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COVER ADVERTISMENT

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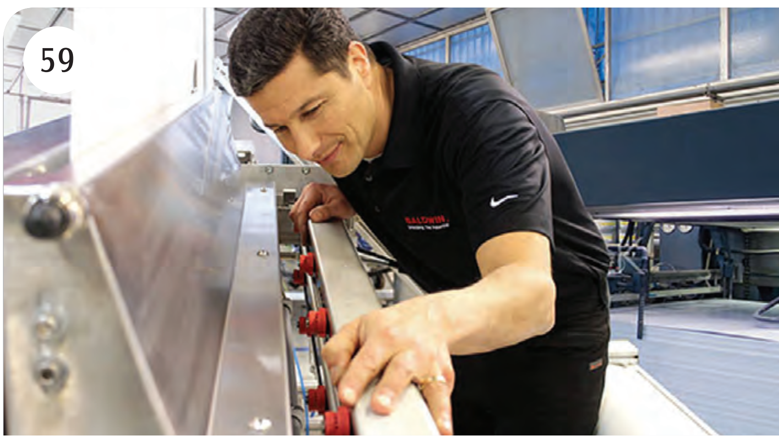
Zschimmer & Schwarz Mohsdorf GmbH & Co. KG
Textile Auxiliaries Division
Chemnitztalstraße 1
09217 Burgstädt | DE

Contact:
T +49 3724 67-0
F +49 3724 67-209
textile@zschimmer-schwarz.com / info@zs-diamontex.com
www.zschimmer-schwarz.com / www.zs-diamontex.com



Vietnam's Import Restrictions Blamed for Slowing Textile Investment

By **Jens Kastner**

AS THE VIETNAMESE textile sector gets closer to a potential export boom, triggered by the near-certain ratification of the European Union (EU) Vietnam free-trade agreement in 2018, business advocates in Hanoi have called for a loosening of machinery import restrictions.

Notably, the textile industry has urged the Vietnamese government to amend its ministry of science and technology Circular No 23, issued in 2015, on the import of used machinery, equipment and manufacturing lines. This order sets conditions on foreign textile investors, specifically stipulating that imported machinery must be under 10 years old and in compliance with standards of safety, energy saving and environment protection.

And while the circular is designed to restrict an inflow of low-quality manufacturing technology from China, mainly in the textile and garment sectors, it has had collateral damage – with investors hesitating to pump finance into Vietnam because of the higher costs involved.

"This is of significant concern for textile manufacturers, as under this regulation, importers must provide certificate of the age and manufacturing standard of used equipment, facing bigger costs and complications since pieces of used equipment can be of different ages," says Oliver Massmann, general director of law firm Duane Morris Vietnam LLC, conveying concerns of his client pool, which includes many foreign textile investors.

"Besides, this regulation prevents manufacturers from repairing their machinery, and it leads to newer but lower-quality equipment being preferred, in turn bringing about higher costs of repair, energy and finally a higher impact on the environment," he added.

Despite these problems, with the EU trade deal's implementation looming, the concerns that pushed the Vietnam government into proposing Circular No 23 in the first place look set to intensify.

Hanoi wants to limit low-value-added and highly polluting manufacturing, and with China-based textile and garment manufacturers losing competitiveness once the deal is in place, given it eliminates all EU import tariffs for Vietnam-made garments, Vietnam will be increasingly regarded as a promising manufacturing location for Chinese companies.

"These Chinese manufacturers must relocate to Vietnam, but do not want to purchase new machinery, instead intending continuing their low value added production with second hand machinery here," says Mr Massmann.

One possible way forward, he suggested, was clarifying the circular's rules. These allow two independent exemptions to the ban on importing used machinery over 10 years of age. The first applies to equipment belonging to an investment project linked to investment promotion policies by a competent authority. The second exemption applies when an enterprise needs to import a piece of machinery older than 10 years to sustain its manufacturing or business operations.

The tricky part in the exemptions is that the enterprise needs to identify the competent authorities charged with approving these exemptions and earn their goodwill to consider the import proposal and documentation in a reasonably timely and uncomplicated manner.

Duane Morris Vietnam LLC has suggested that Circular No 23 should define more precisely the competent authorities and how those are meant to guide the import procedures. In a note, it has recommended that Vietnam's ministry of science and technology should issue more-detailed rules on manufacturing machinery safety, energy conservation and environment protection.

Moreover, the law firm has urged that Vietnamese officials charged with implementing the rule should be dispatched to a machinery importer to ensure plant is compliant with ministry rules prior to a shipment. This would prevent regulatory problems emerging after machinery had been exported to Vietnam, at a significant cost.

Lean Approach Brings Growth to Textile Industry Survivor

By **John McCurry**

FALL RIVER, MASSACHUSETTS, used to be one of the thriving centres of the US textile industry. That status eroded over the decades and the decline has accelerated since the turn of the century.

The latest company to go was Duro Textiles, which shuttered late last summer. One of the survivors is Swan Dyeing and Printing, which has evolved with the times

Fabric processing at Swan Dyeing and Printing

and is doing quite nicely as the lone remaining textile finishing company in Fall River.

Swan was founded in 1958 in Swansea, MA, as a piece-dye company. It moved to Fall River in 1971 and specialised in printing commodities such as shower curtains and tablecloths. The original building was doubled to 200,000 square feet in the early 1990s.

Mike Rodrigues joined the company in 1999 as executive vice-president of manufacturing. It was known as Swan Finishing at that time. He was given the opportunity to purchase the company and its assets in 2004 and began to change its culture and its business model from large runs of commodity products to shorter runs of higher value-added fabrics.

Mr Rodrigues took a lean approach., and that especially applies to management. There are no vice-presidents, and he initially handled all sales activities personally. He targeted the home market with both indoor and outdoor fabrics.

"We proved we could be more cost-effective than our domestic competitors," Mr Rodrigues recalls. "We were quicker to market and we proved we could present high quality and innovation. A competitor once produced every yard we produce now. We have a talented staff and they can handle the fabrics and get the job done quickly."

Mr Rodrigues cites the general volatility of any industry in the US as his greatest challenge, with companies often at the mercy of political decision-makers. But as far as concerns the nuts and bolts of dyeing and printing fabrics, he believes Swan can do it better than anyone. He holds out hope that the Trump Administration will be more business friendly than its predecessor.

"I know I can't compete with China, but I can compete with the domestic guys and be the best," Mr Rodrigues says. "Swan has grown into something beyond my first expectations. We've changed most of our customers since the old days. We have one account in the recreational-vehicle area, but the rest have been transitioned. That's 98% of our accounts which did not exist before 2004 when I bought the company."

Swan employs about 125 and plans to add more in 2017. Mr Rodrigues has invested in equipment to improve efficiencies and the company produces more yards per employee than it did five years ago. Current annual sales are about $30 million.

Swan has a nucleus of New York City-based customers with others spread around the US. It serves brands that include Robert Allen and Waverly. The company also prints licensed fabrics for Major League Baseball and the National Football League. A recent addition to this mix is hockey tape for the National Hockey League.

Swan also prints industrial fabrics, and Mr Rodrigues says it may move into printing high-tech apparel fabrics. Swan was also one of the beneficiaries from Duro's closing, picking up a piece of its military fabric business. "We will continue to look for other opportunities for dyeing and printing," he says.

Mr Rodrigues believes Swan is poised to have a great year in 2017. He believes the company is positioned well in its markets and has a diverse product mix. Asked what he enjoys most about today's textile industry, he says he loves taking raw fabric, preparing it, creating colour and developing a beautiful design.

"Every day is amazing to me. We don't have a product line, so every minute of every day is new."