

A4 BUSINESS

Small garment firms facing chop

Prudence Ho

As clothes retailers cut down the number of suppliers, small garments manufacturers will be eliminated, a textiles and garments industry veteran has warned.

Harry Lee Nai-shee, honorary chairman of the Hong Kong Garment Manufacturers Association, said buyers are consolidating to soften cost pressures.

“One of our customers reduced suppliers from more than 1,000 to 200 after the cancellation of the quota system in 2005, and wants to cut further the number of suppliers to 150,” Lee told *The Standard*.

Lee, who trained as an electrical engineer, heads the family company as the managing director of TAL Apparel, whose origins as a yarn maker go back to the 1940s.

Garments quotas under the Multi-Fibre Agreement, devised to protect the textiles and garments industries of developed countries for four decades, were phased out in 2005. This development largely benefited the mainland. Big manufacturers also stood to gain from the phasing out of quotas.

“The way out for small manufacturers is to partner with the larger manufacturers,” Lee said.

TAL Apparel is one of the world’s largest producers of dress shirts. In February, it opened new plants in Funggang, Guangdong, increasing mainland manufacturing to 30 percent



Harry Lee says small firms face closure as garment retailers reduce the number of suppliers. KWOK CHING-SHAN

of total production. But Lee said unpredictable policies and rising operating costs are eroding incentives for investment.

Labor costs have risen in the coastal areas over the past three years and manufacturers are shifting inland.

Last year, the Shenzhen Labor and Social Security Bureau, raised the minimum wage by 17.4 percent to 810 yuan (HK\$827.25) a month, within the special economic zone, and by 20.7 percent to 700 yuan a month in Baoan and Longgang outside the SEZ.

Revised wages are effective until the end of this month. Among Hong Kong manufacturers that moved inland is Top Form International (0333), the world’s leading bra-maker, which opened a facility in Longnan, Jiangxi province. prudence.ho@singtaonewscorp.com