Colombia hopes to attract more clothing business

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Hampered by its perceptions as the cocaine capital of the world and delays over a new trade pact with the US, Columbia's textile and clothing industry is persevering through the tough times – as Niki Tait found on a recent visit to the country.

Colombia's textile, knitwear and clothing industry covers the entire supply chain from the production of cotton and synthetic fibres, through spinning, weaving, warp and weft knitting, finishing, dyeing and printing, to the manufacture of garments and accessories.

Total production has grown by 47% – equivalent to US$1.206bn – between 2002 and 2006. There are nearly 500 textile mills and 10,000 clothing companies, most of which are small and medium sized and more than half of which operate 20-60 machines.

The combined industry accounts for over 800,000 direct and indirect jobs representing 12% of the total manufacturing labour force. Of these,128,000 people are employed directly.

The sector also accounts for 10.3% of manufacturing GDP (gross domestic product), 1.6% national GDP and 5.4% of total exports.

In 2007, exports were worth $2.052bn, with $176.3m from fibres, $290.5m from fabrics, $85m from yarns and $1,500m from apparel.

Industry trade sources estimate that cotton textile production represents 43%, yarns and woven fabrics 21%, knit products 19%, and man-made fibre products 8%.

Indeed total exports amount to 0.31% of the total textile world market and 0.17% of the clothing world market.

Export markets

The US used to be the most important export market, but the revaluation of the Colombian peso against the US dollar means exports have been hard hit. In 2007, apparel exports to the US dropped by 32%.

The abolition of quotas between World Trade Organization (WTO) at the start of 2005 also adversely affected exports to the US, as has the US ratification of DR-CAFTA (the Central American-Dominican Free Trade Agreement) in July 2005.

However this is likely to change as a new Colombia-US Free Trade Agreement is pending with the US.

Colombia also benefits from GSP+ (Generalized System of Preferences) status with Europe, though it only ships $45m of textiles and clothing per year to Europe – mainly to Spain but also socks, uniforms and lingerie to the UK.

Europe though, is an area of growing interest to Colombia, particularly the high-end fashion markets which are being targeted by companies that previously exported a lot to the US.

More than half (55%) of Colombia's clothing exports go to neighbouring Venezuela.

And after the US, Mexico is now Colombia's third largest export market. Colombian companies have been able to make their mark here after Mexico focused its clothing industry on exports, particularly denims, to the US.

Nearly all exports are produced on a full package basis and there is a sophisticated domestic market too.

Indeed Colombia has become one of the main fashion centres in Latin America featuring trade shows such Colombiatex and Colombiamoda which bring together companies from several countries.

In 2007 Colombiamoda alone generated business opportunities valued at US$72m, of which US$23m were deals closed during the event and $49m were expected sales over one year.

Industry output
Colombia's clothing industry produces more than 250m pieces of apparel every year, including many well-known brands.

Customers include Victoria's Secret, Levi's, Nautica, Adidas, OshKosh, Eddie Bauer, Polo Ralph Lauren, Timberland, Tommy Hilfiger, Pierre Cardin, JC Penney, Limited Brands, Jockey and Liz Claiborne.

The key products are knits, denims and T-shirts. Clothing is the main export category at US$1.5bn in 2007, though the domestic market is worth 2.5 times that of the export market.

Annual output from the textile industry is 950m square metres of cotton, polyester, nylon, viscose and wool fabrics, as well as twill, satin, cotton poplin and polyester blends.

Although a wide range of textile fabrics are produced within Colombia, there is still a shortfall, particularly of denim.

To address this, 60-80m square metres of denim are imported every year, worth US$130m.

Most textile imports come from China (23%), the US (14%) and Mexico (8%).

Production centres
Medellin is Colombia's clothing centre and accounts for 70% of garment production and 38% of textile production, mainly cottons.

The country's capital, Bogotá, generates 53% of all textile production, mainly knitted fabrics and man-made fibres and fabrics, and 23% of apparel production, mainly knitwear.

Indeed much of the knitwear industry in Bogotá is vertically integrated, producing for exports on a full package basis. The majority of companies are family run, most now by the second or third generation.

Average pay for a manufacturing worker is US$2.20 per hour and the national minimum wage is US$200 per month for a 48-hour week.

According to consultant Werner International in its 'Comparative Cost of Human Resources Report for Labour Costs,' in 2007 Colombia rated cheaper than Mexico, Morocco, Turkey, Argentina, Brazil, Slovakia, Lithuania and Latvia – but was more expensive than Tunisia, Thailand, Bulgaria, Malaysia, Egypt, China, India and Indonesia.

The country's labour legislation is flexible, and with most factories operating a two or three shift system, there is no need to pay extra for the night shift.

Most companies, however, claim to go way beyond the WRAP (Worldwide Responsible Apparel Production) scheme to provide a range of benefits for their workers.

Looking ahead

On the down-side, the smuggling of clothes is very common. According to the two main industry associations – Ascoltex (the Colombian Association of Textile Manufacturers) and Andi (The National Business Association of Colombia) – 30% of the domestic market consists of illegal trade.

The complexities of the textile and apparel industries and their global supply chains provide a good base for money laundering.

Another problem is the escalating political tension between Colombia and Venezuela, its main apparel export market.

The future strategy of the industry is to produce higher added value products and enhance customer service through the management of client inventory and individual store deliveries.

The technical textile industry is also seen as an area for development, particularly for construction, medical and automotive products.

There is also a growing desire to encourage foreign direct investment in the industry, particularly downstream in the supply chain in the development of textiles.

Just 38% of raw materials are produced in Colombia, though with the low cost of cotton yarns from Pakistan and India it is more cost effective to import these at the moment.

The government provides a number of benefits to encourage investment within the free trade zones, and new companies can be established as single enterprise free trade zones in their own right if they adhere to certain criteria.

The pending free trade agreement with the US makes investment into Colombian textiles even more attractive as the rules of origin will ensure a major market for Colombian produced textiles.

This will widen the scope and make permanent the preferences currently given by the ATPDEA (the Andrea Trade Promotion and Drug Eradication Act).

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