



2016 Top Markets Report **Technical Textiles** Country Case Study

Taiwan

Taiwan's textile and apparel manufacturers previously struggled to overcome the twin hurdles of a changing global market and the widely held perception that they were no longer a viable option for textile production. But support from Taiwan, coupled with the development of an array of exciting products, has brought these firms back from the brink, repositioning them for what many believe will be the dawn of a long-term era of niche market opportunities, particularly in the field of technical textiles. The increased buying power of Taiwan textile producers should offer an important opportunity for U.S. exporters.



Taiwan's textile and apparel manufacturers can look forward to a bright future as long as the Taiwan authorities and industry groups continue working hand in hand to reboot the industry. They both have committed to ensuring that no expense or effort will be spared in guaranteeing that all participants get the assistance necessary to take advantage of new market conditions and the abundance of opportunities opening up around the world.¹

For Taiwan, however, the genuinely lucrative opportunities do not lie in the segment of the market crammed with rivals tussling over low-hanging fruit. Taiwan has determined that the real success is to be found in creating cutting-edge products that will be attractive to the United States and Western Europe.

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 have satisfied downstream firms' (including weaving industry, international brands and distributors) needs with high quality materials and service.

Taiwan started this process by focusing on developing functional fibers and fabrics. Textiles for home decor are now moving toward high-tech industrial textiles, are building an industry value chain that integrates all production technologies and have increased the need of foreign technical textiles, predominately from U.S. producers.

Overview of the Technical Textile Market

The Taiwan textile industry has undergone a number of changes over the past few years. Increased labor costs and environmental pollution caused much of the industry to relocate overseas. Taiwan has decided instead of competing with rivals for the low skill, labor intensive sector of the apparel market, future opportunity is to be found in creating products in the advanced technical textile markets.

In May 2011, Taiwan advanced this goal when five textile and apparel centers began operations around Taiwan. Initiated by the Ministry of Economic Affairs (MOEA), the centers are targeting different segments of the industry for cultivation, turning out high-demand products that capitalize on the island's

culture of innovation and creativity. In addition, they function as R&D hubs and incubators for associated industries that will add further value to Taiwan's textile and garment exports.

To spur this resurgence, Taiwan textile and apparel and other companies have been utilizing products produced by the U.S. technical textile sector. U.S. exports of technical textiles have grown 5.6 percent annually since 2008.

Furthermore, U.S. and foreign firms related to technical fabrics have established business relationships with Taiwan. In some instances, there are competing interests in Taiwan among these firms. These include DuPont and Invista from America; Lenzing from Austria; Toray, Teijin Fibers, Asahi KASEI and TOYOGO from Japan; Nylstar from Italy; BASF and Bayer from Germany and Hyosung from Korea. The above firms are suppliers which provide Taiwan's technical textile industry with fibers and raw materials, and they are Taiwan's important partners in helping the advancement of Taiwan's technical textile sector.

Aside from home decor textiles, other applications for technical textile industries, such as electronics, construction, civil engineering, transportation, aerospace, agriculture, environment and fire safe protection, are increasing gradually. Each of these industries needs different kinds of textiles. Therefore, cross-industry alliances will be the future trends that help to expand Taiwan's international market. This could generate increased opportunities for U.S. producers. Taiwan now has a fully integrated supply chain and has continued to innovate and cultivate R&D capabilities. This could in turn decrease the demand for foreign produced textiles.

Challenges and Barriers to Technical Textile Exports

Most worrying to Taiwan's textile market is China gaining a stronger hold on Taiwan's domestic market and putting ever increasing pressure on Taiwan's competitiveness. If Taiwan's manufacturers do not quicken their transformation, the next recessionary wave could be even more serious.

The Industrial Development Bureau noted that Korea is one of Taiwan's main competitors in terms of textiles, and Korea has gradually completed negotiations on its FTAs with ASEAN, the United States, the European Union and other countries. This

could cause a negative impact on Taiwan's textile manufacturers. If the China-Korea FTA causes the gap to increase between Korea and Taiwan, there could be a significant contraction in the technical textile market in Taiwan, and, in turn, a decrease in imports from the United States. This competitive disadvantage could affect the textile market in both Taiwan and, to a smaller effect, the United States.²

Opportunities for U.S. Companies

Taiwan has introduced a new program called, "Program for Promoting the Development of New-Generation High-Tech Industrial Technology." The goal of the program is to revive culture, education and technology. This program is helping Taiwan's textile industry assume a leading role in the development of functional and technical textiles. Additionally, since 2008, the Industrial Development Bureau, Ministry of Economic Affairs has been working to increase the value of industrial textiles produced in Taiwan.

Furthermore, Taiwan is already putting a plan into place to challenge the negative impact that the Taiwan textile industry could face due to the China-Korea FTA. Taiwan is planning to face global competition by strengthening global marketing and multi point distribution. It will seek to expand sales in emerging markets and improve technical innovation.³

Thus, this will generate an increased need for technical textile inputs. U.S. exporters will be able to play a role in these new programs by continuing to expand their presence in Taiwan. The spillover effects can already be seen in technical textile trade between the United States and Taiwan. U.S. exports of technical textiles to Taiwan increased from \$37.5 million in 2008 to \$55 million in 2015.

Non-wovens

Taiwan has been increasing its demand for non-woven textiles from the United States consistently since 2008. In 2008, Taiwan was the 27th largest market for U.S. non-wovens, which increased to 15th by 2014.

The increase in demand for non-wovens can be attributed to Taiwan's well-developed manufacturing sector. Rising incomes and standards of living lead to individuals purchasing convenience items, promoting the production of disposable infant diapers among other products that use more and more non-woven fabrics.

Specialty and Industrial Fabrics

Aimed at assisting the Taiwan textile industry to upgrade and transform, in addition to helping the developing apparel industry, Taiwan has opted for a textile strategy of developing household and industrial textiles. Its goal is to establish a global R&D and production base of functional and industrial textile production. U.S. exports of technical textiles to Taiwan have grown 6 percent annually since 2008.

Medical Textiles

Taiwan's innovation in material and technique has pioneered improvements in function and quality of health care related products and has received great attention from international buyers at major medical trade shows.

Imports and exports of Taiwan health textiles vary significantly, however, among different sectors. Generally, medical textiles, such as sanitary items, are more import-oriented whereas health care items are developed more for export.⁴ U.S. exports of medical textiles to Taiwan totaled \$13.4 million in 2015 and are projected to increase 4 percent a year over the next two years. A major export market for Taiwan is the Philippines. The Philippine market has shown a steady growth over the years, which reveals the importance of the Southeast Asia market for Taiwanese manufacturers.⁵ This, in turn, will increase Taiwan's demand for medical textile inputs and put

the U.S. in a position to take advantage of this need, as the U.S. industry is seeing expanded growth in this sector while increasing its geographical reach.

Producers of medical textiles in Taiwan are well-positioned to match new trends since they enjoy a strong textile industry infrastructure, complete supply chains, sufficient human resources and matured production skills. Driven by the flexibility and competitiveness of small and medium sized enterprises, Taiwan makers are well-known for their tailor-made ability, which offers high flexibility capable of limited production quantities. Their products can meet required specifications and be highly competitive when compared with foreign competitors.⁶

Taiwan medical textile producers have been at the forefront of using R&D to deliver new technology in the fields of macromolecule, medical and biotech. The introductions of chitosan, bamboo fiber and special metals have led to new functions, including methods of enhancing warmth, anti-bacteria, anti-odor and blood circulation. In short, Taiwan's health textile industry is heading toward great prosperity.

Taiwan's advanced medical textile production methods and increased demand in the region will only increase the demand for medical textiles from the United States.

¹ "Taiwan's Textile Industry weaves a bright future." Taiwan Today. July 15, 2011.

² "The impact of China South Korea FTA on Taiwan's textile industry could be even worse than that of the South Korea FTA and the EU South Korea FTA." Industrial Development Bureau, Ministry of Economic Affairs. September 29, 2014.

³ "The impact of China South Korea FTA on Taiwan's textile industry, could be even worse than that of the South Korea FTA and the EU South Korea FTA.", Industrial Development Bureau, Ministry of Economic Affairs. September 29, 2014.

⁴ "Medical Textiles at the frontline of healing: The Unsung heroes behind the scenes". Medicare Taiwan. May 17, 2010.

⁵ "Medical Textiles at the frontline of healing: The Unsung heroes behind the scenes". Medicare Taiwan. May 17, 2010.

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