

## **ASEAN Textile and Garment Industry Outlook (2007)**

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### **ASEAN TEXTILES and Garments Recent History**

**The textile and garment industry has been one of the most dynamic and important industries** among the members of the Association of Southeast Asian Nations (ASEAN). Typically at some stage the industry is the largest industrial employer in most of the countries, with employment ranging from 10% to over 70 % of industrial employed, and is frequently among the best organized of the industries, having active trade associations not only in the industry but within its subprocess industries (eg. Associations for spinners, weavers, dyers, finishers, garment manufacturers, traders, etc...). The organizations actively meet both within a country as well as an ASEAN industry, through the AFTEX or ASEAN Federation of Textile Industries which meets several times a year. Having been through a meticulously detailed international regulatory regime of quotas (having more categories than other industries, eg. Garments by sex, age group, by material, by process, etc... regulated, compared to agriculture or autos...) that dominated the industry has also made these organizations fairly sophisticated in international trade negotiations compared to other industries. Further, the size of the industry is large relative to the economies it is a player in whether taken as a whole or independently as an export industry, or as a domestic industry. This paper is concerned primarily with the export side of the industries.

From the time the “**East Asian Dragons**” of Japan, Korea, Taiwan, Hongkong (and Singapore) started leaving the textile and garment industry ( which was widely recognized as the key stage of their industrial takeoff that allowed wide employment, cumulation of capital, training in logistics management and world trade processes and finance, practice in international-market orientation, opening relations that lead to other industries and investments... ) and migrating their local labor to higher value industries in electronics, heavy industry, ( and investing in the textile n garment factories in the new production areas of ASEAN) etc.. until the opening up of the communist countries, the industry was poised to be a continuing major **engine of growth for the ASEAN** due to the well organized and efficient production in the region, relatively low wages, low cost of inputs. The opening of the communist countries undercut the industry with lower wages and cost of inputs, although **for a while trade restrictions and lack of capital, technology, logistic infrastructure, management know-how, government support for business in these newly opened economies allowed ASEAN to continue leading** the textile/garment export as well as other industries.

That was **until China began to adopt capitalist economics and private enterprise** as acceptable practice, and among the liberalized socialist economies actually started to adopt economically viable policies, and became

increasingly hospitable to foreign investment, private capital, and modern operating methods. While **increased liberalization of world trade and communications, technology transfers, lowered communication barriers, increasing focus by nations on economics and trade rather than cold war politics, worker and professional movement, capital markets**, gave increasing advantages to the newly opened economies and created greater competition on the ASEAN in textile and other labor intensive industries, China's vast labor and entrepreneurial pool coupled with a capitalist mentality from the top created a manufacturing machine and efficiencies that came to dominate world manufacturing. This domination was furthered by informal trade liberalizations even while formal structures existed, and on the termination of the quota system threatened to swamp the manufacturers of textile and garments in the ASEAN as well as most of the rest of the world. Other countries like India, Indonesia, Vietnam, Cambodia benefited, but in a less dramatic way. The ending of the quota trading system under the Multi Fiber Agreement created a sea change in the perspectives not only of the textile/garment industries, but reflected itself in the entire global manufacturing and trading system. The power to impose trade restrictions was being eroded over the years both due to agreements between nations and due to realities of technologies allowing mobility of persons, resources, and capital at lower costs than before, and a race for greater access to cost efficiencies, creativity, emerging markets superseded the philosophy of control as the guiding principles of the major economic players. Even dictatorships and closed economies edged and sometimes jumped into these economic (if not political) moves toward openness.

While all countries felt the changes taking place rapidly from year to year, one country seemed to an unusual set of advantages. China had the low wage and highly motivated and skilled work force, entrepreneurs, business-minded government, cultural homogeneousness and logistic integration to begin dominating most manufacturing industries, obtaining in a few short years more than 60 % of the toy and shoe import market share in the US, increasing shares in light industrial produce, with market share in garments being held back only by the remnants of the quota system. Once quotas were dropped, in a few short months market share of China apparel imports in the USA increased nearly 20 market share points. Overall trade surplus with the US reached hundreds of billions of dollars a year and continues to increase at double digit rates.

In response to what appeared to be threatening domination of industries by a single foreign power, the major importing countries like the US **reimposed quantitative restrictions til 2008**, and this served to restrain the tidal wave of manufactures from China, allowing some respite, growth, and opportunities to the rest of the manufacturing countries. The sudden leap of Chinese exports in 2005 after the demise of quotas and its effect on the exports of ASEAN in those few months prior to reimposed constraints served warning on the ASEAN manufacturers. Since the reimposition of restraints, the various Southeast Asian nations and other textile powers of Asia were able to make substantial increases in their exports (see attachments).

**How did ASEAN countries respond to these developments in the Textile and Garment Industries? Industry restructuring within the countries,** allowing freer integration of quotas, lower financing rates, subsidized training of workers, more aggressive and organized marketing, incentives for integration and merger or increased efficiencies and investments by companies, subsidized designer upgrading, migration to higher value goods and more specialized services, etc.. up to **migration to other non-manufacturing, service industries,** eg., moving to software, business process outsourcing, tourism, etc.. **General business restructuring-** creation of estates and infrastructures allowing better logistics, lower interest rates, faster bureaucratic responses, customs highways, liberalized hiring of professionals, etc.

**Regional industry restructuring** the fast growing regional integration through Thai-Malaysian- Vietnam, Laos, Cambodia cross border investments, increased customs coordination, speeding up of tariff reduction between ASEAN and increasing the coverages, giving of unilateral tariff and other concessions as some ASEAN countries are doing for CLMV, trading information on the trade situation and on what programs are effective or not, inter-country investments in infrastructure, specialization of roles in the textile and Garment trades, (the attachments show both individual country strategies in response to opening of quotas, as well as the ASEAN group plans to respond to open competition, formulated in a series of meetings between the 10 countries as led by Thailand, Philippines, and Malaysia). There are also the Singapore-Indonesia-Malaysian investment triangles. Indonesian textile/garment industry although a major beneficiary of the opening up of quotas and by size and costs a potential effective competitor post quota, has not been active in ASEAN talks due to domestic issues. The Philippines is an active participant although the government does not spend much time on the issues, and as a country is also somewhat divorced from the investment and logistic loops of ASEAN because its distance and geographic location, as well as the absence of a significant textile industry makes sourcing its fabric and other material easier to do from Hong Kong (therefore China) than from the mainland ASEAN players. Although there are imports into the Philippines from Thailand, Pakistan, India as a source of material, the predominant imports of textile are from China.

**International trade negotiations both multilaterally and bilaterally-** the different countries of ASEAN negotiate with other trading blocs and countries like the US, EU, Japan as an ASEAN bloc, and simultaneously lobby for trade arrangements individually as countries negotiation with individual countries. (the attachments list the various regional trade negotiations with ASEAN countries as a bloc, and as individual countries, eg., China, Japan, EU, India, Australia, etc... with the ASEAN or with specific ASEAN countries).

## **INTERNATIONAL EVENTS** affecting Textiles/Garments

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### **Issues and Development**

There are changes in the global political and economic dynamics that have significant effects on the Association of Southeast Asian Nations (ASEAN) policy structure, as well as on regional trade and investments. Individually viewed, the following issues and developments are briefly discussed in terms of its implications on and measures undertaken by ASEAN or by any of its members.

**Suspension of WTO DOHA Negotiation** The collapse of the Doha Round of global trade talks in July 2006 because of disputes over customs duties and agricultural subsidies and its indefinite resumption reinforced initiatives towards bilateral and regional preferential trade agreements. However, because regional integration in Southeast Asia is mainly concerned with facilitating integrated production in the region for exports to other parts of the world, ASEAN remains supportive of efforts to renew Doha Round Negotiation and gain from non-preferential Most-Favored Nation (MFN) liberalization. "ASEAN leaders would be adopting a statement that would reaffirm the region's commitment to the Doha Round of talks<sup>1</sup>."

**Vietnam WTO Accession** Vietnam officially becomes a WTO member by January 11, 2007. On that date, it will benefit from elimination of quotas limiting textile exports to the United States. The US is the only country in the world, which imposes quotas on imports of textile and apparel from Vietnam. Both Canada and the European Union (EU) eliminated all quotas on apparel/textile imports from Vietnam last January 1, 2005 together with WTO-member countries.

With the removal of quotas, US retailers and consumers are expected to source more from Vietnam which has been regarded as a potential competitor to China, India and other low-cost country supplier. Investments from other ASEAN countries, in particular investments from Thailand, Malaysia and Singapore, as well as from countries outside of ASEAN are expected to expand with Vietnam's accession to WTO. Notable recent investments made are the US\$80 million investments of the U.S. International Textile Group, Inc. (ITG) for a garment and textile complex (to include cotton manufacturing); Indonesia's Pamatex Berhad investment worth over \$100 million in the construction of a factory in the Chu Lai economic zone in central Quang Nam Province; Korea's \$8 million garment factory for export in the Hoa Khanh industrial zone, a plant in Ho Chi Minh City's Vinh Loc industrial zone and a textile factory in the Nhon Trach I industrial zone of the southern Dong Nai Province; and a number of joint ventures between Vietnam's large garment companies with Japan's Mitsui for the production of suits and trousers<sup>2</sup>.

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<sup>1</sup> ASEAN Summit spokesman Ambassador Victoriano Lecaros statement in the 12<sup>th</sup> ASEAN Summit held in Cebu, Philippines (January 2007)

<sup>2</sup> Asia Pulse News VIETNAM'S TEXTILE SECTOR REGISTERS RISE IN FOREIGN INVESTMENT

Last December, President Bush signed the Bill granting Permanent Normal Trading Relations (PNTR) status to Vietnam. This bill includes a 'subsidies enforcement mechanism' to ensure that the Administration acts quickly and decisively if Vietnam grants any prohibited subsidies to its textile and apparel industry in violation of the terms of its accession to the World Trade Organization (WTO). The United States may automatically re-impose quotas on textile and apparel imports from Vietnam for up to one year at any time during the first year of Vietnam's WTO membership if Vietnam continues to provide prohibited subsidies. In exchange for WTO membership, Hanoi has agreed to certain concessions including removal of its subsidies and massive tariffs protecting certain industries, including the textile and apparel industries.

While the US administration is setting up its monitoring system, the Vietnamese government is also reviewing a system to monitor exports to avoid any threat of anti-dumping duties.

EC also resorts to filing anti-dumping charges in case Vietnam products are priced lower than it is priced domestically. Such protest and consequent removal of subsidies occurred on protests made against Vietnam shoes exported to EC.

**China: Quota Restrictions and Export Subsidy Reduced** Limitations ordered by the U.S. over textile exports of China til the first half of 2006 has benefited other countries with active textile exporters. The U.S., as the world's biggest trading economy, began importing its textile needs from other exporters.

Last October 1, 2006, the export tax rebate for textiles and apparel was cut from 13 percent to 11 percent. The cut was just one of many announced by China to slow the growth of rapidly-growing and energy-intensive industries as part of the government's effort to improve the environment and reduce the country's trade surplus. It is expected to affect the price structure of China for textiles and clothing, accounting the effect of rebate reduced from 11% to 8 % for footwear that has dramatically affected cost<sup>3</sup>.

**US Majority Redirects Policy on International Trade** The USA is til today by far the biggest single importer of garments in the world and is the most influential in the world structuring of garment manufacture. Its moves and policies are closely monitored by all nations, and when trade agreements are created, until recently, these agreements are generally benchmarked against those defined with the US. The definition of the world trading order has until very recently been predominantly US-defined, or patterned after, or referred to against.

The US Congress power shift resulting from recent elections in 2006 brought back majority leadership to the Democratic Party after being held by the

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<sup>3</sup> Reference: American Apparel and Footwear Association

Republicans for the past twelve years. The shift has yet to define the level of support from the Democrats, which is critical for trade liberalization.

Before Democrats took control of Congress in January 4, 2007, President George W. Bush pushed hard for the legislation of a bill law that extends normal trade relations with Vietnam and provides trade benefits to nations of sub-Saharan Africa, Haiti and four Andean countries.

Emphasizing the Democrats' concern on the impact of free trade agreements (FTA) on US industry and labor, it is anticipated that the Democrats' reservation would mean longer deliberations on FTAs subject to renewal, amendment or for negotiations. This expected 'delay' in Congress together with the expiration of the U.S. fast-track authority, the *Trade Promotion Authority* (TPA) by June 1, 2007 adds pressure to on-going or new FTA negotiations.

Amidst changes in the US political dynamics, ASEAN foremost concern is for US policy on international trade to present a unified position that is both pro-trade and pro-development favoring interests to increase market access to ASEAN's leading export market. (The US outlook, definition of acceptable or desired partnership arrangements, and individual country strategies in relation to this can be found in the attachments following this write-up).

## **CURRENT SITUATION IN ASEAN**

### **Industry Performance Post Quota Period**

The performance of ASEAN in the post quota period, the groupings has been made according to preferential and non-preferential suppliers to the US and EC markets. This is to highlight how conditions set in preferential tariff could actually manufacturing less efficient and cost more, eg rules of origin if too tightly defined can render intended benefits useless.. Conversely, ASEAN countries have performed better export growth rates than those countries under FTAs free trade agreements, but not having the factors to convert these opening ups to economic gain. ( Refer to attachments to have an overview of post quota export performances by blocs of ASEAN and by specific countries).

### **ASEAN TRADING ARRANGEMENTS with the WORLD**

Over the last couple of decades, ASEAN have made continuous efforts to attain regional economic development thru market integration, increasing significantly the number of bilateral or regional free trade agreements (FTAs)<sup>4</sup>. Ten years after its inception in 1993, the *ASEAN Free Trade Agreement* (AFTA) is the first regional FTA in East Asia that is being implemented. ASEAN's "Vision 2020" is to establish a free trade area creating the "ASEAN Economic Community" (AEC) by 2020, though it could be realized by 2015.

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<sup>4</sup> Appendix 1 lists various trade agreements of ASEAN and individual ASEAN-member countries.

An ASEAN economic integration could provide a free flow of goods, services, investment creating a seamless market of 500 million consumers<sup>5</sup>.

Although ASEAN members regard AFTA as the most important trade liberalization framework, Singapore, Thailand, Malaysia and the Philippines have recognized FTAs with countries outside ASEAN as an important and substantial policy alternative. These countries have individually signed a bilateral Economic Partnership Agreement with Japan. Singapore has signed bilateral FTA with New Zealand, Australia, European Free Trade Area (EFTA), US and in negotiations with a number of other countries. In different stages, Malaysia and the Philippines are individually pursuing FTA negotiations with the US, although the Philippines appears uncertain on its direction here. Thailand's negotiations with the US have been suspended due to the country's political instability, but have concluded agreements with Australia, New Zealand, Bahrain, China and India.

Enhancing ASEAN trade relations with major Asian trade partners, ASEAN is presently negotiating free trade agreements (FTA) with each partner dialogue such as China, India, and South Korea; and as well as engaging in economic partnership agreements with Japan, Australia and New Zealand. The signed framework of the ASEAN-China agreement explicitly sets a timeline for the establishment of an ASEAN-China Free Trade Area that is within 10 years or by 2010 for the ASEAN 6 and China; and 2015 for the newer member states and China. If concluded, the zone would create a huge trading bloc with a free flow of goods, services and investment, with a combined population of nearly two billion and gross domestic product or over \$2 trillion<sup>6</sup>.

China is the first country that concluded a framework agreement with ASEAN as a group. A significant progress on the interest and capability of ASEAN to act as a group which could suggest similar developments in trade agreements with Japan, South Korea, India and other countries.

Among the ASEAN regional trade initiatives directed towards enhancing market access, most significant would be the ongoing dialogues and consultations for the realization of an *East Asia Free Trade Area* (EAFTA) under the mechanism of the ASEAN+3 group (ASEAN plus China, Japan and South Korea). The concept, presented initially in the 1998 Summit Leaders' Meeting by ASEAN+3, proposed the need for greater cooperation and gradual regional economic integration in East Asia.

Subsequent developments of intra-regional trade partnership initiatives and economic cooperation boost support within ASEAN to lesser economies (Cambodia, Laos, Myanmar and Vietnam – CLMV). The CLMV countries benefit substantially from programs such as the *Initiative for ASEAN Integration* (IAI)<sup>7</sup>; *ASEAN Integration System of Preferences* (AISP)<sup>8</sup>; *Greater*

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<sup>5</sup> Reference: FTA and Market Liberalization: Creating a Seamless Market in East Asia

<sup>6</sup> Reference: All Headline News (Nanning, China - Oct 2006)

<sup>7</sup> Identified and focuses on priority areas for development for the CLMV

<sup>8</sup> Original members of ASEAN extend unilateral tariff preferences to the CLMV countries pending the latter's tariff liberalization

*Mekong Sub-Region (GMS)*<sup>9</sup> and *Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)*<sup>10</sup>. Such programs allow cross border investments, setting up regional financing, infrastructure, technical resources support, as well as provide preferential treatment. Conversely, integrated projects such as cross-border economic cluster zones (i.e. Thailand-Cambodia-Laos-Myanmar border) allowed shifting production (i.e. satellite network operations) to ASEAN neighbors with relative advantages. China, Korea and Japan (plus three) are also contributing resources and providing development assistance.

## **WITHIN-ASEAN STRATEGY**

Although ASEAN has been meeting continuously to work on the integration of ASEAN into an ASEAN Economic Community (AEC), ASEAN leaders have set 2020 as the target date for reaching the ASEAN Economic Community. Some countries, such as Singapore and Thailand, have tried to push for an earlier target date because 2020 is very far away, and ASEAN may have already lost a lot of competitiveness by that time. However, many ASEAN countries, both from the older and newer member countries, still feel that they are not ready for deeper integration at this stage and the effort has not been successful so far. As a sort of compromise, ASEAN has opted for a sectoral integration approach where eleven priority sectors have been targeted for ASEAN integration. These are agro-based products, fisheries, wood-based products, rubber-based products, textiles and apparels, electronics, automotives, air travel, tourism, healthcare and e-ASEAN.

The ASEAN Framework Agreement for the Integration of Priority Sectors was endorsed by ASEAN Leaders in November 2004, and roadmaps for the integration of these sectors have been drawn up covering a broad range of issues; such as, tariff elimination, non-tariff measures (NTMs), rules of origin, customs procedures, standards and conformance, logistics services, investments, trade and investment promotion, intellectual property rights, movement of business persons, skilled labor and professionals, human resource development and research and development.

It is difficult to judge whether these sectoral integration roadmaps will be effective in significantly improving ASEAN competitiveness in these sectors. In many areas, detailed implementation plans remain to be worked out. More worrying is that countries still put many products into sensitive lists excluding them from the Framework Agreement, so it is not clear how serious are the intentions for real integration among ASEAN countries. Many of the contingents feud among themselves, or are faced with governments paying

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<sup>9</sup> The Greater Mekong Subregion (GMS) comprises Cambodia, the People's Republic of China, Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam. In 1992, with ADB's assistance, the six countries entered into a program of subregional economic cooperation, designed to enhance economic relations among the countries.

<sup>10</sup> The Ayeyawady - Chao Phraya - Mekong Economic Cooperation Strategy (ACMECS) is a cooperation framework amongst Cambodia, Lao PDR, Myanmar, Thailand and Vietnam to utilize member countries' diverse strengths and to promote balanced development in the sub-region.

lip service to integration of ASEAN, conducting summits regularly without concern for implementations and benchmarks.

**An ASEAN bloc is attractive not only for ASEAN nations.**

**Politically, USA, Europe and Japan** favor having a counterweight to balance Chinese economic, political (and military?) dominance in the region. Japan's recent racial issues (due to indiscretions in the conduct of business, racial rivalry, and historical issues like the Japanese prime minister honoring their war dead who were involved in Chinese atrocities) with China have set Japanese investments to increase their diversification to Southeast Asia although not leaving China as the major manufacturing base. The US international policies on human rights, military activities, and thoughts on the sharing of roles on international issues have sometimes run differently from Chinese policy, etc...

**Economically, most of the world's major businesses including Asean businesses themselves would rather deal with one market with unified or harmonized legal systems, customs, taxes, banking, distribution systems etc..** rather than a gamut of practices, currencies, multiple corruptions, contracts, etc... Obviously **the combined ASEAN population of 500 million is very interesting to any business, but fragmented markets may not merit the time of major players while larger opportunities are yet untapped. Even then, medium sized businesses may have better chances of success in a niche market than slugging it out with goliaths in a large, open, homogeneous market.**

**SOME INTEGRATION IS TAKING PLACE successfully, not just in textile and garments.** Particularly in the main Indochina peninsula, private investment is leading the way. Thai and Malaysian, Singaporean factories are being set up in Vietnam and Cambodia, Singaporeans are investing in Indonesia, etc... Customs issues are being seriously studied and implemented, highways and logistic systems are being built between these countries, which are even planned together and subsidized by fellow ASEAN. Tariff reduction is allowing the building of cross-border brands and distribution systems and companies. It has become clear that the fastest movement is coming not from mergers or consolidations between businesses in the region, but from loose partnerships and private wholly controlled investments.

**Some reasons preventing faster private sector integration** include unclear rules, rules that are not detailed, clear rules with wide discretion for interpretation or even direct violation by locals, insular thinking by government agencies and legislators, foreign ownership limits on companies and properties, etc... that all make one very prone to being cheated by a local business or government agency. There are also of course infrastructural constraints, expensive communications, unwieldy labor laws and practices, etc... that exist in some countries. The investor may have to deal with problems like power outages, unresponsive agencies, etc...or with unusual risks eg as legal recourse, justice, and governance is less developed between ASEAN than with third countries, so many ASEAN businesses would invest as much or more in Australia, USA, even China than in their

neighboring country. Vietnam among the ASEAN countries is receiving substantial investments from ASEAN

**Some integration plans are imaginary.** Some of the ASEAN governments are serious in the effort to be competitive, some have not giving much time or thought to rationalized or expanded, integrated trade and business arrangements either between ASEAN or with the rest of the world. Even if not opposed to the idea, for various reasons the governments/agencies involved do not wish to or are unable to think through, decide, plan and manage the role of their country in world trade, and will allow the situation to float and relying on maybe just eventually get dragged along. **But all of them talk the talk**, so the differentiator is to see if efforts at implementation are being seriously made in this direction. **This creates a burden on the rest of ASEAN.**

**SUB-ASEAN trade arrangements.** Since getting the whole of ASEAN together to even just make the effort is taking more time and effort than the results justify, some of the ASEAN players are proceeding with their own integration, and in the interim this **will yield its own scale, market, logistics, cost and diversity benefits. (The others will make excuses for another decade or two)**. Although it is clear that certain realities of cost structures and geography make it hard to make policies/benefits the same for everyone, there are clear areas of commonality of interest that are good for everyone but some are not moving on. Given this, it is reasonable and beneficial to the whole to let some achieve what they can and just letting the rest catch up later. **However since there is no official body for the sub-groups, this will complicate negotiation of group arrangements and will not be as attractive a trade bloc having more or less homogeneous rules for the conduct of business.**

**The CHINA-centered TRADE BLOC, and/or ASEAN plus 3.** What is happening due to the fragmented nature of ASEAN is the reality that the investments by the ASEAN countries in China, both garment and non-garment has grown far greater than their investments in each other. While there are few statistics collected on this, the experience has also shown that of these enterprises, esp. for manufacturing, within China, has been good. ASEAN investments have been given low cost land, subsidized loans, assisted construction of building road, utility infrastructure, and many other benefits that ASEAN does not extend to its own members. Further, China has made major efforts to develop the ASEAN relationship, declaring that its interests coincide with those of a healthy ASEAN. Putting its money where its mouth is, it has subsidized government programs all over ASEAN, given promotional grants in millions of dollars to each government, and sent dozens of high powered trade and investment missions to ASEAN countries in the last 3 years, resulting in billions of dollars in committed investments, and increasing purchases from ASEAN in billions of dollars, becoming the biggest trading partner of most of the countries in the region, surpassing the EU or USA in many cases. In 2005 and 2006, it also conducted the most diversified ASEAN fair in the CHINA-ASEAN trade fair in November in Nanning, sometimes subsidizing ASEAN members' businesses to display goods in the

fair. In view of this, by default a China-centric ASEAN may be the course of the future. Or China plus 3, including Korea, Japan, The Asean-China negotiations have proceeded faster than between ASEAN and 3<sup>rd</sup> countries or within ASEAN itself, has been less controversial, has begun implementation already much earlier and more flexibly. This can overall be beneficial to the whole economically, although some independence in policy will necessarily be lost where some members are so dominant.

## **NEW LESSONS and CURRENT THINKING on ASEAN**

**Re Recommendations for ASEAN textile/garment competitiveness.** This write-up will not repeat the recommendations for integration and trade negotiation that have been repeated in various papers. A summary of general approaches and some examples is in the last few paragraphs of section 1 (ASEAN TEXTILES and Garments Recent History section, How Did ASEAN countries respond subsection) of this paper, and detailed roadmaps created by the ASEAN body itself as well as by different organizations and countries are in the attachments. Various sections of the paper include various suggestions as well. Here, we add also some considerations for those mulling ASEAN competitiveness.

The consciousness is growing among the ASEAN leadership that these trade arrangements have huge potential effects on the economic performance of a country (which apparently did not seem obvious, or a priority, to some), as they have seen some nations' economies grow tremendously as others have declined. Once insular governments, including both communist and democratic nations (and every other kind) have become active in analyzing and lobbying their trade arrangements. *While most nations realize there is more leverage in negotiating as a bigger group, there is also much greater difficulty at arriving at a consensus agreement, and many have begun to negotiate as individual countries. Once one country in a bloc starts to negotiate individually, it becomes nearly impossible for others, if competitiveness is important to them, to wait for bloc agreements, as rival nations may woo investments and markets away, for **along with access to markets often will come the investments, infrastructure, technology transfers and tourism as well.***

*Original nationalist, isolationist sentiments in the ASEAN governments that opposed opening of markets are being converted to a more open view favoring liberalized if not full free trade.*

*Experience is showing that liberalized trade alone is not going to improve economics if the right factors and programs are not in place, eg investments in logistic and communication infrastructure, customs harmonization and speedier processing, available finance and management skills, regulations that protect investments sufficiently, an active entrepreneurial sector, key skills training programs,... Where these are present, the payoffs are substantial, and a country that is not part of the system is clearly going to be left out of the most rapid and widespread economic development the world has seen in history. At this time, advantages and disadvantages will shift*

rapidly within a relatively short period, new positions established over a decade instead of several.

**Preferential Sector-specific** negotiations has been overtaken by more comprehensive agreements, up to a period when comprehensive **Free Trade Agreements or FTAs** had become the main vehicle. The low-hanging fruit for FTAs have been substantially picked, and now the negotiations and politics are more complex and difficult, such that there may be a return to non-comprehensive agreements with different models and time tables. **QIZs or qualified industrial zones** may be a quick model for some, while Trade Enhancement Agreements (**TEAs**) of various sorts including phased negotiations/implementations may allow a politically gentler entry to what can also be eventual comprehensive free trade.

As governments change, the emphasis also changes, eg with the US majority shifting to the Democratic party in 2006 elections, the negotiations issues are shifting as well, eg., with serious verifications being made on political and media freedoms, human rights, etc...

**Negotiations in goods are also spilling over to other areas**, to negotiations on **services** like integrations and inter-recognition of professional licenses, education, standard services, travel, migration and visa policies, etc... **Investments, Intellectual Property and Governance standards** are major tradables that can jumpstart a lot of economies for finance, technologies and markets access.

**Is there room for ASEAN** textile and garment manufacturers? Indonesian and Vietnamese, etc., wages are lower than China's, and even the Philippine wages are now lower than those of the coastal provinces. Many of the buyers have had long and trusted relationships with the ASEAN producers, finance costs in ASEAN are dropping as capital is becoming more mobile around the world, **quick production fashion is becoming more important than the lowest prices** in important segments of the market. Brands are becoming important even to the Chinese to the extent that mainlanders travel to ASEAN to buy brands rather than buy their own cheaper knock-offs. If ASEAN improves their joint infrastructure and service logistics in the next few years as some are doing now, the capital, labor and skills are definitely there to compete or at the least maintain a significant share of the market.

**The greatest obstacle is the attitude and the leadership, not the physical economics. Like the situation that existed for thousands of years, perhaps the datus and sultanates and little kingdoms of ASEAN will never join to form their own center of gravity, and become satellites** to the middle kingdom, despite all the wealth of resources and talent of their peoples and lands. Certainly integrating with an organized center even if it is not your own, having a greater interchange of resources, goods, talents, services with the rest of the world creates more value and is not necessarily bad. The question is **will ASEAN leaders play for a greater portion, a better position, or will they coast along as a group, will they accept or will they mold more of their destiny?**

**China's areas of dominance and advantage are shifting** as well. The workers' wages of the coastal areas are not only higher than most of ASEAN now, there is also a shortage of garment workers in the areas till about 1.5 hours ride to the interior. The increasingly affluent Chinese are not only beginning to reject garment work in favor of other work, their work hours are also diminishing – unlike when there are no holidays for the workers, they now expect to take longer holidays than their ASEAN counterparts during Chinese New Year and other holidays. They are the major world force in tourism, taking more time for travel, golf, luxury spending, and have **themselves become a major market instead of just being the world's biggest supplier**. Conceivably if this trend still continues, in some years the dynamics of cost and logistical competitiveness could change again affecting economics for garments in favor of ASEAN.

**Globalization and Liberalization goes beyond garments and textiles and even beyond traditional industry.** That means beyond the US and China, we have the rising suppliers and markets of India, Europe, and the rest of the world. Beyond the garment and textile industries, there are the other industries to develop overall advantages in, and beyond that there are the services trade. Services trade in the world has surpassed the trade in goods. These are on the periphery of and should be part of the plans and negotiations of liberalization in goods... movements of persons, finance, insurance, tourism, health care, research, software, construction, entertainment, etc... **ASEAN should look beyond this stage and plan for the probable next stages as well, for garments/textiles, and for business as a whole.**

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**Notes**

ASEAN Free Trade Area (AFTA) - eliminate tariffs on all products in the region within 15 years commencing 1 January 1993 & completed by 2015

- The Common Effective Preferential Tariff (CEPT) scheme is the major instrument in moving ASEAN to its goal of a free trade area
- CEPT requires that the tariff rates of those products included in the scheme be ultimately reduced to 0-5% - In AFTA, Textile and Articles (HS Codes 50 to 63) would be subjected to tariff reductions to 0-5% by 2008. (see Figure 6). In addition, measures are currently undertaken to eliminate non-tariff barriers and harmonize tariff nomenclatures, customs procedures and valuation. These comprehensive measures would ensure the effective implementation of AFTA.
- CEPT rates have to reduce to 0-5% on at least 90% of member states' tariff lines in the Inclusion List by 2002
- CEPT rates of most products in the six original ASEAN members i.e. Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand are between 0-5% as of January 1, 2003
- Textile and Articles (HS Codes 50 to 63) Tariffs of Thailand and Indonesia will be reduced from tariff rates as high as 24.12% and 21.15% in 1993 to a mere 5.16% and 4.9% in 2003 • Under the terms of AFTA, Vietnam has to

reduce the tariff rates to 0-5% by 2006, Laos and Myanmar have to meet this target by 2008 and Cambodia by 2010

- Companies which manufacture products with at least 40% ASEAN content may enjoy CEPT rate

-----  
ØASEAN Integration System of Preferences (AISP)q **Original members of ASEAN extend unilateral tariff preferences to the CLMV countries** pending the latter's tariff liberalization

- 2010 - Established free trade zone among ASEAN+3 expected to cover nearly one-third of the world's population or 1.8 billion and US\$ 2 trillion in gross domestic product (GDP)
  - Zero tariff for textile and apparel, and other normal products for China and six original ASEAN member nations, including Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand

# APPENDIX I

## TEXTILES and GARMENTS INDUSTRY ASEAN OUTLOOK 2006 AND BEYOND

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# TEXTILES & GARMENTS INDUSTRIES

## ASEAN OUTLOOK 2006 AND BEYOND



### ASEAN Position & Strategies for Textiles

Presented by

**GEORGE T. SIY**

**ANGELO KING INSTITUTE / DLSU**



# OUTLINE OF PRESENTATION

## 2. Some recent Trade Issues and Developments

## 3. Performance of ASEAN in Post-Quota Period

### 1. 2006 Growth for Southeast Asia

#### 3.1. US Market

#### 3.1. EU Market

## 4. ASEAN Position & Integration Strategies for Textiles

### 4.1. ASEAN Integration

#### Trade Barriers & Recommendations

### 4.2. ASEAN Members

#### Trade Barriers & Recommendations



# SOME RECENT TRADE ISSUES & DEVT.

## ● Indefinite suspension of the WTO DOHA Round

- Renewed momentum for bilateral trade agreements

## ● US/EU Safeguards against China

- Other major textile and clothing exporters benefit

## ● China cuts down export rebate from 13% to 11%

- Increase textiles and apparel price structure of China

## ● Vietnam formally joins WTO by Dec 28

- Removal of all quotas for apparel & textiles

Source: ADB OUTLOOK database



# SOME RECENT TRADE ISSUES & DEVT.

## ● US Elections lead to Democrat Majority

- Increased US Congress deliberation delays FTA renewal, amendments, negotiations for legislation

## ● Increased barriers to US Market

- Onerous label requirements proposed and excessive documentation requirements imposed on US-branded apparel

## ● Preferential tariff treatments vs. non-preferential

- Tariff discrimination for clothing and textiles are more pronounced against non-preferential suppliers

Source: ADB OUTLOOK database



# PERFORMANCE IN POST-QUOTA ERA



## Clothing

NON-PREFERENTIAL, BY VOLUME

PREFERENTIAL, BY VOLUME

NON-PREFERENTIAL, BY VALUE<sup>eee</sup>

PREFERENTIAL CLOTHING SUPPLIERS, BY VALUE



## Textiles

NON-PREFERENTIAL, BY VOLUME

PREFERENTIAL, BY VOLUME

NON-PREFERENTIAL, BY VALUE

PREFERENTIAL CLOTHING SUPPLIERS, BY VALUE



## Textiles and Clothing

BY VOLUME

BY VALUE

Source: ADB



# PERFORMANCE IN POST-QUOTA ERA

## NONPREFERENTIAL CLOTHING SUPPLIERS TO US, BY VOLUME



	Volume, million square meter equivalent						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Nonpreferential developing</b>	10,974.7	13,878.2	26.5	6,366.9	6,585.3	3.4	55.0	63.1	60.9	64.5
<b>Asian suppliers</b>										
People's Republic of China	2,972.5	5,883.4	97.9	2,769.4	2,364.0	-14.6	14.9	26.7	26.5	23.2
Bangladesh	941.7	1,124.8	19.4	512.9	613.5	19.6	4.7	5.1	4.9	6.0
Indonesia ●	703.4	823.5	17.1	397.6	● 476.8	19.9	3.5	3.7	3.8	● 4.7
India	609.3	790.2	29.7	413.8	470.5	13.7	3.1	3.6	4.0	4.6
Viet Nam ●	777.1	801.4	3.1	354.7	● 451.9	27.4	3.9	3.6	3.4	● 4.4
Cambodia ●	634.7	710.0	11.9	289.3	● 379.6	31.2	3.2	3.2	2.8	● 3.7
Pakistan	519.3	577.8	11.3	265.2	302.9	14.2	2.6	2.6	2.5	3.0
Philippines ●	513.6	518.7	1.0	231.4	● 296.0	27.9	2.6	2.4	2.2	● 2.9
Thailand ●	533.1	536.8	0.7	249.4	● 277.6	11.3	2.7	2.4	2.4	● 2.7
Hong Kong, China	739.0	596.6	-19.3	198.8	247.8	24.7	3.7	2.7	2.4	2.7
Sri Lanka	415.0	453.8	9.3	225.5	219.8	-2.5	2.1	2.1	2.2	2.2
Taipei, China	572.0	391.5	-31.6	164.0	172.4	5.1	2.9	1.8	1.6	1.7
Republic of Korea	624.4	359.4	-42.4	150.4	158.7	5.5	3.1	1.6	1.4	1.6
Malaysia ●	210.6	211.3	0.4	93.4	● 114.3	22.3	1.1	1.0	0.9	● 1.1
Mongolia	61.5	39.6	-35.5	17.1	14.2	-16.7	0.3	0.2	0.2	0.1

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## PREFERENTIAL CLOTHING SUPPLIERS TO US, BY VOLUME



	Volume, million square meter equivalent						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Preferential suppliers</b>	7,434.8	7,236.6	-2.7	3,599.4	3,172.9	-11.9	37.3	32.9	34.4	31.1
CAFTA-DR	3,790.8	3,912.9	3.2	1,926.5	1,634.0	-15.2	19.0	17.8	18.4	16.0
Mexico	1,896.2	1,703.4	-10.2	876.1	755.5	-13.8	9.5	7.7	8.4	7.4
AGOA	440.3	376.8	-14.4	191.0	158.3	-17.2	2.2	1.7	1.8	1.6
Jordan	227.4	260.9	14.8	123.7	140.5	13.6	1.1	1.2	1.2	1.4
CBI	228.2	254.7	11.6	120.4	134.2	11.5	1.1	1.2	1.2	1.3
Egypt	156.0	164.7	5.5	73.5	105.1	43.0	0.8	0.7	0.7	1.0
ANDEAN	252.7	238.2	-5.8	122.3	104.8	-14.3	1.3	1.1	1.2	1.0
Canada	244.6	189.6	-22.5	100.9	86.1	-14.6	1.2	0.9	1.0	0.8
Israel	102.8	80.3	-21.9	42.1	34.0	-19.2	0.5	0.4	0.4	0.3
Singapore ●	46.7	28.7	-38.5	15.3	● 12.6	-17.9	0.2	0.1	0.1	● 0.1
Morocco	13.8	6.7	-51.4	3.1	5.3	69.8	0.1	0.0	0.0	0.1
Australia	32.8	17.3	-47.2	3.6	1.5	-59.4	0.2	0.1	0.0	0.0
Chile	2.4	2.4	1.0	0.9	0.9	2.0	0.0	0.0	0.0	0.0

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## NONPREFERENTIAL CLOTHING SUPPLIERS TO US, BY VALUE



	Value (\$ million)						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Nonpreferential developing Asian suppliers</b>	34,284.1	41,107.8	19.9	18,807.0	19,987.8	6.3	52.9	59.8	58.1	62.1
People's Republic of China	8,927.9	15,142.9	69.6	7,402.9	6,612.8	-10.7	13.8	22.0	22.9	20.5
India	2,217.1	2,976.2	34.2	1,537.6	1,810.5	17.8	3.4	4.3	4.8	5.6
Indonesia ●	2,402.8	2,875.4	19.7	1,330.4	● 1,694.6	27.4	3.7	4.2	4.1	● 5.3
Viet Nam ●	2,562.5	2,724.7	6.3	1,182.0	● 1,541.4	30.4	4.0	4.0	3.7	● 4.8
Hong Kong, China	3,849.0	3,510.6	-8.8	1,115.8	1,386.1	24.2	5.9	5.1	3.4	4.3
Bangladesh	1,977.6	2,371.7	19.9	1,054.0	1,333.8	26.5	3.1	3.5	3.3	4.1
Philippines ●	1,785.6	1,830.4	2.5	812.6	● 955.8	17.6	2.8	2.7	2.5	● 3.0
Cambodia ●	1,429.0	1,712.8	19.9	731.2	● 950.0	29.9	2.2	2.5	2.3	● 2.9
Thailand ●	1,799.4	1,807.8	0.5	840.4	● 888.6	5.7	2.8	2.6	2.6	● 2.8
Sri Lanka	1,549.4	1,650.2	6.5	796.0	817.3	2.7	2.4	2.4	2.5	2.5
Pakistan	1,137.7	1,258.9	10.7	551.7	622.8	12.9	1.8	1.8	1.7	1.9
Taipei, China	1,548.9	1,134.4	-26.8	498.2	477.1	-4.2	2.4	1.7	1.5	1.5
Republic of Korea	1,808.8	1,154.6	-36.2	522.4	468.8	-10.2	2.8	1.7	1.6	1.5
Malaysia ●	712.0	677.9	-4.8	294.0	● 310.8	5.7	1.1	1.0	0.9	● 1.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## NONPREFERENTIAL CLOTHING SUPPLIERS TO US, BY VALUE



	Value (\$ million)						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Nonpreferential developing Asian suppliers</b>	34,284.1	41,107.8	19.9	18,807.0	19,987.8	6.3	52.9	59.8	58.1	62.1
People's Republic of China	8,927.9	15,142.9	69.6	7,402.9	6,612.8	-10.7	13.8	22.0	22.9	20.5
India	2,217.1	2,976.2	34.2	1,537.6	1,810.5	17.8	3.4	4.3	4.8	5.6
Indonesia ●	2,402.8	2,875.4	19.7	1,330.4	● 1,694.6	27.4	3.7	4.2	4.1	● 5.3
Viet Nam ●	2,562.5	2,724.7	6.3	1,182.0	● 1,541.4	30.4	4.0	4.0	3.7	● 4.8
Hong Kong, China	3,849.0	3,510.6	-8.8	1,115.8	1,386.1	24.2	5.9	5.1	3.4	4.3
Bangladesh	1,977.6	2,371.7	19.9	1,054.0	1,333.8	26.5	3.1	3.5	3.3	4.1
Philippines ●	1,785.6	1,830.4	2.5	812.6	● 955.8	17.6	2.8	2.7	2.5	● 3.0
Cambodia ●	1,429.0	1,712.8	19.9	731.2	● 950.0	29.9	2.2	2.5	2.3	● 2.9
Thailand ●	1,799.4	1,807.8	0.5	840.4	● 888.6	5.7	2.8	2.6	2.6	● 2.8
Sri Lanka	1,549.4	1,650.2	6.5	796.0	817.3	2.7	2.4	2.4	2.5	2.5
Pakistan	1,137.7	1,258.9	10.7	551.7	622.8	12.9	1.8	1.8	1.7	1.9
Taipei, China	1,548.9	1,134.4	-26.8	498.2	477.1	-4.2	2.4	1.7	1.5	1.5
Republic of Korea	1,808.8	1,154.6	-36.2	522.4	468.8	-10.2	2.8	1.7	1.6	1.5
Malaysia ●	712.0	677.9	-4.8	294.0	● 310.8	5.7	1.1	1.0	0.9	● 1.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## PREFERENTIAL CLOTHING SUPPLIERS TO US, BY VALUE



	Volume, million square meter equivalent						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Preferential suppliers</b>	23,486.7	22,005.0	-6.3	10,971.6	9,844.0	-10.3	36.3	32.0	33.9	30.6
CAFTA-DR	9,509.5	9,104.1	-4.3	4,612.0	3,981.1	-13.7	14.7	13.2	14.3	12.4
Mexico	6,684.8	6,078.3	-9.1	3,066.0	2,640.2	-13.9	10.3	8.8	9.5	8.2
ANDEAN	1,323.0	1,429.2	8.0	707.0	650.7	-8.0	2.0	2.1	2.2	2.0
Canada	1,504.4	1,273.4	-15.4	656.0	607.1	-7.5	2.3	1.9	2.0	1.9
AGOA	1,757.5	1,464.5	-16.7	717.3	589.8	-17.8	2.7	2.1	2.2	1.8
Jordan	956.2	1,082.5	13.2	486.3	575.4	18.3	1.5	1.8	1.5	1.8
Egypt	422.3	444.3	5.2	188.5	288.9	53.3	0.7	0.6	0.6	0.9
CBI	442.7	490.9	10.9	242.5	245.2	1.1	0.7	0.7	0.7	0.8
Israel	336.2	288.6	-14.2	150.6	128.1	-15.0	0.5	0.4	0.5	0.4
Singapore ●	242.5	156.8	-35.3	76.7	● 67.9	-11.5	0.4	0.2	0.2	● 0.2
Morocco	74.3	55.9	-24.8	27.2	47.8	75.8	0.1	0.1	0.1	0.1
Australia	209.3	113.1	-45.9	31.0	11.3	-63.5	0.3	0.2	0.1	0.0
Chile	24.0	23.4	-2.5	10.5	10.5	-0.2	0.0	0.0	0.0	0.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## NONPREFERENTIAL TEXTILES SUPPLIERS TO US, BY VOLUME



	Volume, million square meter equivalent						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Nonpreferential developing Asian suppliers</b>	5,281.8	6,103.3	15.6	2,896.5	3,321.5	14.7	41.4	46.4	43.9	50.3
People's Republic of China	968.4	1,769.3	82.7	777.8	860.6	10.6	7.6	13.5	11.8	13.0
Republic of Korea	1,403.7	1,485.8	5.9	727.8	834.8	14.7	11.0	11.3	11.0	12.6
Pakistan	1,024.7	917.3	-10.5	460.6	508.7	10.5	8.0	7.0	7.0	7.7
Taipei, China	567.4	574.3	1.2	267.2	305.7	14.4	4.4	4.4	4.0	4.6
India	213.7	383.2	79.3	186.3	281.0	50.8	1.7	2.9	2.8	4.3
Indonesia ●	334.7	357.2	6.7	155.3	● 246.0	58.4	2.6	2.7	2.4	● 3.7
Thailand ●	325.1	301.6	-7.2	142.1	● 139.4	-1.9	2.5	2.3	2.2	● 2.1
Malaysia ●	144.5	107.6	-25.6	55.6	● 62.1	11.7	1.1	0.8	0.8	● 0.9
Viet Nam ●	48.1	56.1	16.8	21.0	● 37.4	78.0	0.4	0.4	0.3	● 0.6
Hong Kong, China	62.6	69.5	10.9	55.9	20.0	-64.2	0.5	0.5	0.8	0.3
Philippines ●	108.3	42.7	-60.6	22.3	● 12.2	-45.2	0.8	0.3	0.3	● 0.2
Sri Lanka	27.7	16.6	-39.9	9.0	7.5	-16.4	0.2	0.1	0.1	0.1
Bangladesh	8.9	3.2	-63.8	1.3	4.0	203.8	0.1	0.0	0.0	0.1
Cambodia ●	6.3	2.9	-53.2	1.4	● 0.9	-32.4	0.0	0.0	0.0	● 0.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## PREFERENTIAL TEXTILES SUPPLIERS TO US, BY VOLUME



	Volume, million square meter equivalent						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Preferential suppliers</b>	4,690.9	4,411.4	-6.0	2,296.7	1,952.0	-15.0	36.7	33.5	34.8	29.5
Canada	2,747.9	2,590.7	-5.7	1,348.4	1,126.1	-16.5	21.5	19.7	20.4	17.0
Mexico	1,227.8	1,154.9	-5.9	590.7	508.3	-14.0	9.6	8.8	8.9	7.7
Israel	500.3	473.3	-5.4	262.7	224.8	-14.4	3.9	3.6	4.0	3.4
Egypt	74.6	68.5	-8.2	36.7	30.8	-16.1	0.6	0.5	0.6	0.5
CAFTA-DR	67.0	44.9	-33.0	24.2	20.7	-14.8	0.5	0.3	0.4	0.3
ANDEAN	20.3	27.0	32.8	12.9	16.2	26.0	0.2	0.2	0.2	0.2
Australia	28.9	33.5	15.7	13.3	14.9	12.6	0.2	0.3	0.2	0.2
AGOA	17.5	11.0	-37.3	4.9	5.3	7.7	0.1	0.1	0.1	0.1
Chile	2.9	3.2	10.8	1.7	1.9	14.1	0.0	0.0	0.0	0.0
Singapore ●	1.2	2.1	71.0	0.1	● 1.7	1,766.7	0.0	0.0	0.0	● 0.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## NONPREFERENTIAL TEXTILES SUPPLIERS TO US, BY VALUE



	Value (\$ million)						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Nonpreferential developing</b>	2,805.2	2,954.4	5.3	1,441.5	1,514.8	5.1	38.5	39.7	38.1	42.0
<b>Asian suppliers</b>										
People's Republic of China	575.7	896.9	55.8	409.1	459.4	12.3	7.9	12.1	10.8	12.7
Republic of Korea	666.4	665.5	-0.1	341.6	332.6	-2.6	9.1	9.0	9.0	9.2
Pakistan	509.2	411.3	-19.2	208.0	227.9	9.6	7.0	5.5	5.5	6.3
Taipei,China	432.4	415.1	-4.0	200.9	175.0	-12.9	5.9	5.6	5.3	4.9
India	150.6	183.6	21.9	88.8	116.0	30.6	2.1	2.5	2.3	3.2
Indonesia ●	134.0	138.8	3.6	63.6	● 92.5	45.5	1.8	1.9	1.7	● 2.6
Thailand ●	129.1	123.1	-4.6	58.6	● 58.2	-0.6	1.8	1.7	1.5	● 1.6
Malaysia ●	45.3	35.1	-22.6	19.1	● 22.9	20.3	0.6	0.5	0.5	● 0.6
Viet Nam ●	16.9	16.2	-4.0	6.5	● 10.4	60.6	0.2	0.2	0.2	● 0.3
Hong Kong, China	50.7	34.4	-32.1	25.0	9.7	-61.3	0.7	0.5	0.7	0.3
Philippines ●	57.7	17.6	-69.6	9.5	● 4.8	-49.9	0.8	0.2	0.3	● 0.1
Sri Lanka	13.0	7.7	-40.9	4.3	3.1	-26.8	0.2	0.1	0.1	0.1
Bangladesh	3.3	1.1	-65.3	0.5	1.1	132.7	0.0	0.0	0.0	0.0
Cambodia ●	2.5	1.9	-25.0	0.9	● 0.7	-23.3	0.0	0.0	0.0	● 0.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## PREFERENTIAL TEXTILES SUPPLIERS TO US, BY VALUE



	Value (\$ million)						Market share (%)			
	2004	2005	Change (%)	Jan-Jun 2005	Jan-Jun 2006	Change (%)	2004	2005	Jan-Jun 2005	Jan-Jun 2006
<b>Preferential suppliers</b>	2,141.5	2,168.9	1.3	1,123.9	993.5	-11.6	29.4	29.2	29.7	27.5
Canada	1,205.5	1,209.3	0.3	629.0	567.7	-9.7	16.5	16.3	16.6	15.7
Mexico	654.6	674.7	3.1	343.4	291.6	-15.1	9.0	9.1	9.1	8.1
Israel	155.4	153.9	-1.0	89.3	74.2	-16.9	2.1	2.1	2.4	2.1
ANDEAN	32.0	42.6	33.3	18.9	19.8	4.9	0.4	0.6	0.5	0.5
Egypt	30.0	26.3	-12.5	14.5	12.4	-14.4	0.4	0.4	0.4	0.3
Australia	20.6	21.9	6.4	10.4	9.2	4.9	0.3	0.3	0.3	0.3
CAFTA-DR	19.2	15.5	-19.3	7.8	7.2	-8.3	0.3	0.2	0.2	0.2
AGOA	18.7	14.6	-21.8	7.1	6.3	-8.3	0.3	0.2	0.2	0.2
Chile	3.1	5.0	62.2	1.7	3.3	-10.9	0.0	0.1	0.0	0.1
Morocco	0.6	3.5	496.9	1.2	0.7	-41.4	0.0	0.0	0.0	0.0
CBI	1.1	0.8	-30.7	0.5	0.5	-5.6	0.0	0.0	0.0	0.0
Singapore <sup>●</sup>	0.7	0.8	10.3	0.1	● 0.5	227.7	0.0	0.0	0.0	● 0.0
Jordan	0.0	0.0	-87.5	0.0	0.1	0.0	0.0	0.0	0.0	0.0

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## EU IMPORTS FROM ASIA, TEXTILES & CLOTHING BY VOLUME



	Volume change over previous period (%)						Market share (%)					
	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006
<b>Developing Asia</b>	55.1	-22.6	13.7	6.0	11.0	3.7	68.0	63.5	65.6	66.0	69.2	69.2
China, People's Rep. of	44.4	3.9	28.4	10.9	34.4	-2.4	16.9	21.2	24.7	26.0	33.0	29.3
India	5.9	-6.2	6.4	2.9	4.5	4.0	8.4	9.5	9.2	9.0	8.9	9.7
Bangladesh	401.2	-78.0	27.0	17.7	-0.9	9.8	19.4	5.1	5.9	6.6	6.2	7.1
Pakistan	8.2	11.7	13.0	6.8	-4.6	6.7	4.2	5.7	5.9	5.9	5.4	5.6
Indonesia ●	18.7	-6.1	-7.8	-7.9	-6.3	● 18.5	4.1	4.7	3.9	3.4	3.0	● 3.4
Malaysia ●	10.8	10.0	0.1	-0.1	-2.1	● 15.3	1.9	2.6	2.3	2.2	2.1	● 2.4
Thailand ●	9.0	7.0	3.7	-4.7	-3.4	● -2.3	2.0	2.6	2.5	2.2	2.0	● 2.1
Hong Kong, China	40.6	-12.8	-8.9	-17.0	-16.0	66.1	2.4	2.5	2.1	1.6	1.3	1.8
Korea, Rep. of	-3.1	-1.8	2.0	-2.9	-20.8	-13.8	2.6	3.0	2.8	2.6	1.9	1.7
Viet Nam	20.1	-1.7	7.2	7.0	3.1	98.2	0.9	1.1	1.1	1.1	1.0	1.7
Taipei, China	26.8	-19.8	-0.2	-12.1	-4.8	-6.4	2.5	2.4	2.2	1.8	1.6	1.6
Sri Lanka	-4.2	5.1	6.6	12.1	-8.0	14.2	0.7	0.9	0.9	0.9	0.8	0.9
Cambodia ●	71.1	-9.1	19.7	24.7	-8.1	● -0.5	0.3	0.4	0.4	0.5	0.4	● 0.4
Philippines ●	2.0	-3.6	0.7	14.7	-32.1	● 21.2	0.4	0.4	0.4	0.4	0.3	● 0.4
Myanmar ●	34.6	-3.6	11.0	53.0	-54.2	● 21.9	0.3	0.3	0.3	0.5	0.2	● 0.3
Uzbekistan	20.6	12.8	34.7	-11.0	-31.1	-39.5	0.3	0.5	0.6	0.5	0.3	0.3
Turkmenistan	13.2	13.6	-9.5	21.2	-18.4	85.5	0.1	0.1	0.1	0.1	0.1	0.1
Lao People's Dem. Rep. ●	18.9	46.2	-28.5	13.5	1.7	● 38.8	0.1	0.2	0.1	0.1	0.1	● 0.1
Tajikistan	7.2	18.9	41.1	-30.5	-4.1	-4.3	0.1	0.1	0.1	0.1	0.1	0.1
Nepal	-21.7	-20.6	-0.3	9.5	-11.8	-3.9	0.1	0.1	0.1	0.1	0.1	0.1

Source: ADB OUTLOOK database

Source: ADB



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# PERFORMANCE IN POST-QUOTA ERA

## EU IMPORTS FROM ASIA, TEXTILES & CLOTHING BY VALUE



	Value change over previous period (%)						Market share (%)					
	2001	2002	2003	2004	2005	2006	2001	2002	2003	2004	2005	2006
<b>Developing Asia</b>	1.2	-0.3	0.1	8.1	13.8	23.6	53.2	53.2	53.5	55.2	59.1	60.4
China, People's Rep. of	7.0	10.5	7.2	12.4	39.8	12.1	18.0	19.9	21.4	23.0	30.2	26.9
India	5.5	-4.7	-1.1	5.1	16.7	23.0	7.1	6.8	6.8	6.8	7.5	8.8
Bangladesh	8.9	-2.8	12.2	20.2	-4.8	38.2	4.4	4.3	4.9	5.6	5.0	6.0
Hong Kong, China	-16.9	-9.9	-9.8	-6.4	-13.0	195.5	4.1	3.7	3.3	3.0	2.4	4.0
Pakistan	6.8	4.5	3.6	9.6	-11.9	15.7	3.2	3.3	3.4	3.6	3.0	3.1
Indonesia ●	-2.0	-14.5	-11.8	-3.8	-10.1	● 37.3	3.7	3.2	2.8	2.6	2.2	● 2.4
Thailand ●	-5.8	-1.2	-5.6	4.2	-7.3	● 17.2	2.0	2.0	1.9	1.9	1.7	● 1.7
Viet Nam ●	0.6	-8.6	-21.0	19.4	6.4	● 70.6	1.3	1.2	0.9	1.1	1.1	● 1.4
Sri Lanka	-7.7	-3.7	-5.6	13.3	-1.1	30.1	1.3	1.2	1.2	1.3	1.2	1.3
Korea, Rep. of	-8.7	-9.8	-11.6	-7.7	-25.7	-1.5	2.8	2.5	2.2	1.9	1.4	1.2
Malaysia ●	-5.2	-0.3	-14.5	-4.6	-0.4	● 25.3	1.3	1.3	1.1	1.0	0.9	● 1.0
Taipei,China	-10.6	-10.7	-11.8	-16.4	-18.4	5.5	1.7	1.5	1.3	1.1	0.8	0.8
Cambodia ●	39.7	7.4	-0.7	22.5	-8.2	● 22.3	0.6	0.6	0.6	0.7	0.6	● 0.6
Philippines ●	-10.9	-0.1	-5.6	13.8	-32.2	● 23.6	0.5	0.5	0.5	0.5	0.3	● 0.4
Myanmar ●	30.3	-16.5	-7.7	23.0	-48.2	● 12.0	0.6	0.5	0.5	0.5	0.3	● 0.3
Lao People's Dem. Rep. ●	11.1	-4.1	-13.1	7.7	1.1	● 27.8	0.2	0.2	0.2	0.2	0.2	0.2
Nepal	-27.4	-29.9	-12.3	10.8	-5.9	3.3	0.2	0.1	0.1	0.1	0.1	● 0.1

Source: ADB OUTLOOK database

Source: ADB

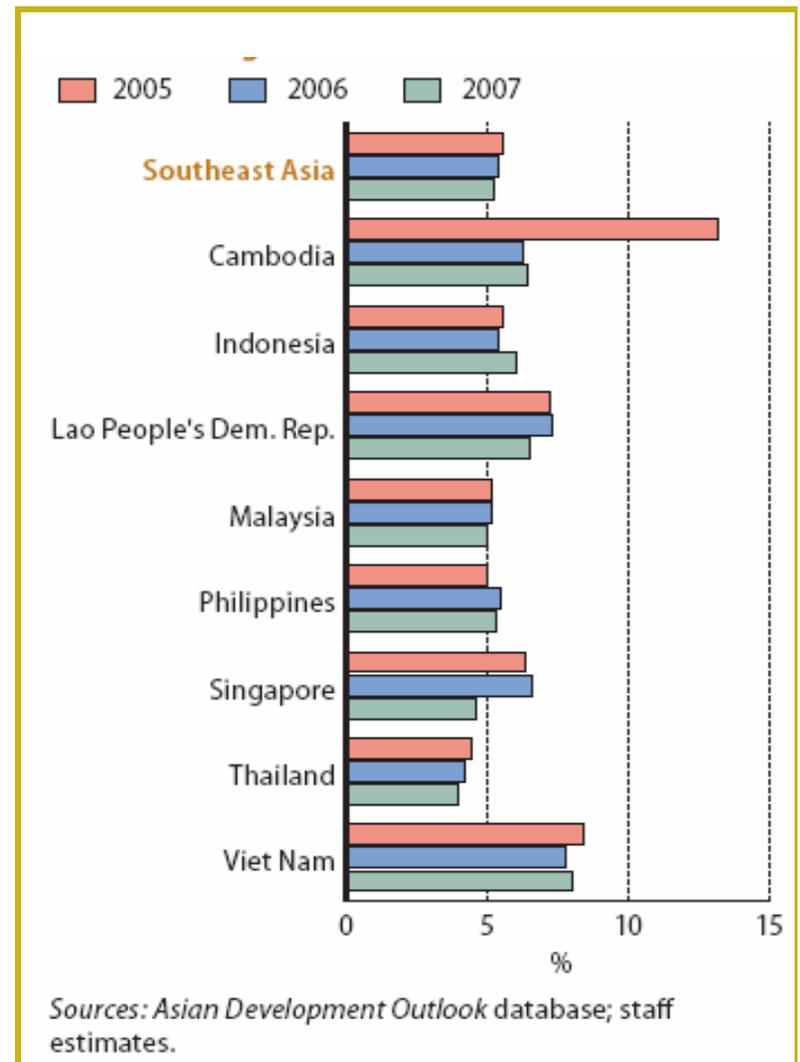


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# 2006 GROWTH FOR SOUTHEAST ASIA

## ■ 2006 estimate for GDP growth went down to 5.4%

- Thailand 4.2% - Political uncertainty, postponement of large infrastructure
- Malaysia 5.2% - Improved investment, but slow domestic consumption
- Philippines 5.4% - Progress with fiscal consolidation
- Indonesia 5.4% - Improved domestic demand
- Cambodia 6.3% - rebound in agriculture
- Singapore 6.6% - Buoyant electronics & pharmaceuticals activity
- Vietnam 7.8% - Significant FDI
- Lao PDR 9% - Hydropower, mining investments



# ASEAN INTEGRATION (POLICIES)



**ASEAN Free Trade Area (AFTA) - eliminate tariffs on all regional products (January 1993 - 2015)**

➤ **Common Effective Preferential Tariff (CEPT)**

- ❑ **Tariff rates of products included reduced to 0-5%**
- ❑ **Rates by 0-5% (90% of ASEAN tariff lines) in the Inclusion List by 2002**
- ❑ **Tariff rate reduction timeline to reach 0-5%**
  - **original six ASEAN members by January 2003**
  - **Vietnam by 2006**
  - **Lao PDR and Myanmar by 2008**
  - **Cambodia by 2010**
- ❑ **CEPT covers manufacture products with at least 40% ASEAN content**

**ASEAN Framework Agreement Trade in Services**

**ASEAN Investment Area Agreement**

**ASEAN's "Vision 2020"**

- **"ASEAN Economic Community" (AEC)**
- **end goal of economic integration in ASEAN by 2020, though could be realized by 2015**

Source: [bilaterals.org](http://bilaterals.org)  
everything that's not happening at the WTO



# ASEAN INTEGRATION (POLICIES) for CLMV



## ➤ Initiative for ASEAN Integration (IAI)

□ IAI focuses on the following priority areas in the CLMV countries:  
infrastructure

- development (transport and energy);
- human resource development (capacity building, labor and employment, and higher education);
- information and communications technology;
- promoting regional economic integration (trade in goods and services, customs, standards and investments)

## ➤ ASEAN Integration System of Preferences (AISP)

□ Original members of ASEAN extend unilateral tariff preferences to the CLMV countries pending the latter's tariff liberalization

Source: Challenges and Opportunities for ASEAN



# ASEAN TRADE AGREEMENTS



## SIGNED

China ASEAN Free Trade Agreement (CAFTA)

Korea ASEAN Free Trade Agreement (KAFTA)

India ASEAN Free Trade Agreement (IAFTA)

## PROPOSED

ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

ASEAN Plus 3: Korea, Japan, China

ASEAN US

ASEAN EU

ASEAN with Australia and New Zealand

Source: [bilaterals.org](http://bilaterals.org)  
everything that's not happening at the WTO



# China ASEAN Free Trade Agreement (CAFTA)



**China and ASEAN are each other's fourth largest trading partner**

- **2001 (Nov)** - **Began negotiations to set up a free trade area (FTA)**
- **2005 (July 01)** - **ASEAN gradually lower tariff on Chinese textile/apparel**
- **Ongoing** - **Negotiations on trade in services**
- **2010** - **Established free trade zone**
  - **Zero tariff for textile and apparel, and other normal products for China and six original ASEAN members**
- **2015** - **Zero tariffs on most normal products for Cambodia, Laos, Myanmar and Vietnam**

## HIGHLIGHTS OF CHINA ASEAN TRADE

- **Jan-Sep 2006 two-way trade topped \$116.3 billion**
  - **China and ASEAN are each other's fourth largest trading partner**

**January-November 2005 textile and apparel trade**

- **China's textile and apparel exports to ASEAN worth US\$5.08 billion**
- **Exports grew 22.4% year on year; 4.8% of China's total textile export**
- **ASEAN textile and apparel exports to China worth US\$ 620 million**
- **Exports grew by 5.8% year on year, 4% of China's total textile import**



# Comparative Indicators of ASEAN & China, 2003



Country	GNI		GNI-PPP adjusted		GDP (US\$ billion)	GDP average annual growth* (%)	Merchandise trade			
	Populatio (million)	Total (US\$ billion)	Per capita (US\$)	Total (US\$ billion)			Per capita (US\$)	Exports (US\$ billion)	Imports (US\$ billion)	Total (US\$ billion)
Brunei	0.4	5	15 000	NA	NA	NA	NA	NA	NA	
Indonesia	214.5	173	810	689	3 210	208.3	3.5	60.7	32.4	93.0
Malaysia	24.8	94	3 780	222	8 940	103.2	5.9	100.7	81.1	181.8
Philippines	81.5	88	1 080	379	4 640	80.6	3.5	37.1	39.3	76.4
Singapore	4.3	90	21 230	103	24 180	91.3	6.3	144.1	127.9	272.0
Thailand	62.0	136	2 190	462	7 450	143.2	3.7	80.3	75.7	155.9
Cambodia	13.4	4	310	28	2 060	4.3	6.6	1.6	1.7	3.3
Laos	5.7	2	320	10	1 730	2.0	6.3	0.4	0.5	0.9
Myanmar	49.4	NA	NA	NA	NA	NA	NA	2.8	2.5	5.3
Vietnam	81.3	33	410	169	2 130	39.2	7.5	19.7	24.0	43.7
ASEAN-6	387.5	586	1 414	1 855		626.6		422.8	356.3	779.2
CLMV	149.8	38	385	207		45.5		24.5	28.8	53.2
ASEAN-10	537.3	624	1 094	2 062		672.0		447.3	385.1	832.4
China	1 288.4	1 417	1 100	6 435	4 990	1 409.9	9.5	438.4	412.8	851.2
Percentage of world										
ASEAN-10	8.6	1.8		4.0		1.8		6.0	5.1	5.5
China	20.5	4.1		12.5		3.9		5.9	5.4	5.6

Source: Chia (2005). \*1990–2003. NA, not available.



# China ASEAN Free Trade Agreement (CAFTA)



## China ASEAN Rule of Origin

**Wholly obtained products from any of the member countries (all parties) in the trade agreement**

### Not Wholly Produced or Obtained

(a) For the purposes of Rule 2(b), a product shall be deemed to be originating if:

(i) Not less than 40% of its content originates from any Party; or

(ii) If the total value of the materials, part or produce originating from outside of the territory of a Party (i.e. non-ACFTA) does not exceed 60% of the FOB value of the product so produced or obtained provided that the final process of the manufacture is performed within the territory of the Party.

(b) For the purposes of this Annex, the originating criteria set out in Rule 4(a)(ii) shall be referred to as the “ACFTA content”. The formula for the 40% ACFTA content is calculated as follows:

$$\frac{\text{Value of Non-ACFTA materials} + \text{Value of materials of Undetermined origin}}{\text{FOB Price}} \times 100 \% < 60\%$$

Therefore, the ACFTA content: 100% - non-ACFTA material = at least 40%

**Cumulative Rule of Origin** where aggregate ACFTA content (i.e. full cumulation, applicable among all Parties) on the final product is not less than 40%

**Product Specific Criteria** where Products which have undergone sufficient transformation in a Party shall be treated as originating goods of that Party;

Source: <http://app.fta.gov.sg>,



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# Korea ASEAN FTA



May 2006 South Korea and ASEAN signed a goods-only free trade agreement which took effect July 2006

(Thailand did not sign, continues to negotiate on agriculture concerns)

Jan 2007 To hold negotiations in 2007 on liberalizing bilateral services trade and investment flows

## KOREAN INTERESTS

ASEAN is 4<sup>th</sup> largest export partner

- ▶ Enhance competitiveness of Korean products into ASEAN
  - ❑ lowered tariffs on key export goods such as electronics products, transportation machinery, wireless communication equipment, steel products and textiles

## ASEAN INTERESTS

- ▶ Increase trade access to Korean market

Source: Toward a Comprehensive Partnership ASEAN-Korea Economic Cooperation



# ASEAN-Japan Comprehensive Economic Partnership (AJCEP)



**Wants to increase ASEAN Japan trade and investments by more than one multiple to diversify their China risk due to cultural differences**

- **Negotiations for the free-trade agreement (FTA) between Southeast Asian countries and Japan may fail**
  - **Japan is planning to request that over 500 products excluded from the deal**

**2004**      **Negotiations for the ASEAN-Japan FTA started**

- 2003**      **ASEAN-Japan Commemorative Summit took place**
- **Japan reaffirmed to give priority to ASEAN in its various policies**
  - **ASEAN leaders reiterated their perception of Japan as an important partner**

Source: [bilaterals.org](http://bilaterals.org)  
everything that's not happening at the WTO



# ASEAN + 3



- **Provided an effective mechanism for greater cooperation and gradual regional economic integration in East Asia**
- **Continuous consultations with dialogue partners focused on the current status of negotiations on the Free Trade Agreements (FTAs) that Asean is currently negotiating with these countries**
  - **narrowing the differences in positions relating to issues such as services and investment liberalization and modalities for tariff reduction for trade in goods**
  - **Asean+3 Consultations have been devoted to identification and implementation of projects, mainly capacity building initiatives**
  - **Asean + 3 process is now giving greater emphasis for policy dialogues on key issues confronting member countries such as the spiralling oil price, energy efficiency and conservation measures, diversification of energy supply and use of alternative and renewable energy, effective and clean use of resources, oil stockpiling system development and energy-related statistics development**

Source:BERNAMA<http://webevents.bernama.com>



# ASEAN + 3



- **Considering the recommendations of the Expert Group on the establishment of an East Asia Free Trade Area (EAFTA)**
- **Initial findings shows that countries will benefit from EAFTA, as all parties can expect an increase in both GDP and welfare**
- **Further thoughts need to be given on how EAFTA could be devised, taking into account all existing and ongoing East Asian FTAs including the Asean+1 FTA**
- **Each country expands its source of supply, and gets possible drawback for transshipments and making ambiguous the origin of goods (if 3<sup>rd</sup> country/dialogue partner is more organized and easier to deal with than an ASEAN partner/country, the major investments and trade benefits will flow in favor of dialogue partner)**

Source: BERNAMA <http://webevents.bernama.com>



# ASEAN US



- 2002** President Bush launched the Enterprise for ASEAN Initiative (EAI)
- 2003** Following achievements occurred under the EAI:
- conclusion of FTA negotiations with Singapore.
  - concluded TIFAs w/ Thailand & Brunei, launched TIFA negotiations with Malaysia
  - On Sept. 11, 2003, Cambodia was accepted for membership in the WTO
- 2004** Implementation of the U.S.-Singapore FTA
- Started negotiations FTA Thailand and signed TIFA with Malaysia
- 2005** Continue implementation of the U.S.-Vietnam Bilateral Trade Agreement and continue progress towards Vietnam's WTO accession
- 2006** Signed TIFA with Cambodia; Pending negotiations of the U.S.-Thailand FTA, started negotiations on U.S.-Malaysia FTA; announced at APEC side meeting to fast-track U.S.-Philippines FTA
- Currently negotiating a regional TIFA agreement with the 10-member Association of Southeast Asian Nations (ASEAN)

Source: Annual performance plan and annual performance report for the Office of the USTR



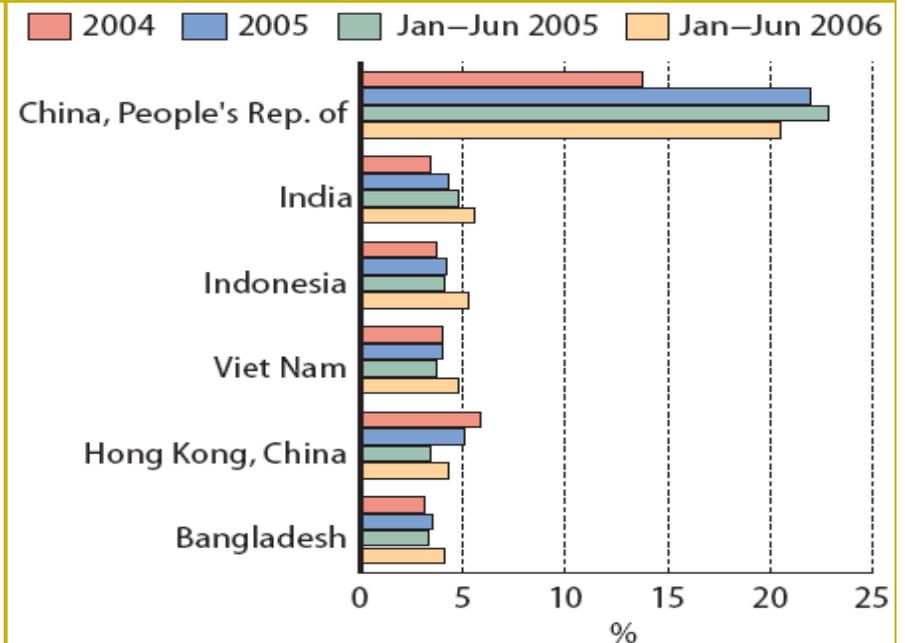
# Effects of US Imposition of Safeguards on China

- Period Jan-July, textile exports decreased by 76% over same period last year (source:  TBC-WORLD.COM™  
The resource for your international trading needs.)
- Period Jan-June, Clothing exports volume down by almost 15%; value down by almost 11% (source: ADB OUTLOOK 2006)

## TOP ASIAN SUPPLIERS TO U.S. (CLOTHING BY VALUE) JAN-JUNE 2006

- ▶ Indonesia, Vietnam had value gains
- ▶ Philippines, Thailand had volume gains
- ▶ Alternative Asian suppliers benefit until PRC restrictions are removed end 2008

(source: ADB OUTLOOK 2006)



Source: United States Department of Commerce, Office of Textiles and Apparel, available: <http://www.otexa.ita.doc>.



# ASEAN EU FTA



- 1 EU is expected to make a decision on whether and how to negotiate such an agreement by the end of 2006

## EU INTERESTS

- ▶ Address the trade policy gap with other parts of ASIA (less focus on China)
- ▶ Build and strengthen closer relations with ASEAN
- ▶ Improve protection of intellectual property rights to help attract investment
- ▶ Create fairer, level playing field for businesses
- ▶ Simplifying customs procedures and aligning EU regulatory approaches
- ▶ Review non-tariff barriers and standards & regulations

## ASEAN INTERESTS

In 2005, EU is 2<sup>nd</sup> biggest export market; 3<sup>rd</sup> largest trading partner

- Increase trade access to EU (main exports: machinery, agricultural products, chemical and textiles and clothing)
- Expand EU investments to rest of ASEAN

[EU Strategy](#) [Advantages](#)

Source: The Future of EU-ASEAN trade relations – May 2006



## ● Effects of EU Imposition of Safeguards on China

- **European apparel imports from China for Jan-July 2006 declined and unit prices increased**

### EU IMPORTS FROM ASIA, TEXTILES & CLOTHING (Unit Price Change)



EU Textile and Clothing Imports						
Unit Price Change						
Percentage Change of Unit Prices in Euros						
	2001	2002	2003	2004	2005	2006
Southeast Asia	-15.0	-6.6	-10.0	4.8	-3.5	10.9
Cambodia	-18.4	18.2	-17.1	-1.8	-0.1	18.9
Indonesia	-17.4	-9.0	-4.4	4.5	-4.0	14.9
Laos	-6.6	-34.4	21.5	-5.1	-0.6	-7.8
Malaysia	-14.5	-9.4	-14.5	-4.5	1.7	8.4
Myanmar	-3.2	-13.4	-16.8	-19.6	13.0	-11.1
Philippines	-12.6	3.6	-6.3	-0.9	-0.1	2.1
Singapore	-66.2	208.5	-17.7	-11.1	-1.0	16.0
Thailand	-13.6	-7.7	-9.0	9.3	-4.0	19.6
Vietnam	-16.2	-7.0	-26.3	11.6	3.2	-12.6

Source: ADB OUTLOOK database



# EU TRADE STRATEGY ON ASEAN



“ Beyond Doha, we need to start thinking about how we can complement the WTO system through deeper bilateral trade relations”

➤ Propose an ASEAN-EU Free Trade Agreement that would match trade liberalization with investment in capacity building, particularly for those ASEAN countries that have LDC status

- ❖ **eliminating tariffs for trade in agriculture and industrial products**
- ❖ **liberalize services trade to strengthen banking, telecommunications and transport sectors**

Source: Peter Mandelson, EU Trade Commissioner on The Future of EU-ASEAN trade relations – May 2006



# ASEAN EU Advantages



- ▶ **Asia's competitive advantage is low cost labour-intensive industries and manufacturing**
  - **Europe is a huge and growing market for the textiles and shoes and fisheries and electronics and light manufactures and semi-conductors, as well as flows of foreign direct investment from ASEAN**
- ▶ **EU's comparative advantage as the world's biggest exporter and investor, is its high quality, high value manufactured goods and services**
  - **ASEAN offers a huge market of more than 530 million people whose rising living standards & developing taste matches EU's quality and design goods**

Source: Peter Mandelson, EU Trade Commissioner on The Future of EU-ASEAN trade relations - May 2006



# HIGHER VALUE ADDED

## I. PRODUCT

- TYPES OF ACCESSORIES ARE EASILY AVAILABLE
- DESIGN IDEAS AND MATERIALS ARE EASILY AVAILABLE

## II. LOGISTICS AND INFRASTRUCTURE

- SUPPLIES ARE CLOSE TO YOU
- DELIVERY AND COLLECTION PROCESS IS FAST
- ALLIED SERVICES  
E.G. DESIGN AND TECHNICIAN WIDELY AVAILABLE
- SHIPMENT MODES MULTIPLE AND FREQUENT

## I. MARKET

- CREATING BRAND IMAGES FOR LARGER MARGINS FOR YOUR PRODUCT
- CREATE RETAIL NETWORK STORES  
EX. LEVIS/GUESS COULD SELL HIGH PRICE BECAUSE OF INTERNATIONAL ADVERTISEMENT



# SUMMARY OF ASEAN/MEMBER TRADE AGREEMENTS

	PARTIES	YEAR	TYPE OF AGREEMENT
ASEAN 	ASEAN (AFTA)	SIGNED	Regional Trade Agreement
	TRANS-PACIFIC SEP		
	CHINA	SIGNED	ASEAN plus Agreement
	CER	UNDER NEGO	
	INDIA	UNDER NEGO	
	JAPAN	UNDER NEGO	
	REP. OF KOREA	UNDER NEGO	
INDONESIA 	INDIA	UNDER STUDY	Bilateral Trade Agreement
MALAYSIA 	JAPAN	SIGNED	Bilateral Trade Agreement
	NEW ZEALAND	UNDER NEGO	
	PAKISTAN	UNDER NEGO	
	USA	UNDER NEGO	
	AUSTRALIA	UNDER STUDY	
PHILIPPINES 	JAPAN	SIGNED	Bilateral Trade Agreement
	US	UNDER STUDY	

Source: informal compilation by Gibbs and Wagle (2005)



# SUMMARY OF ASEAN/MEMBER TRADE AGREEMENTS

	PARTIES	YEAR	TYPE OF AGREEMENT
SINGAPORE 	BAHRAIN, UAE, EGYPT	UNDER STUDY	Bilateral Trade Agreement
	CANADA	UNDER NEGO	
	KUWAIT		
	PERU		
	QUATAR		
	SRI LANKA		
	MEXICO		
	PAKISTAN		
	PANAMA		
	REP. OF KOREA		
	INDIA	SIGNED 2005	
	JORDAN	SIGNED 2004	
	USA, AUSTRALIA, EFTA	SIGNED 2003	
	JAPAN	SIGNED 2002	
NEW ZEALAND	SIGNED 2000		

Source: informal compilation by Gibbs and Wagle (2005)



# SUMMARY OF ASEAN/MEMBER TRADE AGREEMENTS

	PARTIES	YEAR	TYPE OF AGREEMENT
<b>THAILAND</b> 	USA	UNDER NEGO	Bilateral Trade Agreement
	PAKISTAN	UNDER STUDY	
	JAPAN	SIGNED 2006	
	NEW ZEALAND	SIGNED 2005	
	AUSTRALIA	SIGNED 2004	
	BAHRAIN	SIGNED 2002	
	BIMSTEC	SIGNED 2004	
	INDIA	SIGNED 2003	
	PERU	SIGNED 2003	

Source: informal compilation by Gibbs and Wagle (2005)



# ASEAN ROADMAP FOR INTEGRATION OF TEXTILES AND APPAREL PRODUCTS SECTOR



## ► Objectives

- Strengthen regional integration on through liberalization and facilitation measures in the area of trade in goods, services and investments;
- Promote private sector participation

## ► Measures

- Combining the economic strengths of ASEAN member countries for regional advantage;
- Facilitate and promote intra-ASEAN trade and investments;
- Improve the condition to attract and retain manufacturing and other economic activities within the region;
- Promote outsourcing programme within ASEAN; and
- Promote the development of “Made in ASEAN” products and services

Source: ASEAN



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>COMMON ISSUES</b>			
<b>I</b>	<b>Tariff Elimination</b>		
1	Eliminate CEPT-AFTA tariffs on all identified products	Coordinating Committee on the Implementation of the CEPT Scheme for AFTA (CCCA)	ASEAN 6: 2007 CLMV: 2012
2	Establish the Database of ASEAN NTMs to ensure transparency <sup>[1]</sup>		30 June 2004
3	Establish clear criteria to identify measures that are classified as barriers to trade		30 June 2005
4	Establish a clear and definitive work programme for the removal of the barriers.		31 December 2005
5	Adopt the WTO Agreement on Import Licensing Procedures and develop implementation guidelines appropriate for ASEAN.		31 December 2004

Source: ASEAN



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>III</b>	<b>Rules of Origin</b>		
<b>6</b>	Improve the CEPT Rules of Origin by: <ul style="list-style-type: none"> <li>- making it more transparent, predictable and standardised taking into account the best practices of other Regional Trade Agreements including the rules of origin of WTO;</li> <li>- adopting substantial transformation as alternative criteria for conferring origin status.</li> </ul>	Task Force on CEPT Rules of Origin (ROO-TF)	31 December 2004
<b>IV</b>	<b>Customs Procedures</b>		
<b>7</b>	Extend the application of the ASEAN Harmonised Tariff Nomenclature (AHTN) for extra-ASEAN trade.	Expert Committee on Customs Matters (ECCM)	on-going
<b>8</b>	Develop a simplified, improved and harmonised customs declaration form.		31 December 2005



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>IV</b>	<b>Customs Procedures</b>		
9	Ensure full implementation of the Green Lane System for CEPT Products, or similar systems, at entry points of all Member States.	Expert Committee on Customs Matters (ECCM)	31 December 2004
10	Develop implementation guidelines, as appropriate, for Member States which are not members of the WTO to fulfill the obligations of the WTO Agreement on Customs Valuation		31 December 2004
11	Adopt service commitment (client charter) by ASEAN customs authorities.		31 December 2004
12	Develop the Single Window approach, including the electronic processing of trade documents at national and regional levels	Inter-Agency Task Force on Single Window	31 December 2005



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>V</b>	<b>Standards and Conformance</b>		
13	Accelerate the implementation/ development of sectoral Mutual Recognition Arrangements (MRAs), as appropriate	ASEAN Consultative Committee on Standards and Quality (ACCSQ)	beginning 1 January 2005
14	Encourage domestic regulators to recognise test reports issued by testing laboratories which are already accredited by National Accreditation Bodies in ASEAN that are signatories to ILAC and		on-going
15	Set clear targets and schedules for harmonisation of standards, wherever required; where international standards are not available, and when requested by industry, align national		31 December 2005
16	Harmonise and/or develop, wherever appropriate, technical regulations for national application.		31 December 2010
17	Ensure compliance with the requirements, rights and obligations of WTO Agreements on Technical Barriers to Trade and the Application of Sanitary and Phyto-Sanitary Measures		on-going
18	Explore development of ASEAN policy on standards and conformance to further facilitate the realization of the ASEAN Economic Community.		beginning 2005



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>VI</b>	<b>Logistics Services</b>		
<b>19</b>	<p>Expedite the development of integrated transport logistics services within ASEAN through:</p> <ul style="list-style-type: none"> <li>- Promotion of efficient door-to-door cargo transport and cross-border transport facilitation through the expeditious implementation of the ASEAN Framework Agreement on the Facilitation of Goods in Transit, and the ASEAN Framework Agreement on Multimodal Transport;</li> <li>- Improvement of land transport network infrastructures and services to achieve better inter-connectivity, inter-operability and inter-modality with the national, regional and international maritime and air transport gateways;</li> <li>- Strengthening intra-ASEAN maritime and shipping transport services; and</li> <li>- Establishment of enabling and conducive policy environment for increased private sector involvement and/or public-private partnerships in the development of transport infrastructure and the provision and operation of transport logistics facilities and services.</li> </ul>	<p>Senior Transport Officials Meeting (STOM)</p>	<p>beginning 2005</p>



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>VII</b>	<b>Outsourcing and Industrial Complementation</b>		
20	Identify and develop specialisation of production processes, research and development (R&D), and testing facilities based on comparative advantages of individual Member States	Working Group on Industrial Cooperation (WGIC), with inputs from the private sector	on-going
21	Develop guidelines to promote outsourcing arrangements among Member States, as applicable.		
<b>VIII</b>	<b>ASEAN Integration System of Preferences</b>		
22	Endeavour to expand the coverage of the ASEAN Integration System of Preferences (AISP) Scheme by including products in the priority integration sectors	CCCA	on-going



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>IX</b>	<b>Investments</b>		
23	Accelerate the opening up of sectors currently in the Sensitive List (SL) by transferring these sectors into the Temporary Exclusion List (TEL) under the Framework Agreement on the ASEAN Investment Area, using the ASEAN-X formula.	Coordinating Committee on Investment (CCI)	beginning 2004
24	Reduce restrictive investment measures in the SL		beginning 2004
25	Complete the progressive elimination of restrictive investment measures in the TEL		on-going <sup>[2]</sup>
26	Identify programmes and activities to promote investments in ASEAN		31 December 2005
27	Promote manufacturing processes across different ASEAN countries to take advantage of their comparative strengths through:		
	<ul style="list-style-type: none"> <li>- the establishment of a network of ASEAN free trade zones to facilitate outsourcing activities</li> <li>- undertaking more efficient joint ASEAN facilitation and promotion measures to promote FDI</li> </ul>		beginning 2005 on-going



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>IX</b>	<b>Investments</b>		
28	<p>Promote and facilitate joint/cross border investments in manufacturing activities through:</p> <ul style="list-style-type: none"> <li>- special incentives, where appropriate, to be given by CLMV for investments from ASEAN</li> <li>- special measures, where appropriate to be given by ASEAN 6 to promote and facilitate relocation of investment to CLMV countries especially for labour intensive manufacturing activities</li> </ul>	Coordinating Committee on Investment (CCI)	on-going



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>X</b>	<b>Trade and Investment Promotion</b>		
29	Intensify intra- and extra ASEAN joint promotion efforts regularly	CCI; ASEAN Chambers of Commerce and Industry (ASEAN-CCI); and relevant Industry Clubs/ Associations	on-going beginning 2005
30	<p>Organise regular private sector initiatives to undertake:</p> <ul style="list-style-type: none"> <li>- more efficient joint ASEAN facilitation and promotion measures to promote FDI ASEAN selling-buying missions; and</li> <li>- promotional activities to assist CLMV countries</li> </ul>	CCI; ASEAN Business Advisory Council (ASEAN-BAC); and ASEAN-CCI	on-going beginning 2005
31	Undertake more effective joint ASEAN facilitation in promotion measures and develop new sources of inward foreign direct investments, particularly from potential countries such as the People's Republic of China, India and the Republic of Korea		



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>XI</b>	<b>Intra-ASEAN Trade and Investment Statistics</b>		
<b>32</b>	<p>Establish an effective system to monitor intra-ASEAN trade and investment through:</p> <ul style="list-style-type: none"> <li>- provision of updates to the ASEAN Secretariat of the latest trade (goods and services) and investment statistics</li> <li>- preparation of consolidated industry profile, by the respective associations, which among other matters, cover information such as production capacity and product</li> </ul>	Working Group on Statistics; Working Group on Foreign Direct Investment Statistics; and CCCA	on-going
<b>XII</b>	<b>Intellectual Property Rights</b>		
<b>33</b>	Expand the scope of ASEAN intellectual property rights cooperation beyond trademarks and patents by including cooperation in copyrights information exchange and enforcement	ASEAN Working Group on Intellectual Property Cooperation (AWGIPC)	31 December



NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>XIII</b>	<b>Movement of Business Persons, Skilled Labour, Talents and Professionals</b>		
34	Develop an ASEAN Agreement to facilitate the movement of business persons, including the adoption of an ASEAN Travel Card, taking into account Member States' domestic laws and regulations.	Directors-General of Immigration Departments and Heads of Consular Affairs Division of the	31 December 2005
35	Develop an ASEAN Agreement to facilitate the movement of experts, professionals, skilled labor and talents, taking into account Member States' domestic laws and regulations	Coordinating Committee on Services (CCS)	31 December 2005
36	Accelerate completion of MRAs to facilitate free movement of experts, professionals, skilled labor and talents in ASEAN, taking into account Member States' domestic laws and regulations		31 December 2008
<b>XIV</b>	<b>Facilitation of Travel in ASEAN</b>		
37	Harmonise procedures for the issuance of visas to international travelers	DGICM	31 Dec2004
38	Provide visa exemption for intra-ASEAN travel by ASEAN nationals		2
<b>XV</b>	<b>Human Resource Development</b>		
39	Develop and upgrade skills and capacity building through joint trainings and workshops.	Senior Labour Officials Meeting (SLOM)	on-going

NO.	MEASURES	IMPLEMENTING BODY	TIMELINE
<b>SPECIFIC ISSUES</b>			
<b>XVI</b>	<b>ASEAN Cumulation</b>		
<a href="#"><u>40</u></a>	<b>Engage major importing countries to address issues of concern to ASEAN exporters, especially relating to ASEAN Cumulation for GSP Scheme</b>	SEOM with inputs from CCCA and <b>ASEAN Federation of Textile Industries</b>	on-going
<b>XVII</b>	<b>Coordination of Outsourcing Activities among ASEAN Companies</b>		
<a href="#"><u>41</u></a>	<b>Promote outsourcing among ASEAN companies.</b>	WGIC with inputs from <b>AFTEX</b>	Beginning 2005
<b>XVI II</b>	<b>Original Design Manufacturers (ODMs)</b>		
<a href="#"><u>42</u></a>	<b>Promote development of original designs and brands among ASEAN manufacturers.</b>	WGIC and <b>AFTEX</b>	Beginning 2005
<b>XIX</b>	<b>Cooperation of ASEAN Private Sector</b>		
<a href="#"><u>43</u></a>	<b>Develop and expand the ASEAN textile and apparel website.</b>	<b>AFTEX</b>	on-going
<a href="#"><u>44</u></a>	<b>Jointly organize textile and apparel trade fair and exhibition.</b>	<b>AFTEX</b>	on-going
<b>XX</b>	<b>Study on the Impact of Multi Fibre Agreement (MFA) Expiry on the ASEAN Textiles Industry</b>		
<b>45</b>	To undertake study on the impact of the expiry of the MFA to ASEAN textiles & apparel industries.	ASEAN Secretariat	January 2005

# RECOMMENDATIONS ASEAN ROADMAP

<u>MEASURE 40</u>	RECOMMENDATION <span style="float: right;">SOURCE: ASEAN SECRETARIAT</span>
<p><b>ADOPT A COMMON ROO FOR THE TEXTILE AND APPAREL PRODUCTS IN NEGOTIATING WITH ASEAN DIALOGUE PARTNERS</b></p>	<p><b>CUMULATION TO BE ALLOWED FOR BILATERAL FTA AGREEMENTS SIGNED BY ANY ASEAN COUNTRIES WITH ANY FTA PARTNER; OR</b></p> <p><b>ASEAN MEMBER COUNTRY SHOULD TRY IN NEGOTIATION TO ESTABLISH ANY BILATERAL FTA WITH ANY PARTNER TO GET APPROVAL ON USING ASEAN CUMULATION FOR ITS EXPORT TO THAT FTA PARTNER</b></p> <p><b>MODIFY TIMELINE TO 1 JANUARY 2007</b></p>

<u>NEW MEASURE</u>	COMMENTS	RECOMMENDATION
<p><b>ADOPT A COMMON ROO FOR THE TEXTILE AND APPAREL PRODUCTS IN NEGOTIATING WITH ASEAN DIALOGUE PARTNERS</b></p>	<p><b>INTRODUCE NEW MEASURE ON ROO</b></p>	<p><b>TF-ROO WITH INPUTS FROM AFTEX</b></p> <p>ONGOING ACTIVITY</p>

[back](#)

# RECOMMENDATIONS ASEAN ROADMAP

SOURCE: ASEAN SECRETARIAT

<b><u>MEASURE 41</u></b>	<b>COMMENTS/ ISSUES</b>	<b>RECOMMENDATION</b>
<p><b>PROMOTE OUTSOURCING AMONG ASEAN COMPANIES</b></p>	<p><b>CHANGE IMPLEMETING BODY FROM WGIC TO CCC</b></p> <p><b>JOINTLY UNDERTAKEN WITH AFTEX</b></p>	<p><b>ADD;</b></p> <p><b>REVIEW POLICES THAT INHIBIT OUTSOURCING</b></p> <p><b>SIMPLIFY CUSTOMS PROCEDURE FOR OUTSOURCING</b></p> <p><b>EXPAND THE GREENLANE SYSTEM FOR OUTSOURCING OF TEXTILES AND APPAREL PRODUCTS</b></p>



# RECOMMENDATIONS ASEAN ROADMAP

<b><u>MEASURE 42</u></b>	<b>COMMENTS/ ISSUES</b>	<b>RECOMMENDATION</b>
<b>PROMOTE DEVELOPMENT OF ORIGINAL DESIGNS AND BRANDS AMONG ASEAN MANUFACTURERS</b>	<b>THERE IS A NEED TO DETERMINE THE DEFINITION OF ASEAN BRAND</b>	<b>ADD;  DETERMINE THE DEFINITION OF ASEAN BRAND  MODIFY TIMELINE TO JUNE 2007</b>
<b><u>MEASURE 43</u></b>	<b>COMMENTS/ ISSUES</b>	<b>RECOMMENDATION</b>
<b>DEVELOP AND EXPAND THE ASEAN TEXTILE AND APPAREL WEBSITE</b>	<b>NEED FUNDING SUPPORT FOR THE WEB SITE</b>	<b>THE ASEAN SECRETARIAT TO CONSIDER SEEKING FUNDING TO UPGRADE THE WEBSITE TO BE INTERACTIVE</b>

SOURCE: ASEAN SECRETARIAT



# RECOMMENDATIONS ASEAN ROADMAP

<b><u>MEASURE 44</u></b>	<b>COMMENTS/ ISSUES</b>	<b>RECOMMENDATION</b>
<p><b>JOINTLY ORGANIZE TEXTILE AND APPAREL TRADE FAIR AND EXHIBITION</b></p> <p>SOURCE: ASEAN SECRETARIAT <a href="#">back</a></p>	<p><b>NEED TO SPECIFY ACTIVITIES</b></p>	<p><b>ADD;</b></p> <p><b>GOVERNMENT AGENCIES FROM ASEAN COUNTRIES SHOULD PROVIDE GREATER SUPPORT TO THEIR PRIVATE SECTOR AGENCIES IN PARTICIPATING IN INTERNATIONAL FAIRS</b></p> <p><b>ASEAN BRAND TO BE PROMOTED THIS TRADE FAIR</b></p> <p><b>CONTINUE ASEAN EFFORTS TO JOINTLY OUTSOURCE FROM JAPAN AND OTHER DIALOGUE PARTNERS</b></p>

# RECOMMENDATIONS ASEAN ROADMAP

<u>NEW MEASURE</u>	COMMENTS/ ISSUES	RECOMMENDATION
<p><b>TO UNDERTAKE STUDY ON CHINA'S EXPORT OF TEXTILE AND APPAREL PRODUCTS IN ASIA AND ITS IMPACT TO ASEAN; OPPORTUNITIES AND THREATS</b></p>	<p><b>THERE IS A NEED TO STDY CHINA AS AN EXPORTER OF TEXTILE AND APPAREL PRODUCTS IN ASIA AND HOW IT AFFECTS ASEAN</b></p>	<p><b>TIMELINE IS JUNE 1, 2007</b></p> <p><b>IMPLEMENTING BODY IS ASEAN SECRETARIAT</b></p>

SOURCE: ASEAN SECRETARIAT



# ASEAN INTEGRATION (Trade Barriers)



## ▶ Investment barriers

- 3<sup>rd</sup> countries might have less investment barriers and more incentives & faster document processing than ASEAN members
  - not only attracting a large share of new FDI each year, but also that some multinational corporations are relocating from ASEAN to other countries

## ▶ Infrastructure and Logistics barriers

- 3<sup>rd</sup> country logistics infra and logistics supply chains might be more developed than between ASEAN countries
- Some ASEAN Members still have ineffective or complicated checking procedures on imports as well as exports



# ASEAN INTEGRATION (Trade Barriers)



## ▶ Legal Infrastructure barriers

- Approvals might be easier and legal or practical systems easier to deal within 3<sup>rd</sup> countries than between ASEAN
- Lack of transparency and accountability in the legal framework: As the CLMV has been in the process of setting up a legal system, they frequently change their laws and regulations

## ▶ Smuggling between ASEAN countries with 3<sup>rd</sup> countries distorting the incentives, logistics and trade systems

## ▶ Lack of transparency and bribing make business costs higher than estimated thus impeding the development of trade and investment

## ▶ High business costs: CLMV operational costs actually become higher though absolute costs are rather low

Source: ADB OUTLOOK database



# ASEAN INTEGRATION (Trade Barriers)



- ▶ **More complications and inconsistencies among individual country trade agreements**
  - Vary in degree of tariff reduction
  - Vary in coverage of goods and services
  - Inconsistent Rules of Origin
  - Implemented over different time periods
  - Complicate commercial activities across borders
- ▶ **ASEAN encompasses many points on the development spectrum: from Cambodia and Laos, to Malaysia and Singapore**

Source: ADB OUTLOOK database



# **ASEAN INTEGRATION (Recommendations)**

- ▶ **Benchmarked policies and program on investment, infrastructure, logistics, and legal structure to compliment the effective measures and incentives of 3<sup>rd</sup> countries**
  - **This is the fastest way to integrate the region if players can expand instead of having to join up with someone else**
    - **One stop investment with papers and approval**
  - **High-tech FDI will enable ASEAN to rapidly scale the technology ladder and produce higher value-added products faster and with more depth**
    - **Introduce high-tech and state-of-the-art production the region, including the location of global production centers, research and development centers, and procurement and logistics centers**
- ▶ **Improve ASEAN competitiveness through industrial restructuring and faster and deeper integration into a regional production base and market**
- ▶ **Standardize the process between ASEAN countries**

# ASEAN INTEGRATION (Recommendations)

- ▶ **Review existing regional/bilateral agreements, improving and expanding trade access**
  - **On Rules of Origin (ROO)**
    - **Implement compatible ROO**
    - **Avoid complex and contradictory rules of origin in its agreements with the larger East Asian and South Asian partners**
    - **Introduction of flexibility into rules of origin. In particular, regional content requirements might be adjusted to accommodate lower-income, smaller, LDCs**
    - **Mimic the Pan-European Cumulation System that allows inputs from all participating partners to count in regional content requirements of preferential tariffs**
    - **Development of a cumulation system within the region, based upon the ASEAN Plus agreements, would facilitate development of efficient production networks rather than disrupting them**
- ▶ **Any possible FTA needs to weigh and provide for the differences (in terms of development levels) among ASEAN members**

Source: ADB OUTLOOK database



# **ASEAN ROADMAP (Recommendations)**

## **Second Consultative Meeting for the Priority Integration Sectors (COPS II)**

**12-13 June 2007, Jakarta**

### **▶ NEW MEASURES INTRODUCED INCLUDE**

- ASEAN MEMBER COUNTRIES SHOULD NEGOTIATE FOR ASEAN CUMULATION IN THEIR BILATERAL FTAS**
- ASEAN SHOULD ADOPT A COMMON ROO FOR TEXTILE AND APPAREL PRODUCTS IN THE FTAS WITH DIALOGUE PARTNERS**
- UNDERTAKE A STUDY ON CHINA'S EXPORT OF TEXTILE AND APPAREL PRODUCTS AND ITS IMPACT ON ASEA**

### **▶ SOME MEASURES WERE MADE CLEARER AND RE-ASSIGNED**

Source: ASEAN



# ASEAN COUNTRY INDUSTRY STRATEGY (COMPETITIVENESS BUILDING)

- Liberalize cross border investments and services
- Infrastructure and logistic process investments, Gov't. policies need to be integrated and implemented
- Development of industry clusters and support services
- Enhance supply chain management
- Brand development
- Move up the value chain by focusing on higher value-added goods, processes
- Improve designing skills
- Enhance domestic capabilities and facilitating the utilization of ICT and new technologies
- Expand to emerging markets, and gain more market niches.
- Combine into an integrated and larger market
- Improve labor productivity thru training
- Promote flexible and performance-based wage schemes
- Get unions support to industry restructuring plan

Source: Institute for Labor Studies



# ASEAN COUNTRY INDUSTRY STRATEGY (COMPETITIVENESS BUILDING)

- Establish satellite complementary network operations in neighboring countries
- Shift operations to ASEAN neighbor(s) with relative advantages
- Negotiate and implement FTAs other trade agreement with leading trade partners, study ROO allow cumulation

Source: Institute for Labor Studies



# ASEAN COUNTRY STRATEGY (Recommendations)

- ▶ **Maintain on-going development programs and strengthen ASEAN intra-linkages**
  - **Liberalize and harmonize intra-ASEAN investment**
  - **Expand sector/product coverage**
  - **Unilateral lowering of tariffs and other barriers**
  - **Invest on trade facilitation measures**
  - **Streamline and harmonize, greenlane customs procedure**
  - **Improve port structure and other logistics**
  - **Improve business environment to generate industry investments**

Source: ADB OUTLOOK database



THANK YOU  
(MARAMING SALAMAT PO)



## Hyperlink slides



## ● Effects of Preferential Tariff Agreement

➤ **Tariff discrimination is most pronounced**

### EFFECTIVE RATE OF IMPORT DUTY (%), US MARKET 2005

	Effective duty rate (%)
<b>Clothing articles</b>	
Nonpreferential suppliers	● 14.3
Preferential suppliers	2.5
<b>Footwear products</b>	
Nonpreferential suppliers	10.2
Preferential suppliers	0.3
<b>Textile intermediate products</b>	
Nonpreferential suppliers	● 10.1
Preferential suppliers	0.2

Note: Effective duty rate is actual duties paid as a percentage of the customs value of shipments. Source: James (2006)

Source: ADB OUTLOOK database



## ASEAN Investment slides



# ASEAN Investments



## FDI inflows into ASEAN from ASEAN by source country, 1995-2004 (US\$ M)

Source Countries	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2003
Brunel Darussalam	311.3	353.1	384.9	247.2	4.3	10.6	10.6	21.2	36.8	2.5	1,380.0
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	608.9	193.3	272.5	-38.4	-427.8	-232.6	-240.0	1,336.6	384.0	66.0	1,856.5
Lao PDR	6.5	102.6	64.4	28.3	31.4	13.7	3.1	7.9	3.0	2.1	260.8
Malaysia	1,676.5	1,475.8	2,261.5	469.9	536.0	258.1	80.0	0.0	251.1	345.8	7,009.0
Myanmar	96.7	228.6	323.3	153.9	41.2	74.0	67.4	25.1	28.6	0.0	1,038.7
Philippines	241.6	74.9	142.9	106.9	110.9	126.5	222.3	37.9	175.1	101.4	1,239.0
Singapore	1,165.1	1,206.7	941.6	794.6	632.1	353.0	356.9	704.7	420.0	0.0	6,574.6
Thailand	160.6	308.1	297.5	569.6	572.0	389.0	1,650.0	1,223.0	670.0	56.0	5,839.8
Viet Nam	387.3	328.7	547.2	398.7	289.3	202.4	241.5	200.4	100.4	0.0	2,695.8
<b>ASEAN</b>	<b>4,654.4</b>	<b>4,271.8</b>	<b>5,235.7</b>	<b>2,730.8</b>	<b>1,789.3</b>	<b>1,194.9</b>	<b>2,391.7</b>	<b>3,556.9</b>	<b>2,068.9</b>	<b>573.9</b>	<b>27,894.4</b>

Sources: ASEAN Secretariat: ASEAN FDI Database (Balance of Payments Basis). Compiled from the respective ASEAN Central Banks and National Statistical Offices.



# ASEAN Investments



FDI FLOWS TO ASEAN  
CROSS-TABULATION: FDI SOURCE COUNTRIES AND ASEAN HOST COUNTRIES  
CUMULATIVE 1995 - 2003

(US\$ million)

SOURCE COUNTRY \ HOST COUNTRY	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia		Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total Cumulative 1995-2003 ***)
	Darussalam				*	**						
JAPAN	342.42	-	288.06	17.98	1,322.12	4,761.11	116.05	3,055.68	9,142.16	8,096.02	2,153.43	27,972.90
NORTH AMERICA	58.33	-	-1,611.02	7.43	5,347.54	10,547.71	497.17	2,880.65	20,241.59	3,710.63	575.53	36,908.01
USA	58.02	-	-1,773.77	4.25	5,401.83	10,201.38	486.56	2,877.35	19,656.50	3,654.40	552.58	35,717.28
Canada	0.30	-	162.75	3.18	-54.08	346.33	10.61	3.30	585.09	56.23	22.95	1,190.73
EUROPE of which:	6,342.97	-	3,205.51	22.92	2,876.23	8,724.70	1,672.56	1,493.70	46,452.07	3,799.94	3,002.75	74,717.12
European Union :	6,341.84	-	2,577.07	21.68	2,732.93	8,232.83	1,670.83	1,401.86	36,760.51	3,261.30	2,277.07	62,544.60
Austria	0.04	-	-0.53	0.08	23.25	63.35	1.71	0.92	132.80	24.21	6.95	229.54
Belgium	-	-	-3.36	2.87	427.15	514.21	-	6.32	500.74	-91.41	16.95	948.32
Denmark	-	-	14.86	0.14	54.14	377.88	3.30	132.02	655.83	36.95	15.35	1,236.12
Finland	-	-	71.83	0.53	-21.51	-10.82	-	0.61	1,025.10	77.06	-	1,164.51
France	50.62	-	263.23	9.21	90.37	268.96	555.02	277.04	1,928.84	693.65	584.20	4,630.78
Germany	19.87	-	195.99	0.48	1,741.44	3,666.44	8.70	(331.15)	1,389.16	758.02	40.30	5,747.81
Greece	-	-	0.00	-	0.01	0.02	-	0.07	81.17	0.07	-	81.33
Ireland	-	-	0.11	-	40.70	63.73	-	0.86	430.49	109.16	-	604.34
Italy	-	-	-42.19	1.08	18.79	46.36	-	8.08	1,546.51	43.91	8.93	1,612.68
Luxembourg	-	-	0.00	-	-12.56	3.88	-	68.22	-102.74	-10.63	-	-41.28
Netherlands	2,636.50	-	1,180.78	0.06	-599.82	327.14	8.10	416.44	13,059.83	-26.84	908.34	18,510.36
Portugal	-	-	0.00	-	0.99	2.75	-	72.09	13.82	0.22	-	88.87
Spain	15.75	-	1.02	0.01	1.83	6.33	-	42.76	-130.71	8.02	0.06	-56.76
Sweden	0.52	-	-2.27	3.24	-129.80	-87.88	-	11.55	1,789.12	218.40	84.45	2,017.12
United Kingdom	3,618.54	-	697.79	3.99	1,097.76	2,990.07	1,093.80	696.03	14,440.56	1,420.53	611.54	25,772.86
Other Europe 1)	1.12	-	628.44	1.24	143.31	492.07	1.93	91.84	9,691.56	536.84	725.68	12,172.52
ASIA of which:	9.07	-	-155.20	33.32	93.75	228.40	17.26	311.25	-310.08	121.58	108.16	363.77
China	0.38	-	-36.78	32.57	59.69	120.72	13.99	304.07	43.20	50.16	103.06	631.37
India	8.33	-	-2.61	0.68	-20.97	-9.87	-	3.87	655.55	6.30	5.10	667.34
Pakistan	-	-	0.00	-	2.03	5.60	-	-	11.16	1.51	-	18.27
Other Asia 2)	0.37	-	-115.80	0.08	53.00	111.95	3.27	3.31	-1,019.99	63.60	-	-953.21
ANIEs	44.88	-	252.20	118.03	328.61	1,972.63	121.52	928.03	3,554.80	3,702.21	4,468.22	15,162.52
Republic of Korea	10.23	-	331.88	108.07	-47.29	98.51	52.82	238.13	53.36	235.56	1,427.53	2,556.10
Hong Kong	29.85	-	-53.07	1.80	168.35	1,263.43	68.70	484.35	1,639.89	2,437.47	1,202.43	7,074.85
Taiwan (ROC)	4.79	-	-26.61	8.17	207.55	610.70	-	205.58	1,881.55	1,029.16	1,838.26	5,531.58



# ASEAN Investments



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

IN ASEAN

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
15 Food Products & Beverages		78.99	8.87	98.65	23.26	18.20	27.93	4.79	74.18	233.59	112.34	606.61
16 Tobacco Products		-	-	-	-	-	-	1.27	1.27	0.99	-	2.26
17 Textiles		4.19	3.00	14.73	101.84	4.51	265.61	4.69	376.63	0.23	47.17	445.95
18 Wearing Apparel; Dressing & Dyeing of Fur		4.79	0.85	15.27	112.71	45.90	86.81	22.70	268.11	23.47	45.76	358.26
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		1.95	8.74	26.75	42.02	59.50	47.20	32.00	180.72	12.41	16.97	247.54



# ASEAN Investments



## APPROVED MANUFACTURING INVESTMENT PROJECTS WITH FOREIGN INTEREST IN EAST ASEAN GROWTH AREA (EAGA) BY INDUSTRY CLASSIFICATION 1995 - 2003

(US\$ millions)

ISIC CODE	BRUNEI	INDONESIA				MALAYSIA			PHILIPPINES		TOTAL
	DARUSSALAM	Kalimantan	Sulawesi	Maluku	Papua	Labuan	Sabah	Sarawak	Mindanao	Palawan	
15 Food Products & Beverages	4.72	318.45	50.73	4.22	215.73	-	223.78	84.76	79.09	0.37	981.84
16 Tobacco Products	-	-	-	-	-	-	-	-	-	-	-
17 Textiles	-	-	-	-	-	-	-	-	-	-	-
18 Wearing Apparel; Dressing & Dyeing of Fur	20.19	-	-	-	-	-	-	-	-	-	20.19
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear	-	-	-	-	-	-	-	-	-	-	-
20 Wood & Wood Products & Cork, Except Furniture; Articles of Straw & Plaiting Materials	-	42.86	0.12	2.70	268.01	1.79	387.95	368.29	1.43	-	1,073.17
21 Paper & Paper Products	-	906.49	-	-	80.00	-	1,217.65	1,312.88	11.64	-	3,528.65
22 Publishing, Printing & Reproduction of Recorded Media	0.60	1,600.00	-	-	-	-	-	-	-	-	1,600.60
23 Coke, Refined Petroleum Products & Nuclear Fuel	-	2,178.70	-	-	2,000.00	-	-	-	-	-	4,178.70
24 Chemicals & Chemicals Products	0.76	610.78	1.21	-	8.00	-	42.71	202.66	217.43	-	1,083.55
25 Rubber & Plastics Products	22.30	248.22	0.29	1.26	-	-	3.98	5.80	2.47	-	284.32
26 Other Non-Metallic Mineral Products	6.68	164.78	131.39	-	-	3.55	33.62	28.83	0.17	-	369.03
27 Basic Metals	1.44	-	-	-	-	-	397.03	2,122.52	-	-	2,520.99
28 Fabricated Metal Products, Except Machinery & Equipment	32.50	2.20	-	-	1.08	-	-	2.65	300.81	-	339.24
29 Machinery & Equipment N.E.C.	-	2.30	-	-	-	-	2.44	0.13	1.16	-	6.02
30 Office, Accounting & Computing Machinery	-	4.90	-	-	-	-	-	-	-	-	4.90
31 Electrical Machinery & Apparatus N.E.C.	1.28	-	-	-	-	-	-	57.32	0.33	-	58.94
32 Radio, Television & Communication Equipment & Apparatus	7.11	-	-	-	-	-	-	730.57	-	-	737.68
33 Medical, Precision & Optical Instruments, Watches & Clocks	1.88	-	-	-	-	-	1.19	-	-	-	3.07
34 Motor Vehicles, Trailers & Semi-Trailers	-	-	-	-	-	-	9.43	-	3.12	-	12.55
35 Other Transport Equipment	-	15.10	-	-	-	-	20.39	13.16	-	-	48.65
36 Furniture; Manufacturing N.E.C.	8.82	-	0.10	-	-	-	10.64	6.21	91.03	1,530.26	1,647.07
37 Recycling	3.09	-	-	-	-	-	-	1,929.20	-	-	1,932.29
Others	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>111.36</b>	<b>6,094.79</b>	<b>183.84</b>	<b>8.18</b>	<b>2,572.82</b>	<b>5.34</b>	<b>2,350.82</b>	<b>6,864.98</b>	<b>708.68</b>	<b>1,530.63</b>	<b>20,431.44</b>

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by the Department of Economic Planning and Development, Brunei Darussalam, Investment Coordinating Board (BKPM), Malaysian Industrial Development Authority (MIDA) and Philippine National Statistical Coordination Board (NSCB).

Source of Philippines' basic data: Board of Investments (BOI), Philippine Economic Zone Authority (PEZA), Subic Bay Metropolitan Authority (SBMA) and Clark Development Corporation (CDC).

Philippines' administrative Foreign Investment (FI) data for 1995 provided by Board of Investment (BOI).

Kalimantan covers West, East, Central and South Kalimantan; Sulawesi covers North, Central, South-East and South Sulawesi; Maluku include North Maluku.



## Individual Country slides



# PHILIPPINES TRADE STRATEGY



- **Move up the value chain by focusing on branded products, developing Asian brands, expanding emerging markets, and gaining more market niches**
- **Improve labor productivity thru training and retraining**
- **Promote flexible and performance-based wage schemes**
- **Getting unions to participate in the implementation of adjustment measures that may be appropriate to the post-MFA regime and in the design and implementation of the industry restructuring plan**
- **Manage the social costs through enabling interventions toward a shift to other occupations or livelihood opportunities**

Source: Institute for Labor Studies



# INVESTMENTS ON PHILIPPINES



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

### IN PHILIPPINES

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
17 Textiles		.	.	.	0.18	.	0.22	.	0.40	.	.	0.40
18 Wearing Apparel; Dressing & Dyeing of Fur		2.36	0.004	1.39	2.94	.	3.43	3.87	10.24	.	0.19	14.18
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.			.	.	.	.	.	.	.

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Cambodian Investment Board.

<sup>1)</sup> By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



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# INVESTMENTS ON PHILIPPINES



ADMINISTRATIVE FOREIGN INVESTMENT DATA  
 CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES  
 APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

## IN PHILIPPINES

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	.	.	.	.	.	.	.
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	.	.	.	.	.	.

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Philippines National Statistical Coordination Board (NSCB).

Source of Basic Data: Board of Investment (BOI), Philippine Economic Zone Authority (PEZA), Subic Bay Metropolitan Authority (SBMA).

<sup>\*)</sup> By immediate source / country of resident.



# THAILAND TRADE STRATEGY



*Textiles and garments remain Thailand's largest industry and second-largest source of exports (after electronics) Textiles and clothing make up Thailand's largest manufacturing industry, with more than 4,500 factories employing over one million people. The sector accounts for approximately 20 per cent of total employment in manufacturing and 17 per cent of total Thai GDP*

**Thai textile industry is pursuing a high quality, value-added strategy to succeed in the quota-free, competitive environment**

**Government-sponsored programs to advance the Thai textile and garment industry beyond OEM-based production to higher value-added design and brand development work**

**Thai government and THTI over the past five years to improve the competitiveness of the textile and garment industry implemented:**

**Bangkok Fashion City project launched in 2000 with a US\$ 46 million budget for an international fashion school, textile and garment industry development programs and fashion roadshows;**

**Thai textile brand, a program to boost SME textile quality, and cluster development initiatives; in 2000, the Department of Export Promotion hired a team of Italian fashion consultants who specialize in weaving, designing, dyeing and finishing to advise major Thai textile and garment firms on manufacturing fashionable textiles and garments**



# THAILAND TRADE STRATEGY



The “Thai Textile Trend (T3) Style in Italy” brand aimed to help Thai firms produce stylish textiles under. So far, 15 firms have gone through the three year manufacturing training program

Thailand has exhibited the T3 textile brand at five international fabric fairs in Paris, Hong Kong, Shanghai and Bangkok.

*“By producing the fabrics that the market demands, we help to raise Thailand’s image among textile buyers. They realize that Thailand knows what’s going on. They see that Thai manufacturers have the fabric they want in the color they want.”* (Mr. Phongsak Assakul, AFTEX Chairman)

THTI launched a project “Trendy Fabric Manufacturing by SME’s”

- to improve the competitiveness of smaller textile firms by helping them to upgrade their textile production quality
- project employs Asian textile industry consultants to educate SMEs about weaving, finishing, dyeing and printing
- Five SMEs completed the program last year



# THAILAND TRADE STRATEGY



**Expansion and development due to significant private sector technology investments and government policies to improve textile production, garment designing skills and supply chain management**

- textile and garment industry has invested more than US\$45 million in imported machinery over four years for fiber manufacturing, spinning, weaving, dyeing, printing and finishing
- major spinning company just invested US\$20 million for equipment to produce high quality yarn

**Shifted operations to countries like Vietnam, Laos and Cambodia to utilize the cheap labor and resources of neighboring countries - reduce production cost and increase competitiveness**

- Thai GDP is 4 times that of Vietnam, 68 times that of Laos while per capita income is one fifth and one fourteenth that of Vietnam and Myanmar respectively.
- Thailand, Myanmar, Cambodia and Laos signed on November 12, 2003 an agreement formally named the ACMECS (Ayeyarwady-Chao Phraya-Mekong Economic Cooperation Strategy) after the name of the main rivers running in this region promoting manufacturing to places with relative advantages



# THAILAND TRADE STRATEGY



**Industry cluster zones** Since 2004, a total 8 industrial clusters are being built over 3 years; 2 clusters in each 4 regions such as the North, the Northeast, the Central and the South –includes garments/textile sector

➤ **Chaing Rai Border Economic Zone**

- Construct an industrial estate (Chien Saen), targets about 100 investors from China, cover six fields of industries including garments. The construction of this industrial estate investment from China to Thailand will be made along the North-South Economic Corridor. There is an observation that China has a clear strategy to make Chien Saen a place to link exports for ASEAN, Europe and the U.S.

➤ **Mukdahan-Savannakhet Border Economic Zone (Thailand/Laos border)**

➤ **Trat- Koh Kong Border Economic Zone (Thailand-Cambodia border)**

➤ **Myanmar Border Economic Zone (Thailand-Myanmar border)**

**Stronger inter-ASEAN Logistics Linkages**

- between Malaysia and Thailand, improving logistics for faster goods delivery (within 1 day)

**Advocacy Assistance** to countries like Vietnam and Cambodia in trade agreement negotiations, structuring international framework of agreements





## Investment Opportunities and Incentives in Thailand's Textile and Garment Industry

Although a number of quality enhancing initiatives have been implemented in the Thai textile and garment industry, there are several areas where specialized technology and expertise is required, offering prospects for foreign investors. The Thai Textile Institute has identified the following areas where foreign assistance is needed most:

- Advanced dyeing and finishing technology
- State-of-the-art printing technology
- R&D activities and technology to produce innovative and functional fibers and textiles such as breathable / waterproof fabric
- Supply chain management technology and software
- Commercial-scale fashion designers
- Expertise in fashion branding and marketing for international markets

The textile and garment industry is a priority sector, and the Thailand Board of Investment (BOI) offers investment privileges and incentives such as:

**Integrated Textile Industrial Zone/Estate Developers:** Production of upstream and downstream textile products

- 8 years corporate income tax holiday
- Duty-free machinery imports

### **Bleaching, Dyeing and Finishing Projects**

- Locating in a Textile Industrial Estate: 8 years corporate income tax holiday and duty-free machinery imports
- Locating outside of a Textile Industrial Estate: Standard incentives according to zone

### **Any Other Textile-Related Enterprise (locating on a textile industrial estate)**

- Duty-free machinery imports
- Corporate income tax exemptions of between 5 - 8 years depending on zone

Source: BOI : <http://www.boi.go.th>



# INVESTMENTS ON THAILAND



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

### IN THAILAND

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
17 Textiles		0.51	.	8.21	.	.	1.55	.	1.55	.	42.99	53.12
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	6.92	1.82	.	8.74	.	.	8.74
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		0.35	.	6.47	.	.	7.22	.	7.22	.	.	14.05

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Office of the Board of Investment of Thailand.

<sup>\*)</sup> By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



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# INVESTMENTS ON THAILAND



## ADMINISTRATIVE FOREIGN INVESTMENT DATA

### CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES

#### APPROVAL AND APPORTIONMENT BASIS<sup>\*)</sup>

2003

#### IN THAILAND

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	.	.	.	.	.	.	.
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	.	.	.	.	.	.

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Office of the Board of Investment of Thailand.

<sup>\*)</sup> By immediate source / country of resident.



# MALAYSIA (INDUSTRY PROFILE)



Malaysia's manufacturing focus has resulted in the continued growth of the textile and apparel industry — the sixth-largest contributor to total earnings from manufactured exports in 2004

In 2005, the industry became the seventh-largest contributor of export earnings in the manufacturing sector, Malaysia's Ministry of International Trade and Industry (MITI)

Textile and apparel goods made up 2.5 percent of exported manufactured goods

- apparel and clothing accessories industry, on the other hand, exported goods worth \$1.3 billion in 2005 — a 2.1-percent increase over 2004 exports
- textile yarn exports had the greatest value at \$666.5 million — a 19-percent increase over 2004 exports, followed by woven man-made-fiber fabrics at \$249 million — a 6.1-percent decrease from 2004

The Batu Pahat, Malaysia-based Malaysian Knitting Manufacturers Association (MKMA), citing Matrade, reports that from 2004 to 2005, the major exports of the textile industry were worth approximately \$1.4 billion and accounted for 52.6 percent of total textile and apparel exports

For the first quarter of 2006, the industry's exports continued to grow, reaching \$718.4 million, represents an 8-percent year-on-year increase

Source: <http://www.textileworldasia.com>



# MALAYSIA TRADE STRATEGY



Textiles and apparel are expected to remain important export products; contribution of the industry to the national economy will remain significant, in terms of investments and export earnings

## TARGETS

- industry is expected to attract total investments of RM 13.7 B; investments are projected to increase in the textiles sub-sector, mainly for the manufacturer of synthetic and functional fabrics
- Exports are targeted to grow at 5.8% from RM 13.4B IN 2010 TO RM 24B in 2020; increase in exports will be contributed by textiles sub-sector, particularly yarns and woven fabrics

	2006-2010	2011-2015	2016-2020	2006-2020	
	(RM billion)				Ave. Annual Growth (%)
Investments	4.0	4.6	5.1	13.7	3.1
Investments per year	0.8	0.9	1.0	0.9	n.a.
Exports (end period)	13.4	18.2	24.0	24.0	5.8

Source: Malaysian Ministry of Trade and Investment



# MALAYSIA TRADE STRATEGY



## STRATEGIC THRUSTS

- Intensifying the promotion of investments in higher value-added textiles and apparel, including key support services
  - present investment policies will be continued to attract investments in the industry, particularly in the synthetic-based textiles sub-sector.
- Sustaining the market share in textiles and apparel and promoting exports of the targeted growth areas;
  - promote the export of textiles and apparel, the industry will be encouraged to expand existing markets and explore new markets, such as Japan, the USA, Canada, the EU, West Asia, Africa, and Latin America
- Intensifying regional integration of the industry;
  - Malaysian textiles and apparel industry will be encouraged to undertake measures to enable it to benefit from ASEAN's efforts in integrating the industry regionally
- Enhancing domestic capabilities and facilitating the utilization of ICT and new technologies
  - Measures shall be undertaken to enhance domestic capabilities and facilitate the utilization of technologies
- Enhancing the skills of the workforce in designing, production and marketing;
  - Focus will be given to enhance the skills on designing, production and marketing
- Strengthening the institutional support for the further development of the industry
  - Among the measures, upgrading the existing textile and apparel production area into a specialized and integrated zone, in collaboration with the State Government

Source: Malaysian Ministry of Trade and Investment



# INVESTMENTS ON MALAYSIA



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

IN MALAYSIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
17 Textiles		1.89	.	2.95	.	3.01	1.97	0.28	5.26	0.03	1.18	11.31
18 Wearing Apparel; Dressing & Dyeing of Fur		.	0.26	.	.	0.19	.	.	0.19	6.06	2.65	9.16
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	.	.	.	1.46	.	1.46

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Cambodian Investment Board.

<sup>1)</sup> By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



# INVESTMENTS ON MALAYSIA



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>\*)</sup>

2003

IN MALAYSIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	.	.	0.03	.	.	0.03
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	.	.	0.11	5.95	.	.	6.06
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	.	.	1.46	.	.	1.46

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by the Ministry of Planning and Investment of Viet Nam.

\*) By immediate source / country of resident.



# INDONESIA TRADE STRATEGY



- ▶ Indonesia is an important global source for textiles and clothing
- ▶ Ranked In 2004 10th among the world's leading exporters of textiles and 9th among clothing exporters (including Hong Kong)
- ▶ Among Asean - it is the number one exporter in both textiles and clothing
- ▶ Industry is the largest provider of employment and a major source of export earnings.
- ▶ The official employment estimate is 1.2 mn people, spread over 4,500 factories.
- ▶ Textile and clothing exports were worth US\$8,671 mn in 2005, representing 10.1% of the country's total exports
- ▶ Textile and clothing exports in 2005 were 13.4% higher than in 2004
- ▶ Textile and clothing industry is vertically integrated
- ▶ Largest share of spindles and looms among Asean countries and its capacity ranks as the fourth highest in the world

## STRATEGY

- ▶ Expand its share of international markets
- ▶ Implement an extensive modernization programme
  - ▶ After 2008, when temporary safeguard quotas against China will have come to an end, Indonesia can expect to feel the full force of unfettered Chinese competition



# INVESTMENTS ON INDONESIA



ADMINISTRATIVE FOREIGN INVESTMENT DATA  
 CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES  
 APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>  
 2003

IN INDONESIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
					17 Textiles	.	.	0.20	4.00			
18 Wearing Apparel; Dressing & Dyeing of Fur	0.10	.	6.00	2.50	0.40	0.50	.	3.40	2.20	.	11.70	
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear	.	.	.	2.80	.	0.20	.	3.00	0.40	0.20	3.60	

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Investment Coordinating Board (BKPM).

\*) By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



# INVESTMENTS ON INDONESIA



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>\*)</sup>

2003

### IN INDONESIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	0.20	.	.	.	.	0.20
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	.	.	0.10	2.10	.	.	2.20
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	0.30	.	.	0.10	.	.	0.40
20 Wood & Wood Products & Cork, Except Furniture; Articles of Straw & Plaiting Materials		.	.	.	.	10.60	.	.	.	.	.	10.60

Source: ASEAN Secretariat - ASEAN FDI Database, 2004

Notes:

Data provided by Investment Coordinating Board (BKPM).

\*) By immediate source / country of resident.



# CAMBODIA INDUSTRY PROFILE



- **2,073 garment factories, employs more than 270,000 people**
- **Earns more than \$2 billion in exports annually**
- **Contributes about \$400 million per year to the country's GDP.**
- **Cambodian economy is expected to grow 6 percent this year over 8.5 percent last year**
- **2006 expected value of foreign direct investment to reach US \$3.036 billion**
  - **Foreign investment has been concentrated in garment/textile sectors**
  - **Invited Thai companies to set up labour-intensive investments to produce garment**
    - **Economic dependency of the neighboring countries on Thailand is generally high**
  - **Encourage investments in nine economic zones, including Poipet, Koh Kong, Kampot, Stoeng Hav and Sihanoukville**
    - **Thai business people are reluctant to invest because of unbalanced political situation**



# INVESTMENTS ON CAMBODIA



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

### IN CAMBODIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>				ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China			
17 Textiles		.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	0.17	3.24	15.30	28.65	10.71	57.90	11.14	69.21
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	0.99	.	0.99	.	0.99

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by Cambodian Investment Board.

\*) By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



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# INVESTMENTS ON CAMBODIA



ADMINISTRATIVE FOREIGN INVESTMENT DATA  
 CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES  
 APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

## IN CAMBODIA

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	8.22	.	.	2.92	.	.	11.14
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		.	.	.	.	.	.	.	.	.	.	.



# INVESTMENTS ON CAMBODIA



Foreign investment on manufacturing has been concentrated in garment/textile

## Thai Direct Investment to Cambodia (August 1994-September 2004)

Category	No.	Ratio(%)	Registered capital (US\$1,000)	Ratio(%)	Fixed asset (US\$1,000)	Ratio(%)	Contents
Agro-industry	5	8.9%	16,666	11.3%	14,394	7.0%	animal feed 2 projects ( CP 1), sugar refining, tapioca mill, tunning. 1project each
Mining	1	1.8%	1,980	1.3%	173	0.1%	sand taking
Manufacturing	31	55.4%	54,752	37.1%	50,085	24.4%	
Food processing	9	16.1%	7,448	5.1%	14,684	7.1%	drinking water, needle, liquar, icecream etc.
Wood working	3	5.4%	33,920	23.0%	22,131	10.8%	furniture making 3 projects
Textile-garment	6	10.7%	5,775	3.9%	7,555	3.7%	garment factory 6 projects
Transport Machine	1	1.8%	2,000	1.4%	1,150	0.6%	motorcycles assembly (Hond)
Chemicales	5	8.9%	2,294	1.6%	2,013	1.0%	plastic (2), battery, paint, detergent, one each
Oil-gass	3	5.4%	815	0.6%	733	0.4%	lubricating oil (1) LNG (2)
Construction materials	2	3.6%	1,250	0.8%	278	0.1%	cement (1), roof tile(1)
Others	2	3.6%	1,250	0.8%	1,541	0.7%	carton box (1), cigarette(1)
Hotel-tourism	12	21.4%	54,300	36.8%	99,537	48.4%	hotel construction-operation 9 projects
Hotel	9	16.1%	52,000	35.3%	95,262	46.4%	1996 approval (4), 2000 approval (2)
Tourism	3	5.4%	2,300	1.6%	4,275	2.1%	agro-tourism, museum, bowling alley
Transportation communication	6	10.7%	19,689	13.4%	40,053	19.5%	airport-control-system operation, telecommunication 3 projects( one is Sinawatra), TV broadcasting 2projects
Construction	1	1.8%	40	0.0%	1,273	0.6%	road construction
Total (Note)	99	176.8%	147,427	100.0%	205,515	100.0%	

(Notes) Number and amount are the acumulated figures from August 1994 to September 2004. Although the total figure of the registered capital shown by the CIB is US\$135,952,000 that is diffeent from the actual calculated figures (147,427,000) , here listed the later.

The figure of fixed asset shown by the CIB is 205,543,000 that is also different from the actual accumulated figure a little. Therefore, the fixed asset is used here.

(Source) Author's calcutation from Cambodian Investment Board, Council for the Development of Cambodia.



# VIETNAM TRADE STRATEGY



- Investment surged in the first half of the year
  - Ongoing improvements in the business environment
  - Vietnam's Dec 28 accession to the World Trade Organization (WTO)
- Exports of textiles and clothing rebounded by nearly 34.5% in the first half of 2006,
  - following modest growth of 11.3% in all of 2005

## STRATEGIES

- Enhance the dynamism and innovation of each enterprise
- Stronger commitments of the country in terms of tariff preferences, non-tariff measures, and intellectual property right.
- Establish enterprise specialized unit to review and build the roadmap for action plan
- Train employees and providing human capacity to enterprises, more specifically:
  - Skilled workers in each section in the production line.
- Marketing staff with good skill in international business.
- Trained legal experts with sufficient qualification to provide consulting and assisting the director in international business and cooperation.



# INVESTMENTS ON VIETNAM



ADMINISTRATIVE FOREIGN INVESTMENT DATA  
 CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES  
 APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>  
 2003

IN VIET NAM

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>				ASEAN	Others	Total	
					ROK	Hong Kong	Taiwan	China				Total <sup>2)</sup>
17 Textiles		2.00	3.00	3.30	97.66	1.50	261.86	4.40	365.43	-	3.00	376.73
18 Wearing Apparel; Dressing & Dyeing of Fur		2.33	0.58	7.71	104.02	22.94	52.41	8.11	187.49	4.07	42.93	245.11
19 Tanning & Dressing of Leather; Luggage, Handbags, Saddlery, Harness & Footwear		1.60	8.74	20.28	39.22	59.50	38.79	32.00	169.50	10.55	16.77	227.44

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by the Ministry of Planning and Investment of Viet Nam.

<sup>\*)</sup> By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).



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# INVESTMENTS ON VIETNAM



ADMINISTRATIVE FOREIGN INVESTMENT DATA  
 CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES  
 APPROVAL AND APPORTIONMENT BASIS<sup>\*)</sup>  
 2003

## IN VIET NAM

(US\$ millions)

Sectors / ISIC Code	Source Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
17 Textiles		.	.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	.	.	.	3.30	0.77	.	4.07

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by the Ministry of Planning and Investment of Viet Nam.

\*) By immediate source / country of resident.



# INVESTMENTS ON VIETNAM



## Thai Direct Investment to VIETNAM (1998 - 2004)

Category	No.	Ratio %	Total amount (US\$1,000)	Thai investment (US\$1,000)	Ratio %	Contents
Construction	5	3.7%	59,323	42,826	4.4%	Industrial estates (2 projects)
Mining*quarrying	1	0.7%	5,996	4,017	0.4%	linestone mining
Agriculture*fishery	9	6.7%	96,675	95,715	9.8%	feed production (7, inc. CP), fishery (1), seeds (1)
Manufacturing	79	59.0%	738,985	530,911	54.4%	
Food processing	21	15.7%	8,491	67,475	6.9%	tapioca mill (5), drinking water (3), instant noodle (1)
Textile*garment	5	3.7%	5,282	4,960	0.5%	inc.Japanese affiliate Yamaken
Metal*non metal	3	2.2%	17,575	17,575	1.8%	aluminum bars (1), gas pipes (1)
Electric*electronics	4	3.0%	14,148	11,288	1.2%	electronic speed motor (1), airconditionors (1)
Machine*transport machine	10	7.5%	284,729	163,161	16.7%	motorcycles parts (9 including Honda)
Chemicals	15	11.2%	185,274	139,355	14.3%	paints (4), plastics (6), cosmetics (2),chemicals (1),
Petro Products	5	3.7%	50,169	42,454	4.3%	lubrication oil (1), gas related (4, inc. Mitsui related)
Others	16	11.9%	96,869	84,647	8.7%	jewry (4), construction materials (2), footwears (3), fishery net (1)
Tourism*services	22	16.4%	23,192	17,742	1.8%	
Tourism	4	3.0%	6,642	2,042	0.2%	tourism (3), eco-tourism (1)
Other services	18	13.4%	16,550	15,700	1.6%	softwears (5), consultancy (4), marketing (2)
Real estate	10	7.5%	158,319	91,473	9.4%	rent (2), hotel (2), golf courses (2)
Others	8	6.0%	223,768	193,910	19.9%	industrial estate generation ( 1, AMATA)
<b>Total</b>	<b>134</b>	<b>100.0%</b>	<b>1,306,258</b>	<b>976,595</b>	<b>100.0%</b>	

(Notes) Figures are accumulated investments approved from January 1988 to June 2004. Thai investment includes partners' foreign capitals.

(Source) License Projects, Ministry of Planning and Investment, Vietnam



# INVESTMENTS ON LAO PDR



- Thai investment in the textile-garment industry by early 2004 consisted of 38 projects in terms of the approval base
- Accounted for less than 2% of total Thai investments because the scale of each investment is small.
- This is especially true for investments in the garment industries, which aim to get the vested benefit of the GSP as well as cheap labor and employed more than 20,000 women workers



# INVESTMENTS ON LAO PDR



## Thai Direct Investment to LAOS (1998 - 2004)

Category	No.	Ratio(%)	Amount (US\$1,000)	Ratio(%)	Investment by Laos (US\$1000)	Investment by Thailand (US\$1000)	Ratio(%)
Agriculture	29	10.0%	39,412	1.4%	2,011	37,401	1.5%
Textile • garment	38	13.1%	40,648	1.5%	2,177	38,471	1.6%
Manufacturing • craft	79	27.3%	80,378	2.9%	15,776	64,602	2.6%
Wood • wood works	17	5.9%	10,537	0.4%	637	9,900	0.4%
Mining	8	2.8%	15,684	0.6%	2,317	13,367	0.5%
Trade • commerce	42	14.5%	25,835	0.9%	1,531	24,304	1.0%
Hotel	12	4.2%	282,675	10.3%	83,438	199,237	8.1%
Banking	6	2.1%	50,800	1.8%	23,000	27,800	1.1%
Consultancy	2	0.7%	2,440	0.1%	736	1,704	0.1%
Services	28	9.7%	21,711	0.8%	4,147	17,564	0.7%
Construction	15	5.2%	20,585	0.7%	1,911	18,674	0.8%
Transportation • communication	8	2.8%	637,160	23.2%	167,072	470,088	19.2%
Electricity	5	1.7%	1,522,500	55.4%	0	1,522,500	62.3%
Total	289	100.0%	2,750,365	100.0%	304,753	2,445,612	100.0%

(Note) Numbers and amount of investment shows the accumulated ones from January 1988 to May 2004.

(Source) Thailand's Investment in Lao PDR, Department for Promotion and Domestic and foreign Investment, Committee for Planning and Cooperation Lao PDR.



# INVESTMENTS ON BRUNEI



## ADMINISTRATIVE FOREIGN INVESTMENT DATA CROSS TABULATION BY INDUSTRY CLASSIFICATION AND REGIONAL BLOCS OF COUNTRIES APPROVAL AND APPORTIONMENT BASIS<sup>1)</sup>

2003

### IN BRUNEI DARUSSALAM

(US\$ millions)

Sectors / ISIC Code	Source Country	Japan	USA	European Union <sup>1)</sup>	Emerging Markets of East Asia <sup>2)</sup>					ASEAN	Others	Total
					ROK	Hong Kong	Taiwan	China	Total <sup>2)</sup>			
15 Food Products & Beverages		.	.	.	.	.	.	.	.	.	.	.
16 Tobacco Products		.	.	.	.	.	.	.	.	.	.	.
17 Textiles		.	.	.	.	.	.	.	.	.	.	.
18 Wearing Apparel; Dressing & Dyeing of Fur		.	.	.	.	0.15	.	.	0.15	.	.	0.15

Source: ASEAN Secretariat - ASEAN FDI Database, 2004.

Notes:

Data provided by the Department of Economic Planning and Development, Brunei Darussalam.

<sup>\*)</sup> By immediate source / country of resident.

1) European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom).

2) Emerging Markets of East Asia (Republic of Korea, Taiwan, Hong Kong-SAR and People's Republic of China).

