

Study on Environment Protect Industry Present Condition and Structure Adjustment

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Abstract

With the financial crisis, the environmental protection industry is under multiple pressures both at home and abroad. To speed up the adjustment of product structure has become the most urgent problem in the environmental protection industry. This paper points out the problems of structure in environmental protection industry through the analysis of profit and the development trend of production. Environmental protection industry is entering a critical period of structural adjustment. Therefore, the paper points out some adaptation measures to adjust the structure of the environmental protection industry in different angles.

Key words: Environment protection industry; Structure adjustment; Present condition

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INTRODUCTION

Under the condition of global economics, be subjected to the pressure of RMB appreciation and American

time loan crisis influence, the spinning environmental protection industry is bearing much domestic and international heavy pressure. The adjustment of domestic policies makes a lot of clothing exports to reduce tax rebates which included in the processing trade restricted or prohibited categories (Nie, 2010). Thus make the environment protection industry more and more uncomfortable for days. While in the United States meeting the growing credit crisis, the international market is weak. Together with the plus of RMB appreciation step to speed, spinning and weaving the clothing business enterprise is also snow to up add frost. The face of a disadvantageous situation, to speed up the adjustment of product structure has become the most urgent problem in the environmental protection industry. So the Chinese spinning business enterprise should actively carry out the adjustment of product structure, stabilize a low-level market and expand the mid-market, qualified enterprises should move towards into the high level market and develop own-brand.

1. ANALYSIS OF THE PRESENT ENVIRONMENT PROTECTION INDUSTRY

1.1 Industry Profits Down Bottom

Affected by the global financial crisis, Chinese environment protection industry obviously slowed down in profit growth from the beginning of 2012. From January to November in 2012, the sales income and profits total amount increase by 14.95% and 10.51%, respectively compares to reduce 7.95 and 20.27 percentage points. From January to May in 2013, the sales income and profits total amount increase 6.83% and 4.64% respectively compares to reduce 11.38 and 11.20 percentage points. Descend 8.12 with 5.86 percentage points compared in 2012 years from January to November. From January to May in 2013, the gross profit rate together compares to

enhance 0.47 percentage points, which enhanced 0.02 percentage points compared with 2012 from January to November. Profit margins descend 0.02 percentage points in 2013; descend 0.47 percentage points compared with 2012. Both inside and outside market overcast, especially in the overseas market shrink as a result of declining sales growth significantly. While with the drop quickly in income growth, profit growth rate of decline narrowed, mainly due to the increased demand pressures, as well as the costs descends and the increase in gross margin. Entered in 2013, gross margins have stabilized, the overall profitability gradually at zero growth appearances in the state, the industry gradually running into the bottom.

Industrial transfer refers to phenomena that enterprises transfer some or all of their productions from original regions to other regions which have different economic development levels, resulting in this status that spatial distribution of enterprises transfer from developed regions to develop ones. Although this concept itself can not show causes and more features of industrial transfer between different regions, it directly reflects this meaning of shift and distribution of economic activities, therefore it is inseparable of new economic geography research.

1.2 Industry Production Has Stabilized

Entered in 2013, the growth fluctuation of industrial main products such as air cleaner production becomes increasing. These are mainly due to the sluggish demand for the downstream effects and take turns of stocks supplement and digestion. These lead to the frequency of fluctuations in capacity. In January 2013, the production of air cleaner touches bottom. Output slides to 10.29% and 22.77% respectively. They start rallying in February and become more and steadier. Because of increase frequencies in Chinese dusty whether, the production of air cleaner increase 6.35 percent in January. After the production declining in February, it gradually tends to steady. From January to May, the production of environmental products, it rose accumulative to 9.0%-0.9%, 3.4% respectively. Compared with the production in 2012, expect 0.62 percentage points to upgrade yarn, the cloth and clothing slid down 9.42 and 2.53 percentage points respectively. Because the downstream demand decides the whole output, so we think that the terminating consumes of environmental products have touched bottom already, the probability of significant slid the last time is not big. While it hard to turn warm in a short run, the whole industry will enter in a choppy bottom stage.

Because the environment protect industry is an export-oriented industry, cashmere product competition in foreign trade has affected strongly with the RMB against the U. S. dollar passive appreciation. More rapid growth of the monetary base raises the growth rate of nominal money

supply; leading to inflation if nothing else changes. It will increase the latent risks in the financial sectors to the cashmere firms. Exchange loss can not be avoided during the process of RMB revaluation. China is a manufacturing country and makes the cashmere manufacturing sectors of the profits, but the revaluation of the RMB has engulfed a lot of profits, even some business at a loss. The enterprises are forced to raise their offer constantly and their export sales growth rate has dropped significantly.

The global economic slowdown results in Chinese products a sharp reduction in external demands, the export growth fell significantly. The western countries reduce buying high-grade product as a belt-tightening measure amid the crisis, so the appearance of insufficient demands is the fall in volume of exports of China Cashmere in a certain extent. The United States sub-loan crisis of the global economic recession and decline in external demands, cashmere enterprise exports of the negative effects become more and more strong, which is directly represented in significant dropping of trade America growth rate. In addition, affected by American, European and Japanese markets markedly declined demands, a sharp drop in new orders of environment protect products, especially from abroad. Since 2008, exports to the United States keeps in a decline situation in the same period last year. According to the Entry and Exit Inspection and Quarantine Bureau statistic, in this period, the decline of export mostly from cashmere sweater products in Inner Mongolia, which is one of biggest Cashmere export centers in China. Especially, the business of export to Japan and the U.S.A. has decreased most, as much as 56.3% and 31.8% decline respectively.

2. PROBLEMS IN THE CLOTHING INDUSTRY

With the quick development of production and operation in globalization; the progress in research and development in environmental industry makes the domestic industry face tremendous pressure in the capital, technology, human resources and information. Although Chinese environment industry has made remarkable achievements in recent years, the development of this industry still can not shake off the extensive model which is characteristic with quantity growth pattern. With the amplification of domain scale and the variance of market demand, the international competition is getting more vigorous; the restraint of resource and atmosphere turn worsen further; the accumulation of deep-seated structural problems in a long term has to stand out increasingly.

2.1 Transversal Industrial Structure Irrational

At present, the environment industry expresses a structural contradiction of market demand and supply in

a certain extent, the situation of imbalanced industrial structure, high input, high consumption, high emission and low efficiency has not been fundamentally changed which affects the ability of sustainable development of enterprises.

Firstly, sub-sectors from the environment industry structure manifested the relative over growth of early processing capacity in the manufacturer and chemical industry, which has led to the risk of excessive competition. Some areas and enterprises are pursuing unilateral high growth of scale output value blindly spreads booth, isomorphism of development. From the investment structure, investments of early processing industries such as new environment materials, chemical fiber and other upper reaches of the environment industry chain accounted for more than 75% of the total, so that the capacity of new environment materials and chemical fiber production enlarge quickly in the same period.

Secondly, low level of dyeing and finishing industry affected the supply of high-grade fabrics. Although Chinese new environment materials production output ranks the first in the world, in many key areas of the environment materials processing are still at a disadvantage. Some top grade products still need to be imported. Meanwhile, the average unit price of new environment materials is higher than the overall average unit price of exports. There are some problems of obsolescence equipment, backward technology, low-level of finishing, which resulting in lack of material characteristics, low-grade, and feature poor.

Thirdly, three categories of structure can not meet the demand for changes in the structure. In the long term, with the increasing of industrialization, the demand for industrial environment materials is accelerating. There exists large gap between Chinese current products supply structure and developed countries'. About three quarters of the products are used into environmental production and less than a quarter products are the latter two uses. The supplying of industrial environmental products has a relative shortage.

2.2 Vertical Structure of the Industry Chain Is Not Conducive to Industrial Efficiency

From the point of vertical industrial chain, the developing of our country's clothing in each part turns imbalance. The whole frame structure presents pattern as an olive. That is, the production and processing in the middle link turn the more obvious advantages, while at both ends of the design and brand marketing ability is relatively weak. In the international division system of labor in the present stage, the developed countries increasingly focus on the two ends of environment production industry chain day by day. That includes the front-end production of raw materials and product R&D as well as the deep-end processing and marketing channels. While the developing countries, including ourselves, who are subjected to the

double squeeze by developed countries have been placed into the centre where express value-added profits and low technological content. From the development path of world famous products, in order to attain industrial upgrading, we should carry out the original design manufacturing (ODM) and own-brand manufacturing (OBM) approach.

2.3 Competitive Pressures of Foreign Clothing

To enter the Chinese market of foreign brand, most of them sustain trade in several decades or a century. The brand image and brand culture thorough public and earns the favor of customers. In contrast, Chinese brand not only exists an obvious weakness of the price in the culture of branded, but also has no obvious superiority in the cost of a brand. Many international brand-name commodity prices are usually below the thousand dollars, while the price of domestic brand obviously higher than the international brand that is because of the relative single of the sales channels and the retail operating costs is higher. The design of international brand links with the market closely. The brand design of our country generally diversified in the work room of the whole country. There is some distance between the designer and the production line, which resulting in the slower update of products.

3. CLOTHING INDUSTRY IS ENTERING A CRITICAL PERIOD OF STRUCTURAL ADJUSTMENT

According to the general trend of development of environmental protection industry in the globalization and the objective need of building a well-off society in our country, it has entered a crucial period of industrial restructuring.

First of all, in the international market, the global market is undergoing significant changes. Low-end manufacturing countries of multinational industry chain become more competitive. In the industry value chain, the "smiling curve" continuously downward, which means the movement of profit from manufacturing to R&D design and brand marketing chain or upstream and downstream chains will continue. At the same time, a number of emerging developing countries are more advantages in low labor costs, crowding out the overseas markets Chinese textile products. Middle East Europe, Southeast Asia and other countries and regions with cheaper labors and geographic advantage in closer to the main consumer market, have been constituted a strong competitive pressures on Chinese environmental products exports. Chinese environment products such as labor and land which have international comparative advantage are gradually lost. In the domestic market, it is also facing a test. The contradiction of relative excess

supply of low-end products is always existing, increased exports pressure will force enterprises to shift to domestic market, thus to further aggravate the competition in the domestic market.

Secondly, the constraint of resources and the environment strengthens day by day. At the international level, environmental protection, green and circular economy has already started in the leading developed countries. In China, the conflict of resources, energy and environmental industry has become prominent. The requirement of energy-saving emission reduction, environmental protection and social responsibility is increasingly day by day, which is in order to carry out the scientific development in textile and clothing industry. All of these take the larger restriction to the extensive development. The trend of raising the costs of raw materials and elements becomes irreversible. In recent years, with a relative shortage of labor supply and the upward pressure on wage costs, the environmental protection industry which is characteristic of the fund-intensive is facing great pressures on cost. The use of foreign traders to Chinese cheap labor and resources has brought a large number of negative "externalities" to our energy consumption and pollution; the foreign companies can not undertake these costs.

4. THE MEASURES OF STRUCTURE ADJUSTMENT IN ENVIRONMENT PROTECT INDUSTRY

First, it is necessary in order to follow the market trend to adjust product structure. Response to the changes in international and domestic demand, domestic environmental protection enterprises should be based on "multi-channel and diversity" as a response to market demand, ensure that there are both domestic sales and changes in the international market. And actively nurture and develop the domestic market in the situation of changes in the international market. Focus on upgrading cultural content, scientific and technological content; pursuit of more superior; use of a novel and a variety of new scientific material to achieve high security, high environmental protection quality. Use more of new materials, new techniques and new technologies, strive to develop and produce a new one.

Second, increase the supply of technology and the level of talent. Focus on improving the technical and human resources capacity and the level of supply, establish a stable science and technology team with professional layout, education level, age level and reasonable title structure, and distribute and keep people by reforming distribution. For the industry itself, the entrepreneurs must improve their own quality and invested a large amount of money for operators and technical personnel training, so that they have more

opportunity to charge themselves and so as to change the company into a truly learning-oriented enterprise. Speed up the establishment of enterprises as the master of technological innovation system to enable enterprises to become the truly main decision-making of technological innovation.

Third, the environment protect industry has a trend of polarization to very large or ultra-small. Therefore, we must encourage the enterprise with deep foundation and a certain scale to attract foreign investment, prompt the foreign talent, accelerate the introduction of technology and technological transformation; to encourage the reorganization of assets, joint ventures internationally of renowned brands, take the united way to expand the enterprise scale, enhance its strength. Set up large, cross-regional, transnational clothing enterprises gradually. Encourage small and medium enterprises through technological innovation, with rapid response capabilities, achieve more flexible varieties of small production mode and ongoing market segmentation to improve the professionalism, the capacity of supporting large enterprises of small and medium enterprises and promote the upgrade of competitiveness. Enterprises should also determine their own business model according to its own characteristics and advantages.

Fourth, change the development of competing methods and the relationship between enterprises. The enterprises must change production-expansion-based development into development based on core competitiveness enhancement. Products trade growth should depend on from the past too much reliance on price competition to quality, design occupation of the world market share, relying on the technology and brand to enhance the added value of products, but also to speed up the innovation of operation and management, to achieve the changes industry from quantity to quality.

Fifth, the government should make great efforts to create a fair and efficient market environment. We should make efforts to improve the situation of unfair competition between different regions and enterprises which caused by the imbalance of Labor and Social Security, laws and regulations to implement, to avoid low-level inter-regional competition and non-standard market (Chu, 2003). By strengthening management and reasonable divert, guide, planning and fostering the growth of textile and clothing market.

Sixth, accelerate brand building with Olympic Games, World Expo and other international activities. Li Yining, a well-known economist, recently pointed out that the margin between Chinese environmental protection industry and other countries' is that there are no major brands in China, which is based on the technical.

Nowadays, it has been used not only for the lives of consumption, but also a cultural and fashion product.

After the majority of consumers have said goodbye to the food and clothing consumption level. China should speed up the transformation of the concept to the high level industry (Li, 2012). The environmental protection industry should be “upgraded” to a new field such as “high level living standard industry” from the simple ideology. It is a real breakthrough of structural adjustment of clothing industry under this base in China. To sum up, the problem of structural adjustment it has to be solved during the process of industrial development (Li, 2013). The financial crisis is a new chance of us to realize the adjustment and transformation.

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