



South East Asia

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Introduction

The member countries of the Association of South East Asian Nations (ASEAN) are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. All these countries have a textile and clothing industry, which is endowed with production means of various kinds.

The textile and apparel sector offers many opportunities as clothing is one of ASEAN's largest export items. It has a complex supply chain in which every link, from numerous agents and buyers to suppliers of fibres and fabrics, can be found in ASEAN member states.

Within ASEAN, Cambodia, Indonesia, Laos, the Philippines, Thailand and Vietnam have a comparative advantage in clothing production, with Indonesia, Thailand and Vietnam a comparative advantage in textiles. The other ASEAN member countries also have significant capacities in textile and clothing production, and trade as current suppliers (Malaysia and Brunei), potential suppliers (Myanmar) or as hubs for intra-regional trade as well as trade between the region and rest of the world (Singapore).

ASEAN member states have achieved certain positive results in the global clothing export trade. According to UN statistics, the value of outerwear exports from South East Asia increased by 36% between 2003 and 2007, with the share of the region in global exports of these goods accounting for 7.6% in 2007.

The main export markets for ASEAN-produced textiles and clothing are the US, the EU and to a lesser degree Japan and Canada. US Department of Commerce data reveals that total US imports of textiles and clothing by value from six ASEAN member states (Vietnam, Indonesia, Cambodia, Thailand, the Philippines and Malaysia) increased by 44% between 2003 and 2007, with their share accounting for 16.3% in 2007. In the EU market, sales of textiles and clothing imported from eight ASEAN member states (Vietnam, Indonesia, Cambodia, Thailand, the Philippines, Malaysia, Myanmar and Laos) rose by 25% between 2003 and 2007, with their share in EU-25 external imports (excluding intra-EU-25 trade) reaching 6.5% in 2007.

Many garment exporting ASEAN member countries lack a significant vertically integrated textile industry and consequently operate on cut, make and trim (CMT) terms. Manufacturers in most of these countries still largely depend on imported yarn, fabric, accessories and other materials to produce export-oriented apparel. Therefore, the share of South East Asia in global exports of cotton fabric was stable at 3.5% between 2003 and 2007, but the region increased its share of global imports from 5.4% to 7.5%. Similarly, the share of the region in global imports of man-made fibre fabrics grew from 8.7% to 10.1% during the period.

Important manufacturing sector

The textile and clothing industry has become one of the most important manufacturing sectors in ASEAN. Indonesia is a major player in the region, being the world's 12th-largest textile exporter and eighth-largest clothing exporter. The textile and clothing sector

Thailand

The textile sector in Thailand has played an important role in the country's economy in terms of value-added, employment opportunities and export earnings. The Thai textile industry is fully integrated, consisting of upstream sectors (fibre and yarn manufacturing), intermediate sectors (manufacturing of fabric, spinning, weaving, knitting, bleaching and dyeing) and downstream sectors (apparel manufacturing).

There is a combined total of 4,578 textile and apparel factories in operation in Thailand, including 18 man-made fibre plants, 150 spinning units, 1,350 fabric weaving and knitting factories, 400 dyeing, printing and finishing mills, and 2,660 apparel factories. The whole textile sector employs a combined workforce of more than 1m people, or 2% of the country's entire industrial labour force. The clothing subsector accounts for around 78% of the textile sector's workforce.

By the end of 2006, 3.86m spindles for spinning and 141,220 weaving machines had been installed in Thailand. The installation of knitting and sewing machinery in knitwear and clothing factories totalled 125,320 and 752,842 units respectively.

Raw materials

Thailand's textile raw material base consists mainly of locally produced man-made fibres. In 2007, production of man-made fibres totalled 922,000 tonnes, with synthetic fibres decreasing by 5% to 827,000 tonnes and cellulosic fibres increasing by 19% to 95,000 tonnes. The principal varieties of man-made fibres produced in Thailand comprised polyester staple fibre and filament yarn, polyester partially oriented yarn (POY), polyamide filament yarn, polyamide POY, acrylic staple fibre and viscose staple fibre.

The domestic production of cotton is insignificant, comprising just 3,000 tonnes a year and meeting less than 1% of demand, which was 425,000 tonnes in 2007/08. Local cotton growing is constrained by a government ban on commercialisation of all transgenic plants. In addition, the acreage expansion for such crops as cassava and sugarcane is more lucrative as the government does not subsidise cotton prices or production and has been allowing raw cotton to enter the country duty-free for several years. Therefore, cotton production is expected to shrink further in the next few years owing to continued acreage reduction. As a result, Thailand's textile industry depends almost entirely upon imported cotton.

The US Department of Agriculture's Foreign Agricultural Service has revised Thailand's 2008/09 season's cotton imports downward in anticipation of slower-than-expected economic growth in 2008 and 2009. The industry, particularly the spinning sector, has already begun to reduce production capacity by 30-40%. In the 2008/09 season, total cotton imports are forecast to fall by 10-15% in volume if export-oriented textile companies continue to struggle with the global economic downturn.

Production and consumption

Textile and clothing production in Thailand was characterised by an upward trend between 2003 and 2006. In 2006, production of man-made fibres amounted to 929,000 tonnes, an in-

Thailand: textile and clothing exports, 2005-2008					
(US\$m)	2005	2006	2007	2008	08/07 (%)
Woven fabric	1,078.9	1,104.0	1,162.5	1,203.8	3.6
cotton	396.9	427.5	454.7	438.0	-3.7
man-made fibre	594.4	582.1	610.8	640.9	4.9
silk or silk waste	14.3	14.5	16.2	14.9	-8.0
other textile material	73.3	80.0	80.7	110.0	36.3
Yarn and man-made filament	754.0	718.8	842.9	808.6	-4.1
cotton yarn	150.2	138.6	166.7	164.2	-1.5
man-made filament yarn	603.7	580.2	676.2	644.3	-4.7
Household textiles	240.9	283.5	332.5	361.4	8.7
Man-made filament and staple fibres	443.6	450.5	520.1	495.4	-4.7
Embroidery and lace	117.3	137.0	134.7	148.5	10.2
Fishing nets	66.7	78.3	81.4	85.6	5.2
Shawls, scarves, mufflers, veils	7.7	7.9	7.8	8.0	2.6
Other made up articles, dress patterns	45.5	68.5	43.9	54.4	23.9
Other textiles	470.0	440.8	473.8	528.4	11.5
Textiles	3,224.5	3,289.3	3,599.6	3,694.3	2.6
Garments	3,150.2	3,198.8	3,051.4	3,088.4	1.2
cotton	1,534.4	1,502.0	1,375.5	1,346.8	-2.1
man-made fibre	764.9	819.9	800.7	843.6	5.4
silk or silk waste	5.0	6.8	12.5	6.2	-50.4
wool or fine animal hair	58.1	58.5	58.6	69.8	19.1
other textile material	542.3	555.7	558.1	561.6	0.6
Babies' garments	245.5	255.9	246.0	260.4	5.9
Brassieres, corsets and parts thereof	249.9	277.4	308.9	335.6	8.6
Panty hose, tights, stockings, socks	59.4	58.3	60.2	66.3	10.1
Gloves	9.5	10.7	11.3	14.9	31.9
Clothing (articles of apparel and clothing accessories)	3,469.0	3,545.3	3,431.9	3,505.2	2.1
Textiles and clothing	6,693.5	6,834.6	7,031.5	7,199.5	2.4

Source: Information and Communication Technology Center with co-operation of the Customs Department

Thailand: textile and clothing exports by major market, 2005-2008

(US\$m)	2005	2006	2007	2008	08/07 (%)
USA	2,111.1	2,083.5	2,026.8	1,932.0	-4.7
EU-15	1,210.4	1,316.8	1,327.1	1,368.4	3.1
ASEAN	770.1	803.2	924.8	1,024.0	10.7
Japan	412.1	395.4	381.3	470.4	23.4
China	282.5	249.7	264.4	253.5	-4.1
Others	1,907.3	1,986.0	2,107.1	2,151.3	2.1
Total	6,693.5	6,834.6	7,031.5	7,199.5	2.4

Source: Information and Communication Technology Center with co-operation of the Customs Department

Thailand: textile and clothing exports to ASEAN, 2005-2008

(US\$m)	2005	2006	2007	2008	08/07 (%)
Vietnam	116.0	141.3	202.2	224.6	11.1
Indonesia	151.8	134.7	159.6	182.7	14.5
Malaysia	115.4	110.6	120.1	133.5	11.2
Singapore	86.9	102.3	121.0	118.3	-2.2
Philippines	104.0	95.7	107.5	102.3	-4.8
Myanmar	61.5	66.0	76.7	97.8	27.6
Laos	72.8	70.1	73.1	87.4	19.6
Cambodia	57.9	79.4	61.6	74.7	21.2
Brunei	4.0	3.0	3.1	2.7	-12.6
Total	770.1	803.2	924.8	1,024.0	10.7

Source: Information and Communication Technology Center with co-operation of the Customs Department

Thailand clothing exports by major market, 2005-2008

(US\$m)	2005	2006	2007	2008	08/07 (%)
USA	1,664.9	1,627.3	1,532.7	1,408.6	-8.1
EU-15	757.7	841.3	820.8	925.8	12.8
Japan	184.7	182.2	152.9	164.3	7.5
ASEAN	75.5	69.8	71.1	76.6	7.7
China	7.8	8.8	13.5	21.0	55.7
Others	459.6	469.5	460.4	492.1	6.9
Total	3,150.2	3,198.8	3,051.4	3,088.4	1.2

Source: Information and Communication Technology Center with co-operation of the Customs Department

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TEXTILES SOUTH EAST ASIA

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Cambodia's clothing sector mates with US slowdown

During the first half of 2008, Cambodian clothing sectoring due to the impact of the US slowdown on export orders. In the first half of 2008, Cambodia exported \$1.9bn of garments to the US, while exports to China were \$1.2bn, according to the US Department of Commerce. The US accounts for 40% of all Cambodian apparel exports.



Van Sou Leng

what employers say are over-zealous trade unions and low worker productivity, are hurting the sector.

Monika said the sector grew by only 3% during the first half of this year. "The slowdown only started to hurt us recently, but we expect demand for clothing to fall further," he told the *Phnom Penh Post*.

The US slowdown has been especially damaging to Cambodia because, unlike neighbouring Thailand, Cambodian clothing makers have failed to diversify to export markets in Europe, Russia and the booming Middle East.

About 70% of exports go to the US with only 24% to the EU. The US slowdown is expected to lead to further declines in Cambodia, with clothing sales dropping by 5.5% in July alone.

Frequent strikes and what employers say is low worker productivity is affecting the sector. "Cambodia has lost its reputation because of too many unions and too many strikes," said GMAC president Van Sou Leng. "A Chinese worker produces 100-120 shirts per hour, a Vietnamese worker produces 60-70 shirts per hour and a Cambodian worker produces 30-40 shirts per hour."

The past decade has seen industry growth of more than 10% a year but the US slowdown, spiralling costs and

Shifting the blame, Sou Leng said: "It's not our fault."

Manufacturers' Association of Cambodia (MAC) had predicted the sector's growth from 20% in 2007 to just 5% in 2008. The industry is Cambodia's largest employer with around 360,000 workers.

If the garment sector is threatened it is time for serious concern," said Kaing Monika, GMAC's deputy manager.

"The question is how we will survive with giant competitors like China and Vietnam."

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TEXTILES EASTERN EUROPE

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Czech textile manufacturers outsource more production

STRENGTHENING currency and an influx of Asian imports are forcing Czech textile manufacturers to look beyond the industry's traditional borders. Many producers are seeking lower energy and labour costs abroad as an increasing number of exporters close their local manufacturing facilities in favour of foreign production.

The latest high-profile company to announce cutbacks is Odevni Podnik Prostějov (OPP). The traditional central Moravian clothing producer reduced its workforce from 3,500 to 2,500 this year, and announced plans in August to lay off a further 500 employees as it moves most of its production to East European and Asian countries, according to a report in the *Prague Post*.

"We have moved the lower and middle levels of production abroad," said production manager Jindrich Korycan. This includes a factory producing jeans in Macedonia and a fabric unit in Ukraine. He added that the company will retain higher-level production at its factory in Prostějov, south Moravia, which produces up to 6,000 custom-ordered garments a day.

Jiri Grund, chairman of the Czech Association of Exporters and chief executive officer of bathroom accessories producer and distributor Grund, said most



Ludmila Halkovová

textile manufacturers see outsourcing as "a last resort". However, an influx of Chinese imports into the EU puts enormous pressure on Czech companies to use every means at their disposal to cut costs.

In 2005, EU restrictions on Chinese imports expired, leading to a 42% increase in Chinese textile imports to the EU and a 3.5% drop in revenues by Czech textile companies. As a result, 4,000 local textile workers were laid off that year.

"The situation is not good. Classical textile producers have practically disappeared," admitted Ludmila Halkovová, deputy manager of the Czech Association of Textile, Clothing and Leather Industries (ATOK).

In addition to increased competition, the unprecedented strength of the Czech crown is cutting into the profits of the textile industry, which is heavily dependent on exports. According to the Czech Statistical Office, exports accounted for 66% of the textile industry's CZK55bn (US\$3.5bn) sales last year.

As the crown continues to break records against the euro (the currency temporarily crossed the CZK23/euro mark in July), more Czech textile companies will seek out higher profit potential by moving their production abroad, Grund predicted.

"The critical level is about 23 and 24 [CZK/EUR]," he said. "If it gets worse or even if it remains the same in the next six months, more

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