

Thai Textile and Apparel Industry Profile

Although Thailand is usually thought of as an agricultural powerhouse, its textile and apparel industry continues to make a large contribution to the country's economic growth.

The industry is fully integrated, meaning it has an upstream sector (synthetic fiber and yarn manufacturing), an intermediate sector (manufacturing fabric, spinning, weaving, knitting, bleaching and dyeing) and a downstream sector (apparel manufacturing). Apparel has been the largest sector in terms of production, employment and, for a long time, export value. But since 2007 the export value of textiles has exceeded that of apparel.

Thai textile and apparel industries accounted for 3.4% of the country's gross domestic product in 2008, or \$9.93 billion as shown in Table 1.ⁱ

Textiles and apparel is considered the second-most important industrial segment for employment. Some 4,300 firms employ more than 1.05 million workers. Apparel accounts for the overwhelming majority of that number, but employment gradually decreased in 2009 because of new machinery.ⁱⁱ

In 2009, textile and apparel exports to the US, Europe, Japan and the Association of Southeast Asian Nations (ASEAN) significantly decreased from the previous year due to decreased consumption and intense competition.ⁱⁱⁱ

Exports totaled \$6.444 billion in 2009 as shown in Table 3. In 2008 the most popular items were T-shirts, synthetic filament yarn, and synthetic staple fiber as shown in Table 5.^{iv}

Thailand still imports most of the cotton, yarn and fabric it needs for textile and apparel production, limiting its return on exports. Cotton growing is curbed by a government ban on commercialization of all transgenic plants. Thailand does not subsidize cotton prices, leaving little incentive to grow the crop. Thus, sugarcane and cassava are more lucrative for farmers.^v

Thailand is a major global producer of fabric, though much of it is low-to-medium quality and used locally. Apparel manufacturers use most of the fabric, with the upholstery, bedding, and furniture sectors accounting for the rest. Most high-end apparel produced for export uses higher quality fabric from Japan, Taiwan, and South Korea. The primary reason for using Asian fabrics may be that

the texture is more suitable for tropical climates. Furthermore, as Asian sources are nearer, transportation costs are lower.^{vi}

Imports of wool and cotton are levied a 10% tax. The duty rises to 20% for woven man-made fibers. There is also a value-added tax of 7%.^{vii}

Effects of the 2008-2009 Global Financial Crisis

The global downturn depressed demand for textiles and apparel, and 2009 exports decreased by 11.7% to \$6.44 billion from \$7.2 billion in 2008.^{viii} Despite that setback, the industry remains upbeat about its prospects.

Some manufacturers have moved labor-intensive operations to neighboring countries to enjoy tax privileges for exports to the US and Europe. Laos, Cambodia, Myanmar and Vietnam charge factories no taxes, giving producers an advantage over those in China that must pay a 15% tariff.^{ix}

In addition, the industry believes foreign buyers will shift their orders from China to Thailand because of delivery problems and increased costs incurred in the former. The Chinese government has cancelled tax incentives for exporters and expanded labor and welfare laws.^x

The fall of the baht by 16% in 2008 against the US dollar helped soothe export woes somewhat, though much of that gain has since dissipated. The Thai baht is strengthening once again.

Strategy for the Future

The government has reaffirmed its commitment to the textile and apparel industry. It recognizes that the industry needs to improve the quality of its fabric, design, patterns and dyeing. Following the removal of quotas in 2005, the sector's master plan vowed to increase competitiveness by:

- Improving productivity through the use of the latest technologies, including machinery;
- Improving labor skills and competency, and by using modern management techniques;
- Moving toward value-added products;
- Switching to a quick response system to address orders;
- Upgrading product quality and standards;
- Promoting foreign investment;

- Encouraging Thai textile businesses to invest abroad;
- Promoting international environmental, welfare and energy conservation standards to meet Western expectations;
- Establishing relations between textile entrepreneurs to foster information exchange and technical knowledge sharing;
- Moving the industry, especially labor-intensive sectors, to rural areas and neighboring countries;
- Utilizing a more aggressive marketing strategy intended to promote Thailand as the fashion center of ASEAN.^{xi}

Intra-ASEAN Integration

The era of trade liberalization and the acknowledgment that fashion and value-added products provide the best returns, presents Thailand with one major challenge. International buyers now want “full service”, from the first designer sketch to stock delivery to their warehouses. They believe this shortens lead times, putting products on their shelves quicker.^{xii}

“Speed to market is the most important thing in the global fashion industry at the moment as fashion changes quickly with new designs coming out every one to two weeks. Price is not the first priority anymore,” said Phongsak Assakul, chairman emeritus of the ASEAN Federation of Textile Industries (AFTEX).^{xiii}

Garment and textile trade volumes between Thailand and the ASEAN region have shown intermittent spurts in an otherwise slow growth trend from 2002 to 2009. Between Thailand and Vietnam, however, imports and exports have skyrocketed. Thai exports to Vietnam from 2005-2008 almost doubled from \$116 million to \$225 million as shown in Table 7. Textiles played a critical role. Thailand’s top textile export, synthetic staple fibers, more than tripled in volume to \$114 million in 2009 from 2002. Synthetic filament yarn exports more than doubled to \$69 million over the same period.^{xiv} Vietnam is the top importer of Thai textiles in the region, while Singapore and Myanmar both have a keen appetite for Thai woven cotton fabrics.

For Thai imports from ASEAN, Vietnam and Indonesia are the top two source markets. Imports from Vietnam grew considerably from 2002 to 2009. Thailand’s main import is synthetic filament yarn at over \$90 million, while its second biggest import, woven fabrics of synthetic filament yarn, only accounts for \$19.5 million.^{xv}



The Source ASEAN Full Service Alliance (SAFSA) hopes manufacturers in the region will be able to form virtual vertical factories by combining downstream material suppliers with intermediate and upstream suppliers, possibly in different countries, to provide buyers full service and speed to market.

A common competencies program is also being formulated by AFTEX and the USAID's VALUE Project to develop standardized skills testing and certification for five garment industry jobs: sewing machine operator, sewing machine supervisor, sewing machine mechanic, pattern maker and merchandiser.

Strengths, Weaknesses, Opportunities and Threats

The industry has several strengths that should protect it during turbulent times. These include entrepreneurs with a lifetime of experience in a fully integrated industry, a convenient geographic location suitable for making it a hub for ASEAN textiles, and cooperation between producers and the vertical supply chain to enable production and trade.^{xvi}

In addition, wage levels in Thailand are still more attractive than its more developed competitors South Korea, Hong Kong, China and Taiwan, while its skilled workforce is more efficient than its lower-cost neighbors.^{xvii}

Holding the industry back is a lack of skilled workers with experience in technology, fashion, and management, which limits product variety and quality.^{xviii} And even though the industry is fully integrated, it still requires cotton, fabric and chemical imports, depressing the amount the country nets on each sale.^{xix}

The textile industry is fragmented due to the prevalence of small and medium-sized companies, meaning they often lack the resources to enhance technology or invest in high-end engineering.^{xx}

Another weakness is a lack of research and development and basic quality control in factories, which is crucial if the country wants to increase its value-added offerings.^{xxi}

Trade pacts within ASEAN and between ASEAN and China and ASEAN and Japan offer enhanced market access, the ability to attract more foreign investment, and the potential for production relocation.^{xxii} The Thailand Textile Institute

believes ASEAN will soon replace the US, Europe and Japan as a major importer because of increased purchasing power.

Thailand’s domestic population of 66 million provides an ample market for textiles and apparel. The local market is focusing more on design, fashion and quality, and customers are willing to pay for premium products.^{xxiii}

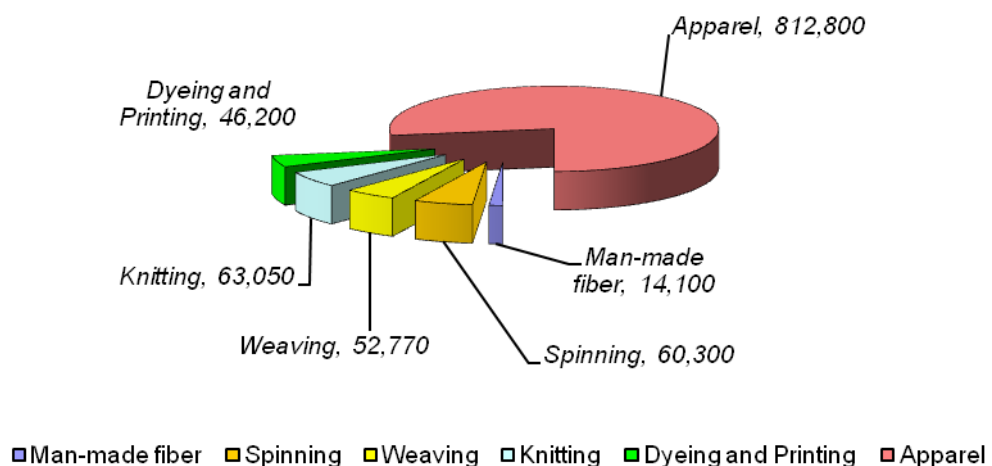
Another opportunity lies with technical textiles, as consumption has increased 20% worldwide from 2005 to 2008.^{xxiv} Higher chemical and cotton import prices almost guarantee textile producers place a greater emphasis on this market.^{xxv}

Unfortunately, recent shifts in the world economy likely mean the days of export-led manufacturing for mid-sized countries may be ending as Western markets falter and competition from cheaper countries increases. For Thailand’s garment and textile industry, much of that competition is coming from Vietnam, China, India and Bangladesh.^{xxvi}

Oil prices and exchange rate fluctuations also have an exaggerated effect on export numbers.

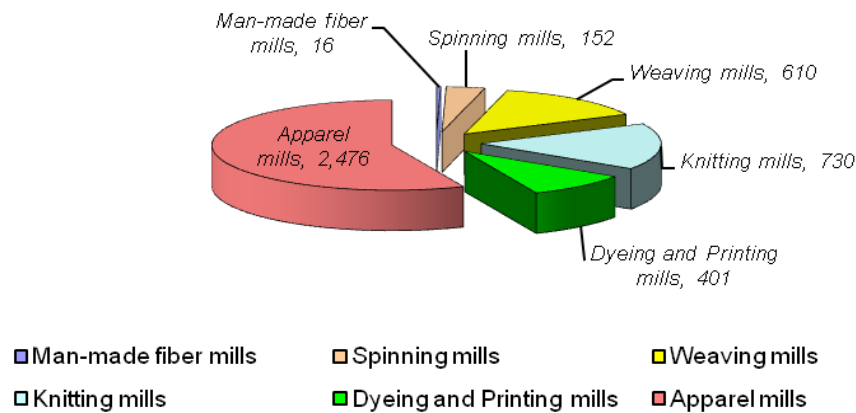
Finally, most textile exports are commodities subject to fierce competition which depresses prices, creating a very real threat at a time when weakened economies are likely to increase international trade barriers.^{xxvii}

Figure 1: The Number of Workers (2008)



Source: Thailand Textile Industry Statistics 2008, Thailand Textile Institute

Figure 2: Number of Establishments (2008)



Source: Department of Industrial Works, Ministry of Industry 2008

Table 1: Role of Textiles and Apparel in Thai Economy (US\$M)

	2003	2004	2005	2006r	2007r	2008p
GDP	137,390	164,332	183,563	200,926	265,893	290,509
GDP of Manufacturing Sector	47,866	56,611	63,698	70,341	94,579	101,461
GDP Textile & Apparel Subsector	6,374	7,451	7,786	8,022	9,577	9,931
Textile	2,638	3,085	3,191	3,239	3,782	3,872
Apparel	3,735	4,366	4,595	4,782	5,795	6,069

Source: Office of the National Economic and Social Development Board

Table 2: Textile and Apparel Wage Comparison

Textile and Apparel Wage Comparison (US\$)							
Country	1996	1998	2000	2002	2004	2007	2008
	Spring	Summer	Sum./Aut.	Summer	Winter	Winter	Winter
Thailand	1.56	1.09	1.18	1.24	1.29	1.75	1.80

Note: Wage per hour including allowance and social expenses

Source: Werner International Managing Consultants

Table 3: Thai Textile and Apparel Export Major Markets (US\$M)

Major Market	2005	2006	2007	2008	2009
USA	2,111	2,084	2,027	1,932	1,421
EU	1,210	1,363	1,377	1,422	1,262
ASEAN	770	803	925	1,024	1,015
Japan	412	395	381	470	451
China	283	250	264	254	270
Others	1,907	1,940	2,057	2,098	2,025
Total	6,694	6,835	7,032	7,200	6,444

Source: Customs Department, Thailand

Table 4: Thai Textile and Apparel Import Major Markets (US\$M)

Major Market	2006	2007	2008	2009
EU	303	317	312	210
China	773	958	1,080	271
Taiwan	327	350	369	904
Japan	279	299	342	300
USA	237	339	428	245
Others	1,078	1,127	1,223	970
Total	2,997	3,390	3,754	2,900

Source: Customs Department, Thailand

Table 5: Top Five Textiles and Apparel Exports (2006 – 2008)

Top Five Textile and Apparel Export							
HS	Description	US Dollars			World Market Share		
		2006	2007	2008	2006	2007	2008
6109	T – shirt, Singlet, Tank Tops Etc, Knit or Crochet	383,268,776	395,450,386	404,495,689	1.47%	1.38%	1.41%
5402	Synthetic Filament Yarn (No Sew Thread), No Retail	326,510,883	411,906,031	390,980,513	2.27%	2.57%	2.51%
5503	Synthetic Staple Fibers, Not Carded, Combed Etc.	421,071,494	342,508,083	288,763,834	8.09%	5.82%	5.00%
6212	Bras, Girdles, Garters Etc., Knitted Etc	279,741,040	331,858,955	355,733,208	3.38%	4.10%	3.41%
6110	Sweaters, Pullovers, Vests Etc, Knit or Crocheted	331,308,774	314,950,338	322,614,734	4.00%	3.89%	3.28%

Source: Global Trade Atlas

Table 6: Top Five Textiles and Apparel Imports (2006 – 2008)

Top Five Textile and Apparel Imports							
HS	Description	US Dollars			World Market Share		
		2006	2007	2008	2006	2007	2008
5201	Cotton, Not Carded or Combed	569,828,877	580,039,307	725,839,606	5.55%	6.19%	7.40%
5402	Synthetic Filament Yarn (No Sew Thread), No Retail	260,226,420	312,081,869	349,230,379	1.95%	2.14%	2.44%
6006	Knitted or Crocheted Fabric, Nesoi	177,085,066	212,525,491	217,646,854	10.40%	10.98%	11.01%
5208	Woven Cotton Fabrics, Nu 85% Cot	164,379,404	189,483,271	198,529,396	1.98%	2.24%	2.39%
5407	Woven Fab of Syn Fil Yn, Incl Monofil	153,722,689	172,730,731	159,088,258	1.41%	1.50%	1.36%

Source: Global Trade Atlas

Table 7: Garment and textile exports to ASEAN 2005-2008 (US\$M)

Country	2005	2006	2007	2008
Vietnam	116.0	141.3	202.2	224.6
Indonesia	151.8	134.7	159.6	182.7
Malaysia	115.4	110.6	120.1	133.5
Singapore	86.9	102.3	121.0	118.3
Philippines	104.0	95.7	107.5	102.3
Myanmar	61.5	66.0	76.7	97.8
Laos	72.8	70.1	73.1	87.4
Cambodia	57.9	79.4	61.6	74.7
Brunei	4.0	3.0	3.1	2.7

Source: South East Asia Textile Business Review 2009 (1st edition)

Table 8: Thai exports to ASEAN countries 2002-2009 (US\$'000)

Importers	2002	2003	2004	2005	2006	2007	2008	2009
Synthetic staple fibres, not carded								
ASEAN	34,486	44,303	89,262	104,029	93,985	129,010	116,938	114,077
Viet Nam	968	5,913	22,556	36,012	41,089	72,871	68,389	66,540
Indonesia	21,164	27,075	49,935	50,840	36,163	42,417	37,831	32,810
Philippines	9,431	6,757	8,754	9,269	6,873	8,432	6,547	10,374
Singapore	991	1,835	2,617	1,905	2,503	1,922	2,006	2,035

Importers	2002	2003	2004	2005	2006	2007	2008	2009
Malaysia	1,124	1,332	4,145	5,442	6,777	2,094	1,401	1,841
Myanmar	754	1,204	1,255	532	579	1,274	762	444
Lao People's Democratic Republic	15	26	-	1	1	-	2	27
Cambodia	39	161	-	28	-	-	-	6
Woven cotton fabrics								
ASEAN	32,313	40,668	52,939	60,786	84,716	97,124	95,400	93,470
Singapore	2,117	4,558	8,601	5,413	19,182	36,513	24,801	27,473
Myanmar	5,206	9,470	9,298	12,186	12,439	14,776	17,906	26,985
Lao People's Democratic Republic	8,948	10,283	11,021	12,087	12,661	13,405	19,267	18,064
Cambodia	3,152	4,199	8,204	11,491	21,301	10,544	12,716	8,334
Viet Nam	4,847	3,670	4,864	5,461	7,498	9,607	9,692	5,559
Philippines	2,814	4,514	5,673	5,997	3,835	4,674	4,932	3,923
Indonesia	4,456	2,962	4,375	6,870	6,483	6,294	4,423	2,246
Malaysia	773	996	900	1,242	1,303	1,290	1,645	886
Brunei Darussalam	-	16	3	39	14	21	18	-
Synthetic filam yarn, not put up								
ASEAN	27,859	30,555	40,469	55,578	53,937	73,960	82,486	69,319
Viet Nam	4,080	3,632	9,343	12,778	15,182	21,052	26,306	26,160
Philippines	14,853	17,086	20,571	29,031	24,085	33,628	31,775	19,730
Indonesia	1,189	2,861	2,667	4,553	4,528	6,261	7,243	12,151
Malaysia	5,313	4,494	5,437	6,467	6,115	7,577	8,333	6,067
Myanmar	1,080	1,544	961	968	2,404	2,475	3,671	2,126
Singapore	1,261	685	679	847	450	1,705	3,419	1,586

Importers	2002	2003	2004	2005	2006	2007	2008	2009
Lao People's Democratic Republic	60	226	810	934	1,173	1,192	1,565	1,346
Cambodia	23	7	1	-	-	70	174	153
Brunei Darussalam	-	20	-	-	-	-	-	-

Source: UN Comtrade Statistics

Table 9: Thai imports from ASEAN countries 2002-2009 (US\$'000)

Exporters	2002	2003	2004	2005	2006	2007	2008	2009
Synthetic filam yarn, not put up								
ASEAN	53,606	43,247	48,434	72,122	79,099	99,238	119,542	90,797
Viet Nam	75	25	369	14,881	18,767	34,077	41,313	40,020
Indonesia	41,199	30,133	35,571	43,302	45,117	49,118	55,226	29,511
Malaysia	2,473	2,952	2,016	3,082	5,407	6,938	13,571	14,450

Exporters	2002	2003	2004	2005	2006	2007	2008	2009
Singapore	9,826	9,906	10,073	10,590	9,660	8,829	8,553	6,309
Cambodia	-	-	-	1	-	11	14	8
Philippines	1	10	1	1	6	-	-	1
Myanmar	-	-	-	-	-	-	-	-
Lao People's Democratic Republic	-	-	-	-	-	2	-	-
Woven fabrics of synth. filam yarn								
ASEAN	9,010	10,638	11,065	11,041	11,849	14,031	18,750	19,537
Indonesia	6,027	6,906	7,154	5,595	6,562	7,129	10,024	8,041
Viet Nam	1,274	2,046	1,707	2,066	2,940	4,489	6,578	7,529
Malaysia	1,254	1,209	1,674	2,157	1,813	1,492	1,467	3,336

Exporters	2002	2003	2004	2005	2006	2007	2008	2009
Singapore	100	194	103	86	129	168	207	242
Cambodia	-	-	-	9	-	19	16	71
Lao People's Democratic Republic	2	46	93	28	8	31	8	24
Philippines	22	47	138	511	1	27	4	4
Myanmar	16	1	-	-	14	8	8	3
Brunei Darussalam	-	-	-	-	-	-	-	-

Source: UN Comtrade Statistics

Table 10: Recent Data on Thailand Garments and Textiles

Category	Textiles and Garments
Total Workers	1.05 million
Export Total (2009)	\$6.444 billion
% of World Market	1.04%
Five most popular exports (2008)	Value and Market Share
T-shirts	\$404 million 1.41%
Synthetic filament yarn	\$391 million 2.51%
Lingerie	\$356 million 3.41%
Sweaters, pullovers	\$323 million 3.28%
Synthetic staple fibers	\$289 million 5%
Average Wage	\$1.75-1.80 per operator hour

Source: Thailand Textile Institute and South East Asia Textile Business Review 2009 (1st edition)

Table 11: Thailand's most popular garment exports to world (Value :US\$M)

Product	2001	2002	2003	2004	2005	2006	2007	2008
Babies garments, knitted or crocheted	280	270	221	204	198	209	203	214
Babies garments, knitted or crocheted, of cotton	280	234	189	173	166	181	175	182
Other garments, knitted or crocheted	44	47	46	46	54	59	58	50
Babies garment and clothing accessories	71	66	61	52	48	49	44	44
Garments, knitted or crocheted	34	33	46	35	38	50	43	54
Garments, made up of fabrics	4	11	13	14	36	41	35	49

Source: UN Comtrade statistics

Table 12: Thailand's most popular textile exports to world (Value :US\$M)

Product	2002	2003	2004	2005	2006	2007	2008
Carpets and textile floor coverings	52	67	90	100	127	155	171
Coated textile fabrics	107	118	128	146	148	150	150
Textile fabrics coated with poly-vinyl	6	9	10	13	14	5	4
Rubber thread and cord	1	1	2	2	2	3	3
Textile fabrics coated with polyurethane	15	14	11	10	12	8	3

Source: UN Comtrade statistics

Table 13: SWOT Analysis

Strengths:	Weaknesses:
<ul style="list-style-type: none"> + Experienced entrepreneurs in a fully integrated industry with an appealing geographic location + Cheaper wages than South Korea, Hong Kong, China and Taiwan, but its workers are more skilled than its low-cost neighbors 	<ul style="list-style-type: none"> – Lack of skilled workers with experience in technology, fashion and management – Dependent on imports for cotton, fabric and chemicals – Large SME base means it often cannot invest in technology due to lack of funds – Few research and development activities
Opportunities:	Threats:
<ul style="list-style-type: none"> + Tariff eliminations between ASEAN nations and ASEAN trade pacts with China and Japan offer the possibility of plant relocations, more market access and the ability to attract foreign investment + Domestic market of 66 million willing to pay more for quality design and fashion + ASEAN could be next big market + Technical textiles burgeoning 	<ul style="list-style-type: none"> – Economies of traditional Western markets stagnant – Fierce competition from Vietnam, China, India and Bangladesh – Textile prices likely to stay depressed – Increasing international trade barriers – Oil price and exchange rate fluctuations

Source: Thailand Textile Institute and South East Asia Textile Business Review 2009

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