After crisis, Spain textiles sector dons new colours

AFP

Thanks to the success of brands such as Zara, owned by clothing giant Inditex, Spain is a key player in the global fashion sector.

AFP, *Madrid*

Spain's textile sector, flush with the glittering success of brands such as Zara, is beginning to recover from a crisis sparked by cut-throat competition from Asia that destroyed a third of its firms in less than a decade.

Inditex, owner of a range of brands such as Zara, Massimo Dutti and Bershka, easily beat its closest rival, Sweden's H&M, in terms of earnings last year, booking a bottom-line net profit of over 3.0 billion euros ($3.4 billion).

Thanks to the success of Inditex's "fast-fashion" brands, along with that of two other major Spanish high street clothing retailers, Mango and Desigual, Spain is a key player in the global fashion sector.

Clothing and textiles account for nearly three percent of the country's gross domestic product. And in terms of sector sales, Spain is Europe's fifth-largest producer behind Italy, Germany, Britain and France, according to Spanish textile association Texfor.

Texfor calculates that the number of Spanish suppliers of fabric, fibres and accessories such as buttons has plunged by about a third since 2008.

The Spanish sector, like its counterparts in other western countries, has been hit by fierce competition from Asia, as well as a slump in demand due to the global economic downturn.

Spanish textile firms were slow to innovate and adapt to the increasingly fast-changing demands of the fashion industry, said Antonio Valdivia, professor in strategy and marketing at the EAE Business School.

Many company bosses in the sector still have "a mentality of industrialists, not of entrepreneurs," he complained.

But last year, the number of textile firms stopped falling for the first time since 2008, stabilising at around 3,500 companies.

The sector is benefitting from Spain's economic rebound -- growth stood at 3.2 percent in 2016, double the eurozone average -- and the disappearance of less competitive firms.

"The firms that survived were those that were export-orientated, able to diversify their order book" and respond more quickly to customers' demands, said Manuel Diaz, the head of the CIE, the body that represents Spain's main textile firms.

Spain's textile exports, which account for 60 percent of sector-wide sales, rose by 7.0 percent last year.

Indeed, Spain now ships raw fabric to Morocco -- the number one destination for Spain's textile exports -- where it is transformed into clothes for major international brands.

After having "neglected" Spanish suppliers in the past, major retailers such as Inditex and Mango have started using them more and more, but there is still room for improvement, Diaz said.

Inditex says the number of Spanish suppliers that it uses, not only for textiles, has increased by nearly nine percent since 2012.

The focus on international sales adopted by major fashion retailers has also pushed smaller firms to modernise and shift their focus to activities with higher added value, analysts said.

"I would rather see 50 people busy doing high-level graphic design than 50 people sewing T-shirts," said Frederic Sabria of the IESE business school.

Companies have also diversified away from fabrics destined only for fashion and now also make "technical" fabrics for the automobile, agriculture or sports sectors.

Products with a higher added value represent 60 percent of the output of Spain's textile firms, according to Texfor chief, Andres Borao.

The textile sector hired 45,000 people in 2016, 3.7 percent more than in the previous year, welcome news in a country grappling with the EU's second-highest jobless rate of 18.6 percent.

While most new hires in Spain are offered temporary contracts, the majority of those hired by the textile sector last year were given open-ended contracts, said Borao.

"That's satisfying," he said.

China will open more to investors, but others must be fair: central bank chief

REUTERS, *Boao, China*

China will substantially cut the number of sectors closed to foreign investment, its central bank governor said on Sunday.

But Zhou Xiochuan of the People's Bank of China (PBOC) also said that as his country opens wider, "we want China to get fair treatment overseas".

Among financial sectors targeted for further opening in China were banking, insurance, investment banking, securities firms, and payments, he told the Boao Forum for Asia.

Zhou said Beijing is in talks with Japan and European and ASEAN countries about bilateral trade and investment agreements, but is "waiting for the U.S. new administration to decide" how to move forward on agreements.

The governor also said that he expects to see more countries start to emphasize fiscal policy and structural reform as the period of loose monetary policy ends.

Chinese policymakers have emphasized the need to focus on structural reform over purely high-speed growth. The PBOC has moved to a tightening bias in an effort to squeeze speculators and control asset bubbles, raising primary money market rates several times since late January.

Zhou said China's reforms need to include streamlining the fiscal relationship between central and local governments. "We need to figure out the central and local government relationship," he said.

"Different provinces have different fiscal indicators. Some provinces are already over-indebted but some still have room." Zhou added that China's central government debt-to-GDP ratio is not very high.

Beijing tightened controls in recent years on local government debt to contain risks from an earlier borrowing binge aimed at softening the impact of the global financial crisis.

This year, China has capped the size of outstanding local government debt at 18.8 trillion yuan ($2.73 trillion), up from the 17.2 trillion ceiling in 2016, excluding bonds issued under a debt swap scheme.

Chinese vice finance minister Liu Wei on Friday told the forum that China's debt risks are under control. Zhou added that China's central government debt-to-GDP ratio is not very high.

REUTERS/FILE

Zhou Xiaochuan, governor of the People's Bank of China, speaks to the media after a news conference in Beijing.

China, others lift ban on meat imports in boost for Brazil

REUTERS, *Brasilia/Beijing*

China lifted a ban on imports of meat from Brazil on Saturday after Brazilian authorities clarified details of a police investigation into alleged bribery of health inspectors, in a victory for President Michel Temer's efforts to stem damage from the probe.

The move by China, the biggest national consumer of Brazilian meat, was accompanied on Saturday by the lifting of import bans in Egypt and Chile, bringing hope of an end to a crisis that saw one-fifth wiped off the value of Brazilian pork and poultry exports last week.

A slew of major meat importers issued bans after Brazilian federal police unveiled on March 17 an investigation into alleged payments to government health officials by meat processing companies to forego inspections and ignore abuses, code-named "Operation Weak Flesh".

Temer's government, alarmed the scandal could damage one of the few sectors that has defied a deep recession in Latin America's largest economy, launched a campaign to convince trade partners that any abuses were limited in scope.

Meat is Brazil's third-largest export, after soy and iron ore. The country sold around $13.5 billion in chicken, beef and pork products last year.

Agriculture Minister Blairo Maggi welcomed China's decision and said the government retained a ban on exports from 21 processing plants directly linked to the federal police investigation as it carried out its own inspections.

"Lifting this suspension was the result of a giant effort by Brazil to explain that the investigation targeted the conduct of individuals and not the quality of the meat," Maggi told Reuters.

Officials said that the only one of the 21 plants that exported to China is owned by Seara Alimentos Ltda, a unit of Brazil's JBS SA, the world's biggest meatpacking company.

JBS has strongly denied any wrongdoing and said it upholds strict quality standards.

Two sources in China confirmed that a ban remained in place on imports from the Seara plant, as well as meat approved by seven Brazilian veterinary experts linked to the police investigation.

REUTERS/FILE

Employees are seen at the Brazilian meatpacker JBS SA in the city of Lapa, Brazil. A slew of major meat importers issued bans after Brazilian federal police unveiled on March 17 an investigation into alleged payments to government health officials by meat processing companies to forego inspections and ignore abuses.

Brazilian meat imports have already started being cleared in Shanghai, one of the sources said.

China had suspended imports of all meat products from Brazil, the world's top beef exporter, on March 20 as a precautionary measure.

An aide to President Temer told Reuters that he planned to call Chinese leader Xi Jinping in the coming days. In a statement, Temer voiced confidence that other countries would follow China's example in lifting restrictions.

Chile on Saturday said it was ending a ban on meat purchases from Brazil, except for the 21 suspended plants, while Egypt also resumed imports after a two day-suspension.

South Korea had already called off a short-lived ban on chicken imports from Brazil's BRF SA on Tuesday, after just one day.

BRF, the world's largest poultry producer, has denied selling rotten meat and taking part in any corrupt activities.

The decision by China was crucial because of its size: it consumed some $1.75 billion in Brazilian meat imports last year.

In part, Brazil has been fortunate that rivals were ill-placed to fill the gap.

With China's second-largest beef supplier, Australia, still rebuilding its herd after drought, it could not meet fast-growing Chinese demand.

In the poultry sector, where Brazil supplies more than 85 percent of China's imports, other major producers, such as the United States and some smaller European markets, are banned from supplying to China due to bird flu outbreaks.

Despite the government's success in containing the damage from the scandal, sources familiar with the investigation said there was a large amount of unpublished evidence pointing to widespread fraud and not just isolated abuses in the meat industry, sources told Reuters on Friday.

Brexit plunges EU fishing into troubled waters

AFP, *Brussels*

EU fishing fleets are increasingly anxious about their future access to teeming British waters as Britain prepares to trigger the two-year count-down to its exit from the bloc.

Fleets from nine EU countries including France, Germany and Spain have banded together in a newly-created European Fisheries Alliance, formerly launched at the European Parliament last week, warning of steep losses if divorce proceedings turn bitter.

Alain Vidalies, France's secretary of state for fisheries, stressed in Paris last week "the importance of preserving fairness between European and British fleets" post-Brexit.

European fleets obtain one-third of their catch in the exclusive economic zone around the British Isles, and loss of access to those waters could cut their profits in half in the short term, the fishing alliance says.

In the long term, EU fleets could lose a combined 500 to 600 vessels if they were excluded from British waters, representing 15 percent of the total, and up to 3,000 fleet jobs.

Industry officials are pressing for negotiations on Britain's post-Brexit future to include continued access to British waters.

"If you don't want to pay 30 percent tariffs you will have to negotiate. Negotiations should be tied to access to the market," Ivan Lopez Van der Veen, who represents the Spanish fishing association Pesquera Ancora, said at the EU Parliament last week.

Non-British EU vessels currently land almost eight times more fish and shellfish by weight from British waters than UK boats, or almost five times more by value, said Ian Napier, senior policy advisor at the NAFC Marine Centre, based on Scotlands' Shetland Islands.

From 2011 to 2015, European fleets caught 700,000 tonnes of fish and seafood in British waters, valued at about 530 million pounds (612 million euros, $660 million), the NAFC said in a report published in January.

British vessels, by contrast, caught just 92,000 tonnes, valued at 110 million pounds, in other EU waters.

And the European Fisheries Alliance notes that Britain cannot eat all the salmon, lobster, scallops and other fish and seafood its boats produce: about 70 percent of production, worth a billion euros a year, is exported to its European partners.

Despite this, a UK parliament White Paper published in December found that the majority of fish consumed in Britain are imported.

"Continued access to free, or preferential, trade in fish and seafood will therefore be crucial for the seafood industry and UK consumers" after Brexit, the paper said.

And depending on whether Britain negotiates a "hard" or "soft" exit, the viability of dozens of fishing centres, from Concarneau in France and Rostock in Germany to Galway in Ireland or Gdansk in Poland, could be at stake.

But others say that leaving the EU would give Britain a chance to revive homegrown fleets.

"Brexit is an opportunity for the UK to revitalise its fishing industry, stabilise threatened ecosystems and create thousands of new jobs," said Lasse Gustavsson, executive director in Europe for Oceana, an environmental advocacy group.

"But this will only happen if overfishing is stopped."

AFP/FILE

European fleets obtain one-third of their catch in the exclusive economic zone around the British Isles.