CHAPTER 5

SITUATION ANALYSIS

Situation analysis is introduced in this chapter in term of SWOT analysis. The information used in this analysis is collected from many sources such as, textile journals, related literature, human expert interview and etc. And then the expert team set brainstorming session in order to perform SWOT analysis.

Initially, positive internal factors (strengths) and negative internal factors (weaknesses) of Thai clothing industry are presented. Next, the details of positive external factors (opportunities) and negative external factors (threats) are introduced, respectively. All details are shown as follows.

5.1 SWOT analysis

SWOT analysis is applied in this research to analyzed Thai clothing industry situation. This analytical technique can present the advantages and disadvantages that Thai clothing industry is facing from its internal factors and external factors. However, before analyzing the industry, the significant information from data collection is basically required and conducted. Collected data used in this analysis generally come from academic document, related literature, historical statistic data, interview and covering of questionnaire survey. All of these sources of data are useful information to identify internal and external factors to develop the critical points in the analytical process. Next, SWOT analysis of Thai clothing industry is explained as follows.

5.1.1 Strengths of Thai Clothing Industry

According to analysis result of the expert team, strengths of Thai clothing industry consist of high production capacities, large local market, covering of overall textile process, worldwide distribution channel and also appropriate location countries. The strengths are shown as below.

- ***There are high production capacities in Thailand***

In Thailand, there are many labors working in textile industry especially in clothing manufacturing sub-sector. Production workers employed in clothing industry are approximately 840,000 persons. Similarly, the amount of clothing mills operated in Thailand is nearly 2,600 factories with 750,000 machines, which is presented in the following table.

Table 5.1: The number of labors, machines and factories in 2001

Number of production workers	840,460	persons
Number of machines	757,307	machines
Number of factories	2,641	factories

Source: Department of Export Promotion

It means that there are a large numbers of production capacities for Thai clothing industries. It can also be illustrated by the number of production of clothing for both clothing woven fabric and clothing knitted fabric. In 2001, the clothing production is approximately 450,000 tons and 60% of which is for woven fabric and the remaining is for the knitted fabric. The following graph shows the production of clothing for the year 1997 – 2001.

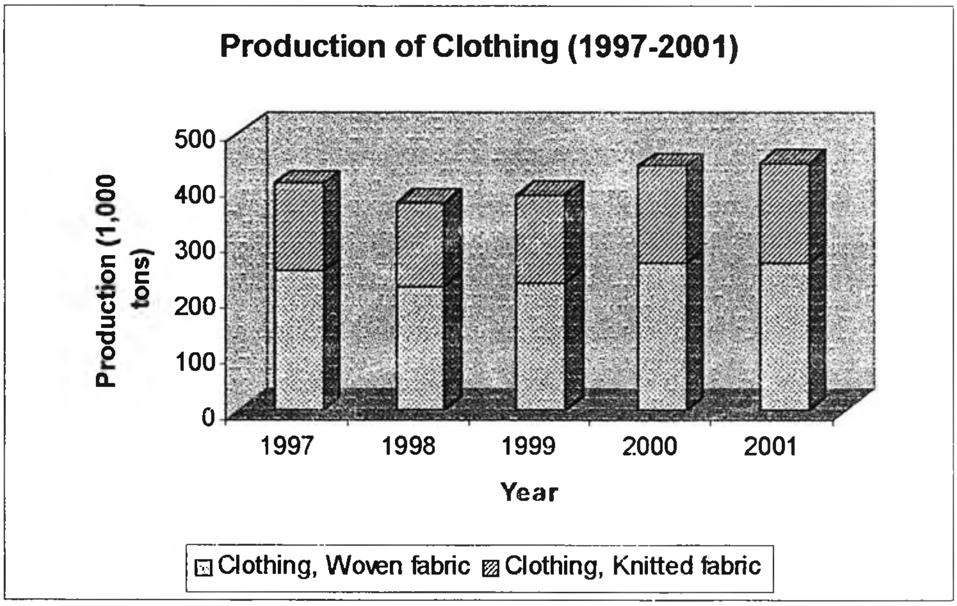

Figure 5.1: Production of Clothing During 1997-2001

Source: Textile Industry Division, Department of Industrial Promotion

- ***There is a large local market in Thailand***

Figure 5.2 presents production and consumption of clothing in Thailand, in tons unit. Clothing products made in Thailand are distributed in local markets and international markets. It can be noted that there is a huge amount of consumption of clothing products for total consumption in Thailand.

For local market, clothing products are consumed approximately 260,000 tons per year from the total clothing production, which is around 446,000 tons per year. That means the volume of consumption within the country is a half of its production. This represents that Thailand has a big local market for clothing industry.

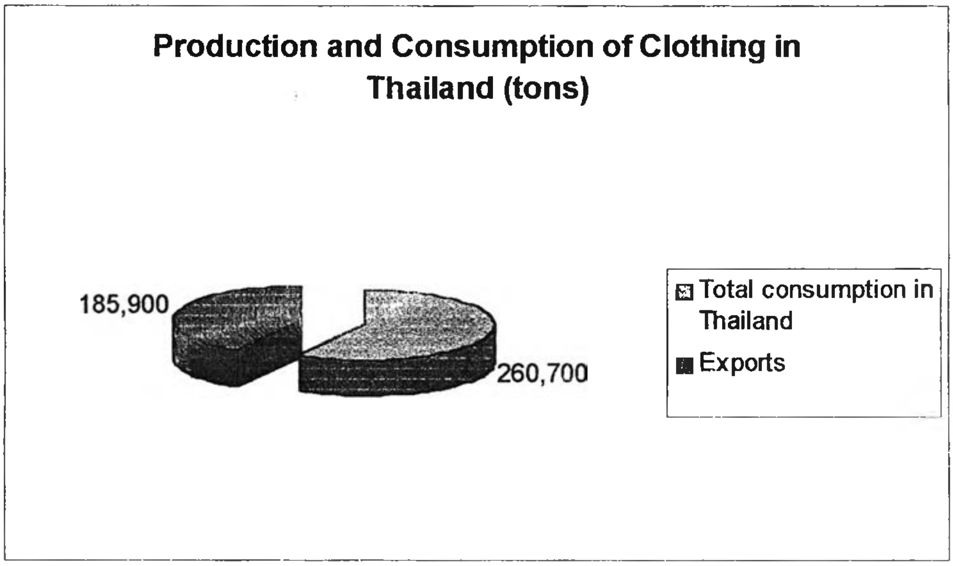

Figure 5.2: Production and Consumption of Clothing
Source: Textile Industry Division, Department of Industrial Promotion

- ***Thailand has covering overall process in textile industry***

From the previous sectors, Thai Textile industry is classified into three main sectors. They consist of upstream, midstream and downstream industry. All of these sub-sectors are related as suppliers and customers. The products from one industry will be raw materials for the next industry and it can be referred as business cycle.

According to the information from Textile Industry Division, Department of Export Promotion, the manufacturing processes since fiber production to clothing production have been operated completely. Thailand can produce fiber to support in weaving or knitting industry and then the products, the woven and knitted fabric, from previous industries will be raw material in clothing industry. These sub-sectors are close related and they have a value chain, beginning from the natural and synthetic resource to the end-consumers. Moreover, some clothing manufactures run the business as the vertical integration to maintain their competitiveness. Business cycle system in Thai textile industry can lead to the advantage of material costs and lead-time of production.

- ***Thailand has distribution channels in worldwide countries***

Thai clothing products not only are distributed within the domestic markets but are also exported to international market, which are USA, UK, Germany, France, Spain, Japan, UAE, etc. Moreover, Thailand is one of members in world economic and trading organizations, which are WTO, AFTA, APEC and ASEM. The received benefits under these agreements lead Thailand to have a good connection and privilege treatment within the organization as well as corresponding obligations, which include significantly bringing down tariff rate, offering national treatment to foreign investors, and etc. Under agreements, Thai clothing industry can expand the export value to member countries easily and also upgrade the products and technology know-how.

- ***Location of Thailand is appropriate***

According to the topography, Thailand locates on the appropriate region, which can be the center in South East Asia. South Asia and South East Asia is a big region because the number of populations is approximately quarter of the world populations. The population in this region approximately 500 million people so Thai products can be exported to these countries in order to respond the increasing demand.

According to the information from World Bank in 2001, this region is a significant market in the global and the GDP stays around U.S.$ 1.7 million or it accounted for about 5.5 percent of world GDP. Thailand has the highest number of exports per GDP in this region, which accounted for 66 percent. Moreover, the production capacity in Thailand is higher than other countries in this region such as, Vietnam, Myanmar, Cambodia, Laos, Singapore and Malaysia.

From the appropriate location, it can lead to becoming of Thailand's regional center for clothing industry.

5.1.2 Weaknesses of Thai Clothing Industry

According to analysis result of the expert team, weaknesses of Thai clothing industry are lack of some important raw materials, high import tax rate, outdated technology for machines and equipments, less activity in design and innovation, lack of development in value-added products, lack of development in brand name, high labor wage, less garment specialists supporting for industrial improvement, lack of management in small and medium size of business, no well training system for operators and insufficient supply chain management system. The weaknesses are shown as below.

- ***Thailand lacks of some important raw materials***

Clothing industry is the bottom sector of textile industry, therefore, the major raw materials of clothing industry is flowing from the upper industry sectors, fiber industry, weaving industry and knitting industry. From industrial cycle, Thailand has enough potentiality for producing both natural fiber and man-made fiber to consume within the domestic and export to other countries. However, clothing industry needs to import some kinds of raw materials from abroad for upgrade the quality of product and for its production. The important imported raw materials consist of cotton fibers, wool and animal hair fibers, vegetable fiber, woolen yarn, and yarn of animal hair, which can not be supplied perfectly by Thai textile industry with high quality as other countries.

Table 5.2 presents comparison of textile exports and imports. Although these materials can be produced in Thailand and are exported to other countries, their production volumes are still low. Thus, the manufacturers will import raw materials from abroad since the domestic material may not be enough for Thai clothing industry. Not only the lack of quality of raw material is a barrier for Thai clothing industry, but also the cost of production will increase from imported raw material.

Table 5.2: Comparison of Textile Exports and Imports

Products	Export		Import	
	Quantity	Value	Quantity	Value
Cotton fiber	1,210.1	1.345	398,983.6	484.306
Wool & animal hair	5,673.7	14.554	10,537.9	45.280
Vegetable fiber	13,658.6	2.167	38,287.9	9.131
Woolen yarn & yarn of animal hair	4,069.3	32.934	4,981.8	56.591

Source: Customs Department

Quantity: tons
Values: Million US$

- ***Tax rate of imported raw materials is high.***

Because all of sub-sectors in textile industry are closely related in terms of suppliers and customers, the problems happening in an industry will effect the next industry especially the production cost problem.

For fiber production industry, major additional production costs derive from imported petrochemical raw materials. Generally, the manufacturers have to pay import tax and other import expenses for the products imported from abroad. Import tax rate of petrochemical product, raw material in man-made fiber production, in Thailand is higher rate than that of the other countries. Moreover, tax rate for import man-made fiber and chemical substance used in dyeing and printing industry is also high. Table 5.3, 5.4 and 5.5 show import tax rate of petrochemical, import tax rate of fiber and import tax rate of chemical substance in dyeing process, respectively.

Table 5.3: Import Tax Rate of Petrochemical

Product	Thailand	Indonesia	Singapore	Taiwan	Korea
Ethylene glycol	1	0	0	1	1
Terephthalic acid	1	0	0	1	1
Dimethyl Terephthalate	1	0	0	1	1
Caprolactam	5	0	0	1	1
Acrylonitrile	1	5	0	1	1

Source: Department of Industrial Promotion

Tax rate: %

Table 5.4: Import Tax Rate of Fiber

Product	Thailand	Indonesia	Singapore	Taiwan	Korea
Man-made fiber used for spinning, made from:					
- Nylon	10	2.5	0	1.25	8
- Polyester	10	5	0	1.25	8
- Acrylic	10	0	0	1.25	8
- Others	10	0	0	1.25	8
Artificial fiber used for spinning, made from:					
- Polyester	10	5	0	1.25	8
- Others	10	5	0	1.25	8

Source: Department of Industrial Promotion

Table 5.5: Import Tax Rate of Chemical Substance in Dyeing Process

Product	Thailand	Indonesia	Singapore	Taiwan	Korea
Artificial grease	10	5	0	3.5	8
Polyvinyl alcohol	20	2.5	0	2.5	8
Acrylic polymer	20	2.5	0	5	8
Dyestuffs	10	0/5	0	5	6/8

Source: Department of Industrial Promotion

That means the import tax is the significant amount of production costs in upstream and midstream industry. This lead to a high cost of material in downstream industry. In the other words, the high production costs in clothing industry are affected from high costs of raw materials and redundant tax, absorbing in production costs of upper business sectors.

In addition, the above tables are compared the import tax rate with neighbor countries in this region. It can be seen that the import tax rate of Thailand is higher than these neighbor countries, which take disadvantage in world market competition.

- ***Thailand has outdated technology for machines and equipments***

Most of Thai manufacturers are small manufacturers. They generally use the machines such as, sewing machine, cutting machine, pressing machines, etc for long period of time. Moreover, some manufacturers purchase second hand machines to reduce capital investment costs. As a result, their productivity and efficiency will be low together with the quality of product are inconsistency. The number of manufacturer are shown in the following table and calculated in percentage in figure 5.3.

Table 5.6: The numbers of manufacturer in Thailand

	Less than 5 M.Baht	**5-10 M.Baht**	**50-100 M.Baht**	**100-1000 M.Baht**	**More than 1000 M.Baht**
Number of Clothing Manufacturer (units)	1,581	725	73	26	0
Investment cost (Million Baht)	1.9	20.5	70.9	294.9	1,187.5

Source: Department of Industrial Promotion

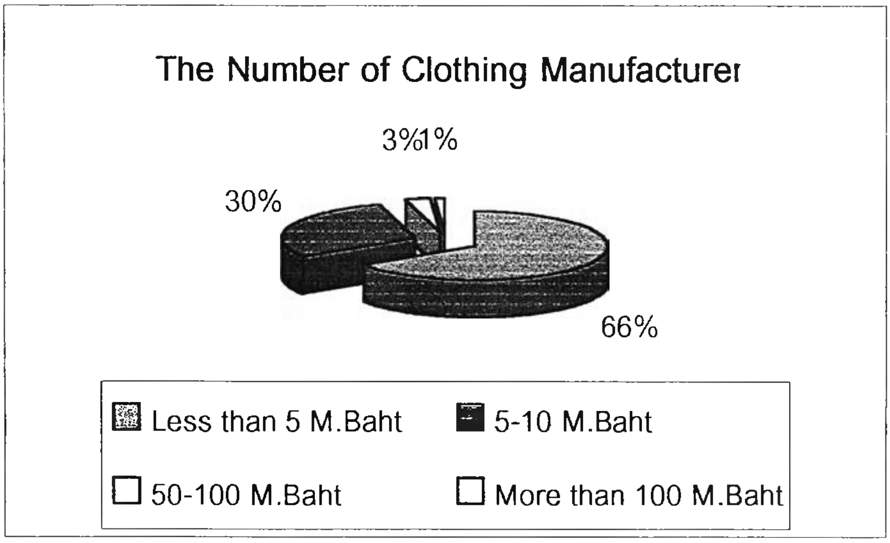

Figure 5.3: The number of clothing manufacturers in Thailand

According to the above figure, most of Thai manufacturers invest for machines less than 5 million baht, 66%. For actual survey, these manufacturers use old machines and/or second hand machines with low technology. Using high technology machines is not quite popular in Thai clothing industry because of high capital investment cost. Most of them are small size of manufacturer, which have not capital investment enough to purchase these high-tech machines. Moreover, it can be converted to high production cost if the amounts of manufactured products are not large. Thus, most of high technology machines will be applied in a big manufacturing process that can minimize the investment cost by taking higher productivity into account, economies of scales.

Although at the present there are a huge numbers of manufactures in Thai clothing industry, there are a small numbers of manufacturers using high technology machines and equipment. These high technology machines including Computer Pattern, Computer Aided Design, Computer Spreader System, Computer Cutter system and Computer Aided Manufacturing will increase production capacity and efficient productivity.

In the same way, manufacturers in other foreign countries such as France and Italy have new technology machines to support their manufacturing process. These modern machines make them have higher potential than Thai manufacturers.

- ***Thailand has less activity in design and innovation.***

Mostly, Thai clothing manufacturers in Thailand do not have design activity. Most of manufacturers produce the products follow by customers' orders, which fixes design pattern. According to the information from Thai Garment Manufacturers Association, in the year of 2001, more than 70% of total clothing entrepreneurs are Original Equipment Manufacturers (OEM). The products of OEM are produced from the customers' orders.

In some companies, the design functions have been assisted substantially by sharing of compute-aided design (CAD) technology between manufacturer and their trading partners. CAD technology assists to improve and develop new design of product but it has high investment cost and needs high human skill and knowledge in both design and new technology.

Designing seems to be a major obstacle to develop Thai clothing industry. Mostly, the characteristic of clothing production in Thailand involves producing from received orders as mass production. There are some factories that their production process starts from design activity. However, nowadays, the ability in design of Thai designers is hard to complete with many well-known designers in fashion leader countries such as France and Italy to respond the demand of customer in high-end market. Therefore, in order to be fashion leader in the future, the problem about design has to be concerned.

- ***Thailand lacks of development in value-added products.***

At the present, there is high competition in clothing industry around the world together with China newly entered to this industry with WTO membership. Thai clothing industry that is producing commodity products as mass production with low price will be affected from the new entrant, China. Moreover, Indonesia is another competitor in low-end market because its labor cost is lower than that of Thailand. Thus, the manufactures should specialize and differentiate its products to sophisticated items by avoiding competition with commodity items and should consider the value-added product in order to upgrade Thai clothing into medium and high-end market.

In general, Thai manufacturers are more production oriented than market driven, which may have devastating effects in a sector dominated by fashion and rapidly changing demand.

From the above, it can be concluded that the significant obstacle for Thai clothing industry in this time is the lack of development in value-added products.

- ***Thailand lacks of development in brand name.***

Besides design and quality of product that clothing manufacturer needs to continually develop, another important factor is concerned with creating its own brand name. Brand name enables people know the products and insist them to make decision easier. For example, famous brand name from Europe and American such as DKNY, Emporio Amani and Calvin Klein can distribute and sell to worldwide markets whereas Thai clothing industry did not have its own well known brand for international market. It can be said that brand name is an influent factor for customers' decision making to buy the products. Although, the quality of Thai clothing exports is acceptable in the global market, Thai did not take appearance advantage from this point.

Thus, Thai clothing industry should develop its own brand product to the global market for value adding and Thai government should have a plan to support and promote Thai brand name to international market for increasing the export value.

- ***Labor wage in Thailand is higher than neighboring countries***

Although the average of Thai labor wage is low compare to other developed countries, it is still higher than that of the other neighbor countries such as, Malaysia, China, India, Sri Lanka, Vietnam and Indonesia. According to Werner International Managing Consultants, the average labor cost per hour including allowances and social expenses of these countries is approximately US$ 1.13, 0.69, 0.58, 0.46, 0.39 and 0.32 respectively whereas Thai labor wage is nearly US$ 1.18 as it can be seen from the graph as below.

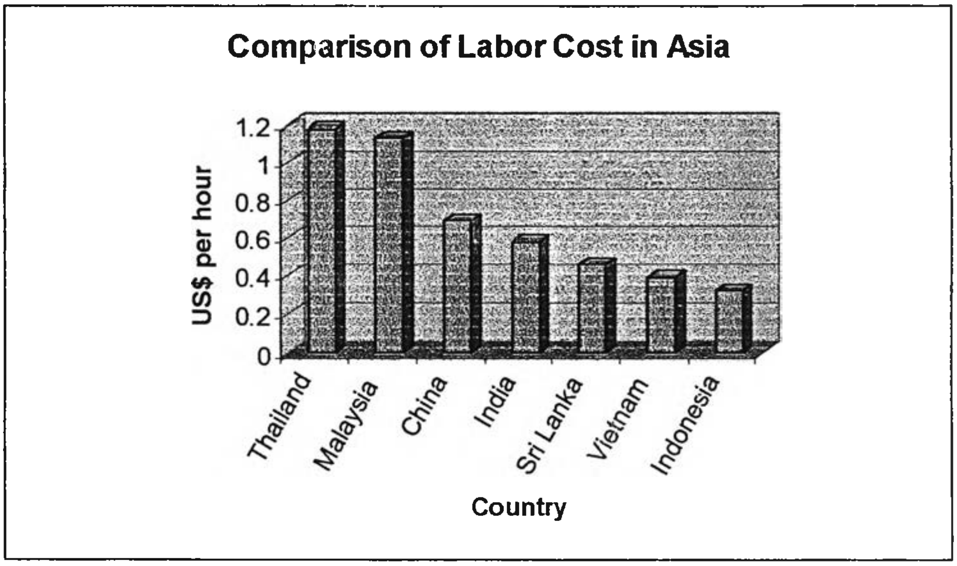

Figure 5.4: Comparison of Labor Cost in Asia

Source: Werner International Managing Consultants

Mostly, these countries produce the products as mass production to respond the demand of low-end market. Thus, it can impact directly on Thai clothing manufacturers who produce their product for this market.

- ***Thailand has less garment specialists***

There are a small number of specialists in production and research & development supporting for industrial improvement of clothing industry in Thailand. In each year, there is approximately 200 persons graduate from the universities in the curriculum about design, production control and production development. The amount of specialists and supervisors is not more than 1 percent of total workers in clothing industry. That means the high skilled labors and the specialist are not enough in this industry.

From this information, it seems to be the weaknesses in production, research & development and other part of Thai clothing industry.

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It can be seen that this concept should be developed in Thai textile industry, vertical alliances, to link and cooperate within each other in three sectors of Thai textile industry for increasing the speed of information flow between cooperative companies. However, there is lack of supply chain management or quick response in Thai textile industry. For example, in 2002, this concept is being begun primarily to develop in only two major Thai textile groups, which are Nunyang Textile Company Group and Thanalongkorn Company Group whereas other enterprises in this industry are not. (TTIS Textile Digest, November 2002).

Although, there is insufficient supply chain management in Thai textile industry, Thai textile and clothing industry is trending to apply this concept within their enterprises to enhance their competitiveness by shortening manufacturing cycle. During this time, Thailand Textile Institution (THTI) is promoting and arranging the major guideline to Thai textile and clothing industry to secure moderate position and expand our competitiveness in the international market, recommending by supply chain management.

In summary, insufficient supply chain management is a potential limitation for developing Thai textile industry that will affect significantly to the downstream industry, clothing industry.

5.1.3 Opportunities of Thai Clothing Industry

According to analysis result of the expert team, opportunities of Thai clothing industry are wide range supporting of Thai government and private sector in education for design and production, free trade area trading, stability of Thai political, benefit of devaluation of Thai currency, high support of fashion exhibition and advantage from increasing of world population trend. The opportunities are shown as below.

- ***Thai government has wide range supporting in education for design and production in clothing industry***

Thai government plays the important role to support the education programs in universities for developing the potential human resources to clothing industry. There are many curriculums in the universities involving design process and production process. These education programs enables people develop their skills and knowledge in the aspect of design the products and using technology in manufacturing department. Mainly, the universities that provide the beneficial curriculums are shown as follow:

- Kasetsat University (Kamphaeng Sean Campus) offers the education program in the Bachelor of Agriculture, Department of Home Economics. The curriculum involves design and making the apparels.
- Chulalongkorn University provides the program in the Bachelor of Fine and Applied Arts, Department of Creative Arts. This course aims in design of products.
- Srinakarinwirot University (Pasarnmit Campus) has instructed the Bachelor of Science, Department of Home Economics in textile and clothing. The aim of this curriculum is to develop design and production process both in textile and clothing industry.
- Sukothaitanmatirat University has taught the Bachelor of Home Economic in textile and clothing businesses. This course aims in home economic in textile industry.
- Thammasat University (Tapajan Campus) has arranged the Bachelor of Fine and Applied Arts in apparel design. This course aims in designing apparels.
- Rajamangala Institute of Technology (Klong 6 Campus) has taught the Bachelor of Fine and Applied Arts, Department of Home Economics in the curriculum about design and production process of producing the apparels.

- Rajamongala Institute of Technology (Bangkok Technical Campus) has instructed the relevant courses such as management system, quality control and so on.

- Rajamangala Institute of Technology (Chumpornket Udomsak) has arranged profession certificate course in textile and apparel industry.

Obviously, different degrees in each university can provide much knowledge to human resource about design and production in clothing industry. Thus, government's supporting in education programs can be one of the useful ways to produce specialists and supervisors in order to enhance the ability and capability of clothing industry in Thailand. Moreover, the Ministry of Industry by textile and clothing industry organizes additional training programs and seminar to develop human resource of these industries comprising labor, technician and management level.

- ***Thailand has established private sectors to develop Thai clothing industry.***

Besides government section supporting the clothing industry, private sectors can play the importance role to develop this industry also. For private sectors, there are two associations that participate in developing Thai clothing industry as follow:

Firstly, Thai Garment Manufacturers Association (TGMA), which was established since 15 October 1973. It has the objectives to promote and support industrial enterprises of Thai clothing manufacturing and exports including other related activities. This association supports and assists members in overcoming the problems and also monitors the clothing market movement. In addition, the major objectives supporting the enterprises to improve their product to standardization can be summarized as below:

- To promote cooperation, cohesion and exchange of ideas among members in various aspects including academic studies, trade information and research in marketing and manufacture of garments.

- To collect statistic data and information of members in respect to the manufacture and marketing of garment.

- To cooperate with the government in promoting and developing Thai garment industry to meet standards and quality standard.
- To promote production of members concerns that the volume satisfactorily reaches the demand of both domestic and international markets.

Second private sector is Thailand Textile Institute (THTI). It has been established since 15 October 1996 by virtue of a cabinet resolution of all textile association in Thailand under the endorsement of Ministry of Industry. The objectives of this institute are to enhance textile industry to assist Thailand become a quality textile manufacturing country and to prepare Thai textile industry with the readiness to benefit from the higher value added under the free-trade area. The duties and responsibility also include as follows:

- Survey and compile the information of textile industry.
- Research and develop textile industry technology in the part of production, model development and quality improvement.
- Study and analyze problems impacted on textile business and then recommend the ways to tackle these problems offering to the government.
- Provide training programs and seminar to develop human resource such as, labors, technicians and management levels.
- Support and provide the services on testing, analyzing and certifying the quality of textile products.
- Give the consultant services about textile industry to textile entrepreneurs.
- Support and promote domestic and international markets.
- Coordinate and develop textile industry promotion between government and private sectors within the domestic and foreign countries.

However, Thai textile and clothing manufacturers are able to get more information from the following private sectors.

1) Thai Fashion Brandname Association (TFBA)

2) Thai Garment Development Foundation (TGDF)

3) The Association of Thai Textile Bleaching, Dyeing, Printing and Finishing Industries (ATDP)

4) The Thai Textile Manufacturing Association (TTMA)

5) The Thai Synthetic Fiber Manufacturers' Association (TSMA)

From the above information, the establishment of various private sectors is a good opportunity to clothing manufacturers in Thailand to develop their products and enhance their ability and capability to complete with other foreign competitors. This seems to be a good opportunity for Thai clothing industry to develop in the future.

- ***There is free trade area in World Trade Organization (WTO) and ASEAN.***

General Agreement on Tariff and Trade (GATT) has arranged the trading negotiation around Uruguay in 1986 and finished on December 15, 1993. Then, World Trade Organization (WTO) has been official established since January 1,1995 for supervisory the operation upon the GATT and negotiation around Uruguay agreement. The major objective of WTO is to make the world trade market to have more freedom by minimizing trading barriers both tariff barrier and non-tariff barrier, opening free trade area.

Thailand is also a member of World Trade Organization (WTO) to enter the free trade market and bring down trading barriers. This benefit enables Thailand to export more clothing products because the important international markets of Thai clothing products, USA, Europe and Japan, had reduced import duty for clothing. However, the competitors that join in WTO will also grant this benefit too.

Moreover, in the stage of ASEAN free trade area, Thailand still take the advantages from this free trade market to reduce tax and tariff when export the products to ASEAN countries. There is no trading barrier in ASEAN countries markets, therefore Thai clothing industry will obtain this benefit when exports to ASEAN countries markets.

- ***Thai political affairs has stability.***

Thailand is a country that has the politics stability. There is no war or political conflict within the country while some neighboring countries such as Indonesia, Myanmar and Cambodia has been troubled from political problems in the countries. From the peaceful political situation in Thailand, it results that the government can allocates the budget for developing business sectors especially for the important industry that can make high income from exports. In response to a high volume from exports in the international markets resulting from their strengths, the Thai government is pursuing the expansion of clothing exports in local and international markets. Furthermore, the government policy is also supporting and arranging both local and international marketing promotion for Thai clothing industry.

Thus, in this point, it is a significant potential opportunity of clothing industry to secure and expand the competitiveness in local and international markets.

- ***Devaluation of Thai currency benefits to exporters.***

Due to Asia financial crisis that affected to the Baht drop in July 1997 and then the exchange rate stay between 40 and 45 Baht to US dollar in the year 1997, make Thai products more competitive for exports.

Thai Baht devaluation can make the clothing from Thailand cheaper than before. Thus, the other countries where their currency appreciated against Thai Baht will have more purchasing power and Thai clothing product is more interesting in pricing. In addition, the result from devaluation of Thai Baht benefits to Thai exporters especially exporters who distribute their products to USA and Europe markets. This is because they are the big imports markets of clothing products from Thailand. The export value is approximately US$ 3,000 million in each year. Therefore, the devaluation of Thai Baht is a significant opportunity for clothing industry to boost dramatic demand in USA and Europe markets and to help increasing the overall clothing export of Thailand. After all, the increase in clothing export is one of the key factors to assist recovering the overall economic in our country.

- ***Thai government supports fashion exhibition.***

In order to emphasis Thailand's potential role in Asia fashion, clothing and textile industries, the Thailand's Department of Export Promotion cooperates with private organizations to exhibit Bangkok International Fashion Fair (BIFF) in January 2002. It seems to be a new dawn for Thai fashion industry.

BIFF provides a good opportunity for Thai brand name manufacturers to present their brand on international stage. In addition, there are many leading Thai brand name, Fly Now, Seneda, Greyhound, joined in this fashion show. This fashion exhibition enable the manufacturers show their potential in design and quality of product. Moreover, BIFF will help to promote and develop new designing talents and underline their capability to create unique fashion designs that can satisfy the global market place.

In addition, BIFF is held to promote the image of Thai fashion, clothing and textile industries while underling the potential of Thai textile industries, their high quality standard, as well as the diverse range of production comprising upstream to downstream activities.

In the year after 2003, according to Asian Textile Business, issued in May 2002, the Thai government will invest 2,690 million Baht from the state budgets to support the grand plan that will make Bangkok into the international fashion city ranked in New York, London and Tokyo in 2012.

This is a potential opportunity to introduce Thai brand name to the international markets for value adding and increasing the export values.

- ***There is an increasing of world population trend.***

According to the information from United Nation, trend of population in the world may increase in the future especially in Asia. From this trend, it can benefit to clothing industry in Thailand because clothing products normally are important to human life. When the population increases, the need for consumption clothing products will increase also. The world population during 1980 to 2010 is presented as follows.

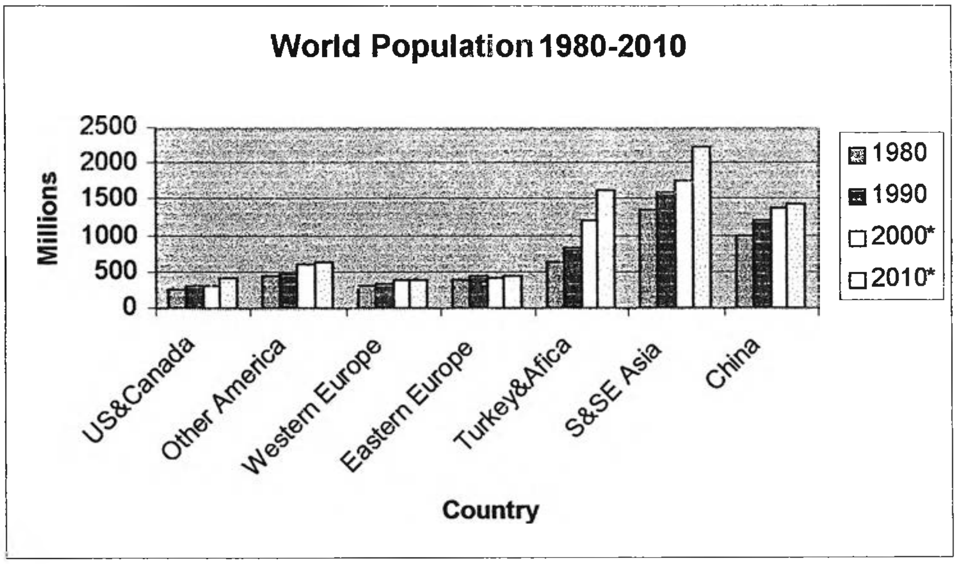

Figure 5.5: World Population Trend
Source: UN Data

From the above figure, Thailand is included in South and South East Asia countries, which has continuously grown of population as well as overall increase. Therefore, rising of number of people can be a good opportunity for Thai clothing industry in the future.

5.1.4 Threats of Thai Clothing Industry

According to analysis result of the expert team, threats of Thai clothing industry consist of the barrier from nonmember of some economic group, new entrant in clothing industry, existing Asian competitors, uncertain effect within world economy and trade, destructive damage by removal quota system in 2005 and additional requirement of certificate for ISO system. The threats are shown as below.

- ***Thailand faces barrier from nonmember of some economic group***

Thailand can be affected from the unity of economic group in other part of the world. It includes North America Free Trade Area (NAFTA) and European Union (EU). The problems from these economic groups bring the trading disadvantage to exporters who sell the products to the country in trading area. Because there is the free trade for the member countries and there is exempt the custom tax and duty for several products within trading area.

NAFTA affects Thai products including clothing products because USA, which is a member of NAFTA, is the largest and most important market of Thai clothing products. From NAFTA affect, Thailand can lose the market share in USA to Mexico. From the special preferences and the short transportation of Mexico, make imports from Mexico have the lower costs than imports from Thailand. Moreover, the free trade set in Mexico has more benefit to its countries because the other countries is interesting in investing in Mexico for producing the products to sell to USA which is a large market. Thus, this is another barrier in Thai clothing industry for expanding exports in USA market.

- ***Thailand faces barrier from new entrant in clothing industry***

China becomes WTO membership that means general privilege treatment within the organization as well as corresponding obligations, which consist of considerably decreasing tariff rate, setting up an integrated pricing system parallel to the international market, reducing import licenses and offering national treatment to foreign investors.

This is the evident for all countries to concentrate on China textile industry that will affect to production and trade of the world textile market in the future. Thus, Thai clothing industry also has a big trouble from becoming of China's WTO membership (Textile Outlook International, March 2001).

At the present, China has a large number of clothing exports in the global markets whereas Thai clothing industry also has a high volume of exports, which stays in the fourth rank of the total export of every item of Thailand. However, Thai clothing industry can not compete and secure the competitiveness of commodity items with low pricing as China. Although, Thai manufacture is producing for mass production to bring down the production costs, production costs are not so low as China, which has a lower labor costs than our country. In this case, China will be a strong competitor to export products in the market. It can be said that Thai clothing industry faces a certain problem by new entrant as China.

- ***Thailand faces barrier from existing competitors in Asian countries.***

Not only new entry as China that will be our major competitor, but also other Asian countries such as, India and Indonesia have greater competitiveness. With low labor cost, these countries have a strong competition especially in terms of product price, they also have ability to expand their clothing products to the international market. Moreover, these countries are our major suppliers of cotton fabric and knitted fabric, therefore they have theirs own lower costs of commodity fabric especially China that will gain high competitiveness in price. Thus, Thai clothing manufacturers are facing involves increasing of market share of these countries that will be a great obstacle to expand the exports to the global market.

- ***There are uncertain effects within world economy and trade.***

From the past until now, there were several significant impacts to world economic and trade. Due to the influence of the Asian financial crisis, which begun with Thai Baht devaluation in 1997, the world economic growth rate has become shock. Moreover, there was an another uncertain impact on the world economy and trade in 2001, which was influenced by September 11 terrorist attacks in USA. The event in USA affected to all worldwide countries industries, therefore Thai clothing industry faced a serious problem in USA market, the largest Thai clothing exports market. However, in 2001, all these evident busted the numbers of Thai clothing exports in major international markets, declined from previous year. That is, the uncertain evident within world economy and trade is a significant impact to Thai clothing industries, which run business in worldwide markets. Export market of Thai clothing products are presented in table 5.7.

Table 5.7: Export market of Thai clothing

	1998	**1999**	**2000**	**2001**	**YOY Changes (2000-2001)**
USA	1,552.9	1,564.7	1,762.5	1,712.6	***-49.9***
Europe	672.5	711.1	727.1	651.6	***-75.5***
Japan	234.5	220.0	203.5	186.6	***-16.9***
Middle East Asia	199.3	167.0	157.5	132.8	***-24.7***
Africa	82.9	68.0	63.7	78.1	***14.4***
ASEAN	40.2	47.3	56.7	57.4	***0.7***
Others	288.4	249.6	279.0	258.5	***-20.5***
Total	3,070.	3,027.7	3,250.0	3,077.5	***-172.5***

Source: Customs Department — Million US$

- ***There is a destructive damage by removal quota system in 2005.***

At the end of the year 2004, the current Agreement on Textile and Clothing (ATC), the former Multi-Fibre Agreement (MFA) will be associated by the WTO. After 2005, trade liberalization will progress even further as bilateral agreements, voluntary export restrictions and quantitative restriction will disappear. Thus, it is a big benefit to WTO's membership because which country is able to offense other countries by with strong cost competitiveness and becomes a main competitor. It means that in case the quota system is removed, greater competitive countries can increase export freely, and lesser competitive may lose dramatically their exports. Therefore, Thai clothing industry may receive a destructive damage by the removal of the quota system in 2005.

- ***The certificate of ISO will be required in the future.***

ISO is an international certified quality standard of product that definite by the International Organization for Standardization (ISO). The product is certified by the standardization of ISO that it does not mean a good product but it refers to stability and consistent manufacturing. Thus, ISO is generally to develop in various size of manufacturing industry as the standardization for reaching customers' requirements and being strong competitiveness. Moreover, ISO will be a potential way for exports industry to survive in the global market after 2005, removal quota system. (TTIS Textile Digest, June 2000)

There are several limitations to develop International standardization in Thai clothing industry, which are ISO conditions, lack of human resources and experts, high implement cost and so on. That is, ISO is not quite popular in Thai clothing manufactures because most of manufacturers are small size of enterprises that have low financial support and management system.

It can be interpreted that the ISO system will be a significant obstacle for Thai clothing industry especially for small size business. This system will force them to improve their products to reach the international standardization level