile materials and processing. Build a featured industrial chain, aiming at improving the capability of innovation. It means to develop the association of industry, cooperate with market, make the industry more specific and regular, and make the advantages in resources and labors turn into local featured advantages. Based on Xinjiang and Shaanxi’s cotton resources and cotton textile industry, build a production base for excellent yarns and cloths in China. Build a national silk production base with the support of silk production in Sichuan, Chongqing, Yunnan, and Guangxi. Build a regional wool textile production base with the support of textile industry in Neimeng, Gansu, Qinghai, and Ningxia. Build a ramie textile production base with the support of ramie resources in western region. Develop the equipped fiber industry based on the petro gas resources in western region. Grasp the historical chance of undertaking eastern and seaside provinces’ textile and clothing industry transfer.

#### *4.4 Build a favorable environment for western region undertaking textile industry transfer*

In order to undertake eastern textile industry transfer, western region should improve local environment that is not right for textile industry development. Firstly, build a textile industry zone, which serves as the effective carrier for western region undertaking eastern textile industry transfer. Aim at forming industrial cluster advantages and strengthen the construction of special zone. Drive the labor division and cooperation among enterprises. Enhance enterprises’ associations and technological and information communication. Form the thick “industrial air” and decrease enterprise costs. Secondly, apply the “order” training. Education institutions can associate with enterprises to form technique schools. Increase the supply of skilled laborers. Thirdly, perfect the market economic system further and decrease market costs. Finally, considering the fact that most migrant enterprises in western region are small and medium private textile enterprises and most are labor-intensive, we should emphasize: (1) Provide discount interests for loans. Encourage western commercial banks supply financing convenience and benefits for private enterprises. (2) Provide employment allowance. Because migrant textile enterprises offer job opportunities in western region, it is reasonable to provide investment allowance for these enterprises. By this way, we can speed up the transfer of textile industry from eastern region toward western region.

### **5. Conclusion**

The migrant of enterprises need time. It is vital for the scientific development of an industry. It is a gradual process and must be in accordance with the law of market resource distribution. We can depend on the core environment and the leading enterprise to speed up the industrial transfer, especially selecting some influencing brand enterprises and key enterprises in eastern region. By cooperating directly with these enterprises or merger and purchase, drive the fast development of industrial transfer. In a word, the migrant toward western region should be step by step. The characteristics of enterprises determine where they can move in. Only by long-term consideration and scientific development, can migrant enterprises make right decisions and take right actions.

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Table 1. Railway tariff from Chengdu to some seaside cities in China.

Starting station	Arriving station	Distance (kilometer)	Expenses for one-ton container	Expenses for five-ton container	Expenses for ten-ton container	Expenses for 20 inch container	Expenses for 20 inch container	Day
East of Chengdu	Qingdao	2346	141.06	1119.09	1792.76	3261.96	6632.86	5
East of Chengdu	South of Shanghai	2516	152.49	1207.77	1931.70	3509.02	7123.50	5
East of Chengdu	Tianjin	2078	124.26	986.67	1582.04	2881.12	5863.78	4
East of Chengdu	Yantai	2567	147.82	1172.64	1878.45	3417.63	6948.95	6

Source: <http://www.railwayfan.net/>