Jati, Volume 18, December 2013, pp89-110

THE ASEAN-CHINA FTA: MANUFACTURER ASSOCIATIONS' VIEWS ON IMPACTS TO THE ASEAN TEXTILE AND CLOTHING SECTOR

Tei Chuen Yuh[1]
MyClear, Bank Negara Malaysia
(jesslyntei@myclear.org.my)

Mohamed Aslam[2]
Faculty of Economics and Administration
University of Malaya
(maslam@um.edu.my)

Abstract

The ASEAN China Free Trade Area (ACFTA) came into effect on January 1, 2010. Since the enactment of the ACFTA, China is expected to benefit from a zero-tariff treatment or lower trade barriers from ASEAN countries. The ACFTA will open a huge export market to China. The major issue of the ACFTA is to what extent members of ASEAN are able to compete with cheaper Chinese goods in the regional market. ASEAN and China each possess similarities in the production and export of goods, particularly manufactured goods that include the textile and clothing sector. The ACFTA will influence competitiveness and comparative advantage among members of ASEAN in the textile and clothing (T&C) industry. Manufacture and trade associations (or business chambers) of the ASEAN T&C industry in particular have warned that the ACFTA would cause significant damage to the ASEAN T&C sector. Members of ASEAN are incapable of competing with Chinese T&C products. The main objectives of this study is to investigate the impact of the ACFTA on the textile and clothing industry based on manufacture associations within the textile and clothing industries of three main members of ASEAN namely Indonesia, Malaysia and Thailand.

Keywords: Free Trade Area, ASEAN, China, Textile and Clothing, Trader Associations.

Introduction

The Association of Southeast Asian Nations (hereafter referred as ASEAN) and China signed the ASEAN-China Free Trade Area in November 2002. The Free Trade Area (FTA) was fully implemented beginning January 1, 2010. The ACFTA is assumed to be the third largest free trade zone after the European Union and the North American Free Trade Area. The ACFTA was established for two main reasons. The first reason is related to the severe impact of the Asian financial crisis on various countries within the Southeast and East Asian regions from 1997 to 1999 (Mohamed Aslam, 2004). The ACFTA was regarded as one of the solutions to tackle and invigorate the affected economies. The second reason is in response to the failure of multilateral trade liberalization under the auspice of the WTO (Mohamed Aslam, 2004). The low commitment of industrial countries to the Uruguay Round Agreement, the failure of the Millennium Round in 1999 and the unsettled Doha Round trade negotiations prompted countries around the globe toward establishing bilateral FTA agreements. The failure of the WTO multilateral trade liberalization has prompted members of ASEAN and countries of East Asia to build coherent economic cooperation by establishing free trade area pacts.

The ASEAN-China Framework Agreement on Comprehensive Cooperation was signed in November 2002, which opened up a negotiation process that led to consecutive agreements between ASEAN and China. Beginning with the agreement on trade in goods in November 2002, this was then followed by trade agreements in service in 2007 and an investment agreement signed in 2009. Up until 2010, six members of ASEAN--Malaysia, Thailand, Philippines, Indonesia, Singapore and Brunei (ASEAN 6)--reduced their tariff rates to zero. For the remaining four members, Cambodia, Myanmar, Laos, and Vietnam (CMLV), the agreement allows a gradual reduction of tariff rates where all countries will remove their tariffs by 2015.

The ACFTA can be considered a promising solution for economic development and growth in the Asian region. The market size of the ACFTA is about 1.7 billion consumers. The ACFTA aggregate GDP is over US $2 trillion with total trade estimated at US $1.23 trillion. China's Deputy Economic Minister Long Yongtu stated that ASEAN would be among the first to benefit from China's efforts to further open its economy (Sheng, 2003:3). The ACFTA will potentially produce enormous economic benefits (Tongzon, 2005). ASEAN and China had already established mutual interdependence even before the 1980s. However, China's rapid economic growth and development including its trade growth in certain circumstances have caused trade and foreign direct investment diversions from ASEAN to China. Nevertheless, the impact of the ACFTA is quite varied among each signatory country. The variations are related to the structure of production and trade, whether a structure is complementary or competitive with China (Mohamed Aslam, 2004).

The ACFTA was planned to supposedly generate a win-win situation for ASEAN and China in all types of production sectors, particularly the manufacturing industries. However, there were a number of quarters or groups from ASEAN that were uneasy with the ACFTA. Reasons given by various groups for their uneasiness involved questions as to what extent the ACFTA would provide economic opportunities for ASEAN members to access and penetrate China's market, and at the same time, the extent of China as a major obstacle to ASEAN's competitiveness. China has become a strong competitor to ASEAN in trade as well in attracting the inflow of foreign investments since the early 1990s (Nazery and Armi Suzana, 2005). Industrialists of ASEAN countries expected that the free trade agreement would be a source of income and for future industry expansion, but the expectation was torn apart. Most of the ASEAN industries were unable to compete with China's cheaper products, from high-tech to low tech goods or goods produced by capital-intensive to labour-intensive industries. In the textile and clothing industry, particular members of ASEAN could benefit from cheap raw materials and products from textile production in China. On the other hand, members of ASEAN are unable to face intense competition from China's textile and clothing goods sector.

The Textile and Clothing Industry in East Asia: An Overview

The textile and clothing industry is the most protected industry in the global economy in developed as well as in developing countries. The textile and clothing industry in many developed countries receive far greater protection than other sectors for manufactured products. Average tariff rates imposed on products of technology-intensive sectors are much lower than tariffs applied to imported textiles and clothing.

The textile and clothing (T&C) industry is often referred to as a sector belonging to low technology industry. The industry comprises a number of activities from the preparation and production of various textile fibres or the manufacture of yarns, the production of knitted and woven fabrics, the transformation of fibres to yarns and fabrics to the production of a wide range of products such as hi-tech synthetic yarns, garments knitted or woven, wool, bed-linen, bathroom linen, curtain, industrial filters, geo-textiles, clothing, etc. The industry is a labour intensive, low wage industry that offers entry-level jobs for unskilled workers in developed as well as developing countries. The industry requires a relatively modest fixed capital for entrepreneurs even in poor countries to start up and establish production facilities and operations.

Over the last three decades extraordinary changes have occurred in the global textile and clothing markets. Developed countries and the Asian Newly Industrializing Economies (NIEs) have moved from low-technology industries or labour intensive industries including textile and clothing to high-technology and capital intensive industries. Since the early 1990s these regions have placed less emphasis on the textile and clothing sector. In addition, the NIEs have lost their comparative advantage and have become much less competitive in the world textile and clothing industry. China, ASEAN and South Asia have captured the loss of NIEs' market share of the world's textile and clothing market. The textile and clothing market in the NIE markets as well as in the developed industries have been dominated by China and ASEAN textile and clothing industries.

The T&C is one of the main export industries in ASEAN, a sector that has been in existence since the 1950s. The industry significantly contributed to export earnings, employment and gross domestic products particularly in the case of Vietnam, Indonesia, Thailand, the Philippines, Cambodia, Laos People's Democratic Republic and Myanmar. Meanwhile, Malaysia and Singapore have lost their competitive advantage in the industry since the early 1990s. The loss of competitiveness of the sector can be attributed to escalating costs of production. The rise of China in the T&C industry has created significant competition to ASEAN. Members of ASEAN countries were affected quite substantially by China's lower cost of textile and clothing goods in the world commodity markets. The free trade area agreement between ASEAN and China was supposed to act as a buffer in dealing with competitive pressures in the world market. However, since 2005 this assumption has collapsed (Mohamed Aslam, 2005).

China's Textile and Clothing Industry

At the beginning of the 21st century, the integration of China into the global economy has made a great impact on the structure of the world trading system. The rise of China has definitely changed the landscape of the global economy. From virtually being an industrial backwater in 1978 to the present, China has become the world's largest textile and clothing producer and exporter. Over the past 30 years, China has expanded with an average growth rate of about 10 percent per annum. Since 1980 the export of Chinese textiles contributed to an increasing trend: growing from 4.6 percent of total world export to accounting for 24.1 percent in 2005. Over the same period textile output increased eighteen fold. From 1978 to 1997 China's market share of clothing exports increased at a compound annual growth rate of 22.2 percent. In 1994, China replaced Hong Kong as the leading apparel exporter in the world,

Table 1: Exports of Textile: Selected Countries in Asia, (US$' million)

	1990	2000	2005	2008	2009
World	104,354	158,579	205,135	253,359	211,054
China	7,219	16,135	41,050	65,361	59,821
Hong Kong	8,213	13,441	13,830	12,256	9,976

Macao	136	272	275	107	57
Taiwan	6,128	11,891	97,06	9,253	7,891
South Korea	6,076	12,710	10,391	10,371	9,155
Indonesia	1,241	3,505	3,353	3,675	3,208
Malaysia	343	1,270	1,356	1,549	1,359
Philippines	132	297	269	194	147
Singapore	903	907	916	885	697
Thailand	928	1,958	2,764	3,211	3,002
Vietnam	-	229	725	1,563	1,815
India	2,180	5,998	8,462	10,447	9,105
Pakistan	2,663	4,532	1,087	7,186	6,510

SOURCE: WTO Annual Trade Statistics, 2007, 2008, 2009 and 2010.

Table 2: Imports of Textile: Selected Countries in Asia, (US$' million)

	1990	2000	2005	2008	2009
China	5,292	12,832	15,503	16,228	14,944
Hong Kong	10,182	13,716	13,793	12,313	9,964
Macao	619	902	706	310	146
Taiwan	1,013	1,460	1,117	1,181	904
Japan	4,133	4,935	5,812	6,948	6,753
South Korea	1,947	3,359	3,541	4,112	3,536
Indonesia	785	1,251	756	3,262	2,802
Malaysia	951	1,114	987	1,121	916
Philippines	910	1,250	1,055	873	604
Singapore	1,778	1,275	1,037	1,193	907
Thailand	898	1,630	1,986	2,444	1,913
Vietnam	-	1,379	3,125	5,703	5,902
India	240	575	1,941	2,437	2,187
Pakistan	126	130	471	589	591

SOURCE: WTO Annual Trade Statistics, 2007, 2008, 2009 and 2010.

Table 3: Exports of Clothing: Selected Countries in Asia, (US$' million)

	1990	2000	2005	2008	2009
World	108,129	198,094	277,971	364,914	315,622
China	9,669	36,071	74,163	120,399	107,261
Hong Kong	15,406	24,214	27,292	27,908	22,826
Macao	1,111	1,849	1,656	1,053	269
Taiwan	3,987	3,015	1,561	1,194	904
Japan	568	534	495	593	483
South Korea	7,879	5,027	2,581	1,741	1,396
Indonesia	1,646	4,734	4,959	6,285	5,915
Malaysia	1,315	2,257	2,479	3,624	3,126
Philippines	1,733	2,536	2,287	1,979	1,534
Singapore	1,588	1,825	1,696	1,557	1,041
Thailand	2,817	3,759	4,085	4,241	3,724
Vietnam	-	1,821	4,838	8,724	8,629
India	2,530	6,178	9,212	11,495	11,454
Pakistan	1,014	2,144	3,907	3,906	3,357

SOURCE: WTO Annual Trade Statistics, 2007, 2008, 2009 and 2010.

Table 4: Imports of Clothing: Selected Countries in Asia, (US$' million)

	1990	2000	2005	2008	2009
China	48	1,192	1,629	2,282	1,842
Hong Kong	6,913	16,008	18,437	18,546	15,508
Macao	26	214	426	872	268
Taiwan	290	978	1,092	1,176	1,010
Japan	8,765	19,709	22,541	25,870	25,510
South Korea	151	1,307	2,913	4,223	3,379
Indonesia	16	39	71	299	269
Malaysia	76	148	283	492	352
Singapore	920	1,881	2,132	2,224	1,698
Thailand	29	131	214	392	372
Vietnam	-	450	332	352	305

SOURCE: WTO Annual Trade Statistics, 2007, 2008, 2009 and 2010.

Table 5: Total Exports of Textile and Clothing of ASEAN-5 to China, 2001-2009 (US$'mil)

	2001	**2005**	**2006**	**2007**	**2008**	**2009**
Malaysia	60.64	118.10	114.24	124.80	106.85	114.09
Indonesia	131.97	153.60	174.84	202.43	241.52	220.94
Thailand	97.74	293.41	271.18	283.75	281.07	299.15
Singapore	27.75	55.46	43.95	55.01	43.13	51.36
Philippines	6.0	18.37	34.76	20.56	21.90	19.96
Total	**324.9**	**638.89**	**638.97**	**686.55**	**700.47**	**705.43**

SOURCE: International Trade Center, www.trademap.org.

Table 6: Total Imports of Textile and Clothing of ASEAN-5 from China, 2001-2009 (US$'mil)

	2001	**2005**	**2006**	**2007**	**2008**	**2009**
Malaysia	210.01	431.29	554.17	646.24	662.04	524.45
Indonesia	158.81	266.98	321.97	424.17	1,144.34	1,123.32
Thailand	483.93	733.94	837.77	988.04	1,192.18	1,086.46
Singapore	475.88	958.41	1,209.83	1,259.20	1,145.82	875.38
Philippines	135.38	246.80	298.51	305.20	278.32	195.58
Total	**1,464.02**	**2,637.43**	**3,222.25**	**3,622.85**	**4,422.71**	**3,805.20**

SOURCE: International Trade Center, www.trademap.org

reaching US $23.722 billion (HCTAR, 1999). In 2009, China's market share of textiles and clothing accounted for 31.7 percent of the global textile and clothing market.

Export of textiles and clothing from China has increased from US $7,219 million and US $9,669 million in 1990 to US $65,361 million and US $120,399 million in 2008 respectively (Table 1 and 3). At the same time, imports of textiles have also increased from US $5,292 million in 1990 to US $16,645 million in 2008 (Table 2), while the imports of clothing increased from US $48 million in 1990 to US $2,282 million in 2008. In 2009 exports of textiles and clothing accounted for US $59,821 million and US $107,261 million respectively. Likewise in 2009, the import of textiles and clothing dropped to US $14,944 million and US $1,842 million. The drop in exports was partly due to the effects of the global economic crisis that struck in 2008. Producers and exports of textiles and clothing of developing countries including China rely heavily on industrial country markets such as the United States and the European Union. The economic downsizing of industrial countries significantly affected developing countries including China and ASEAN.

In China, many clothing factories and producers reported that orders from the European Union and the United States declined significantly. Based on data from the General Administration of Customs, exports of clothing and accessories from China fell 8.1 percent in 2010, which accounted for approximately US $36.82 billion. Meanwhile, exports of textile yarn and fabrics fell 15.5 percent in 2010, about US $22.03 billion (Textile Minister of Commerce, 2009). Besides demand from industrial countries, developing countries also demand China's textiles and clothing. China's textile and clothing export share to developing countries has increased from 36 percent in 1999 to 47 percent in 2008 (Martin, 2009).

China is a low production cost centre with abundant supplies of low cost labour and an availability of cheap raw materials underscoring its comparative advantage in labour intensive products especially textiles and clothing. As a comparison, China's hourly wage for a worker in the clothing industry averages US $0.88 per hour, whereas the United States' hourly wage averages $9.70 per hour (Hufbauer and Wong, 2004:14). China also has an enormous and extensive domestic market that has been transformed into a consumer society. China's demand within its domestic market is large enough to enable industries to produce more output at lower costs and achieve economies of scale. This allows Chinese producers to sell products at lower prices. In addition, the undervalued exchange rate in terms of Renmimbi against U.S. dollars and public subsidies from the government also contributes to the comparative advantage of China's textile and clothing industry.

The removal of quotas under the MFA and the entry of China as a WTO member in 2001 have increased China's textile and clothing product competitiveness in the world economy. With the end of the MFA, China's textile and clothing exports to the United States market jumped 40 percent in terms of quantity, boosting China's share of the United States import market by 7 percentage points to 34 percent (Brambilla, Khandelwa and Schott, 2007:2). Although China has a strong comparative advantage in the production of textiles and clothing, the country still faces many challenges that include new forms of trade protectionism (e.g. anti-dumping), increases in factory prices, and the upgrading of industrial and labour skills. In order to protect their textile and clothing industries, the United States and European Union governments drafted new agreements and imposed restrictions on China's textile and clothing export in 2006. However, since January 1, 2008, the quotas imposed on China's export of textile and clothing was completely abolished by the United States and the European Union.

Since the 1980s, employment in China's textile and clothing industry has increased significantly. China's textile and clothing industry provided employment for approximately 19 million workers (around 22 percent of formal employment in manufacturing) and another 80 million workers are indirectly dependent on the textile and clothing industry (ILO, 2011). However, the employment of textile and clothing industry declined in 2009 due to the improvement of production efficiency, decline in exports, and increases in labour costs. Until November 2009, employment in textiles alone accounted for 10.8424 million, showing a drop of 0.46 percent as compared to 2008 (2e5e.com, 2009). In terms of fixed assets, from January 2009 to April 2010 investment in the textile industry was approximately 68.1 billion Yuan, lower than the year before. Furthermore, the government has closed down inefficient textile and clothing factories that were state-owned enterprises. The impact of the global economic crisis and the government move into the T&C industries has resulted in approximately 1.5 million jobs shelved, with a number of T&C firms scaled down (Hufbauer and Wong, 2004:14).

With the appreciation of the Renmimbi since 2006 and the rise of labour costs, China's days of low-end production seems to be over, which has put pressure on China's textile and clothing competitiveness. China's textile and clothing industry will definitely be affected. Due to a decline in demand and rise in prices, overall exports of textiles and clothing had declined 5 percent to 10 percent from 2008 to 2009. To increase its world market share, China's T&C industry aggressively sought market share of emerging economies such as Turkey, Mexico and South Korea. To further expand domination in the world T&C market Chinese T&C firms invested abroad, Chinese firms invested abroad mainly to reduce costs of producing textile and clothing that soared since 2008. Labour costs increased since the Chinese government implemented its new labour contract law on January 1, 2008 (Kin-fan, 2009). In the coastal region, the average wage of a clothing labourer increased from 1,600 to 1,700 RMB per month in 2008. From data provided by the China National Textile and Apparel Council, average salaries in the textile industry rose from 10 to 30 percent since 2009. However the price of cotton rose 14 percent per ton from January to May in 2010 (Kin-fan, 2009). To reduce costs, the best option for the T&C industry is to move factories abroad.

Therefore, China is looking for cooperation from companies and shifting company factories to low-cost countries. A good example of China's outward foreign direct investment (FDI) is in Cambodia, a country located in the Greater Mekong Region. In Cambodia a worker is only paid an average of US $56 per month (Jinmin, Wu and Yao, 2008:19). Besides Cambodia, Laos and Vietnam also attract China's FDI. China also believes that using cheaper labour resources within ASEAN countries by investing and building factories may expand China's textile and clothing industry and may be able to maintain sector competitiveness in the global market. With the establishment of the ACFTA, China's textile and clothing sector is believed to gain. There is an optimistic view that healthy competition among China and ASEAN countries will provide a wider array of choices for products and inputs that can benefit consumers and local producers and that the establishment of the free trade area will also encourage members to source raw materials and input economically from each other (Kim H.J, 2007). Meanwhile, opponents to the ACFTA believe that ACFTA has the potential to seriously harm ASEAN's textile and clothing industry that would result in mass layoffs. Looking at Table 6, export of textile and clothing from ASEAN to China increased significantly from 2001 to 2009. The value increased from US $324 million in 2001 to US$705 million in 2009. Imports of textiles and clothing into ASEAN from China also increased dramatically from US $1,464 million in 2001 to US $3,805 million in 2009 (Table 6).

Indonesia's Textile and Clothing Industry

The textile and clothing industry in Indonesia plays an important role in economic growth and development. The industry is the second largest export earner after the oil and gas sector. Clothing and textiles are a strategic industrial sector and the industry has grown from being a small subsector to a major contributor to the Indonesian economy over the last three decades. The textile and clothing industry in Indonesia is ranked as the fourth largest textile and clothing industry in the world. The T&C industry in Indonesia is labour intensive and workers are underpaid. In terms of labour costs, the average wage rate of a textile production worker is only US $0.50 per hour while the figure for clothing workers is a mere US $0.27 per hour (Hassen, 2006).

The export of textiles and clothing in Indonesia in 1990 accounted for US $1,241 million and US $1,646 million respectively, and exports of both commodities have increased to US $3,675 million and US $6,285 million in 2008 (Table 1 and 3). However in 2009 the export of clothing declined to US $3,208 million, while the exports of clothing decreased to US $5,915 million. The global economic downturn since 2008 and the end of temporary safeguard quotas by the USA and the EU along with the China factor were causes for the plunge in demand for Indonesian textiles and clothing. On the other hand, imports of textiles in 1990 was about US $785 million increasing to US $3,262 million in 2008 before declining to US $2,802 million in 2009 (Table 2 and 4) . Imports of clothing in 1990 recorded US $16 million and soared to US $299 million in 2008 before decreasing to US $269 million in 2009. In the case of ASEAN-China trade, exports of T&C of Indonesia to China has increased from US $132 million in 2001 to US $221 million in 2009, while in Indonesia the import of T&C products from China has increased from US $159 million to US $1,123 million (Table 5 and 6). In terms of trade balance the Indonesia T&C sector is losing ground to China.

According to Winarno (2011) the huge influx of imported Chinese products such as textiles, garments, footwear, electronics, toys, furniture, steel, chemicals and machinery into the Indonesian market has caused a dent upon a wide range of local manufactures and business. The establishment of the ACFTA has created public debate in Indonesia pertaining to what extent the FTA can provide good economic opportunities to local businesses, and for how long would local goods survive in comparison to cheaper goods from China. The industry trade association particularly the Indonesian Chamber of Commerce and Industry (KADIN) has been vocal to the Indonesian government regarding the impact of the ACFTA on Indonesian businesses. There were many reports about the losses and closures of local companies due to the inability of local firms to compete with Chinese firms in the production of cheap goods (Winarno, 2011). The primary reason offered by the Indonesian association for losses, closures, and inability of firms to compete was the negative impact of the ACFTA on the local T&C industry diminishing the competitiveness of local textiles and clothing in the domestic market.

The industry association, particularly the Indonesian Textile Association (API), Indonesian Association of Iron and Steel Industries (IISIA) have fears about suffering from unfavourable impacts of the ACFTA (AntaraNews, 2009). These associations believe that a free trade agreement between ASEAN and China will likely threaten the Indonesian textile and clothing industry and steel producers and that China will dominate local market share. These two industries believe that they are the most likely candidates to experience a double competitive squeeze and major pressure under intense competition from China. The Indonesia Employers Association (Apindo), a group consisting of Indonesian manufacturers also feels uneasy with the ACFTA. Moreover, because the impact of the ACFTA on the Indonesian economy is real, local workers are also against the ACFTA. The Apindo and the Indonesian Labour Union for Prosperity (KSBSI) has organized a National Bipartite Forum to demand that the government re-visit the ACFTA, and if possible delay the implementation of the ACFTA in Indonesia (Mustaqim, 2010). Imports data for January 2010 clearly reveal that due to the ACFTA, there was a surge of imports from China into the Indonesian market without import duties charges on goods including steel and T&C products. Chinese imports accounted for 83 percent of 8738 imports (Ocean, 2010).

Mr. Ade Sudrajat, the Head of the Indonesian Textile Association (API) in the region of West Java stated that imports of textiles from China might increase from US $900 million to US $1.8 billion as illegal China textiles would become legal and that the smuggling of textiles was no longer necessary (Mustaqim, 2009). Mr. Ade mentioned that in the T&C industry Indonesia and China are not comparable. In 2006, China's textile and garment exports amounted to US $115 billion, roughly about 30 percent of its total production, while Indonesia exported about US $9.47 million which accounted for about 70 percent of its total production. Additionally, Mr. Ade observed that before the ACFTA was enforced in January 2010, Chinese products in the Indonesian market were valued at US $900 million in 2009, representing about 15 percent of a US $7 billion total for the local T&C markets.

After January 2010 the figure may increase by double or more than this amount (Mustaqim, 2009). Industrialists also predicted that the effect of the ACFTA upon Indonesian Small and Medium Enterprises (SMEs) in 2011 and beyond is growing stronger. For instance, the importation of cheaper, finished textiles and clothing products into the country have threatened and hurt the domestic industry including *batik* products. The domestic textile and clothing industry is believed to be vulnerable to Chinese cheaper imports and will lead to the destruction of small and micro businesses in Indonesia. In this scenario, labour-intensive firms and hundreds of small companies will bear the brunt of the market downturn and would shut down entirely because they are unable and do not have the capacity to compete with China's cheaper products. Based on data from the Indonesia Textiles and Clothing Report in 2009, the export growth of textiles and clothing that averaged 13.9 percent in 2008 will decline to 7.6 percent in 2013. The reduction in exports indirectly affects employment in the industry. There are estimates that as many as 2.5 million workers in the labour-intensive leather and clothing factories, and agribusiness industries could potentially lose their jobs because firms cannot outperform their China rivals. For a worst case scenario, a budget of more than Rupiah 1 trillion has been prepared in order to fund employees for termination claims (Lim and Kauppert, 2010).

Based on the Bank Indonesia Survey, it was reported that the domestic textile and clothing industry would face intense competition from other competitors with the implementation of the ACFTA in 2010 (Ardian, 2010). Therefore, banks will be more cautious and reluctant to make loans to the textile and clothing sector because the industry will become riskier in the long term. In a longer period, i.e, after the implementation of the ACFTA, the textile and clothing industry may find it difficult to secure funding from financial institutions (Ardian, 2010). Less or no loans from financial institutions mean that industry growth and expansion will be retarded.

However, there were optimistic views from other groups including government agencies, that the ACFTA could bring more advantages than losses in the textile and clothing industry in Indonesia and that the FTA will create better opportunities for local businesses by opening up the local market to foreign competitors. Based on field research in Tanah Abang Market and Cibaduyut, the State Minister of Cooperatives and SMEs of Indonesia concluded that local garments and shoes industries are basically fitted to compete with foreign industries with the implementation of the ACFTA (Ardian, 2010). Since the ACFTA was implemented in January 2010 Indonesia has received investments from China. Chinese T&C firms have invested in or relocated operations to two regions in West Java, Karawang and Bekasi. For these operations, Chinese firms utilized Indonesia as a base from which to export their products to the United States. Additionally, the investment will create employment opportunities. In this respect some people argued that the ACFTA will benefit both China and Indonesia and that the FTA should be considered as a win-win situation for both countries.

Malaysia's Textile and Clothing Industry

The growth of Malaysia's textiles and clothing industry has expanded since the late 1960s. The expansion of the industry is related to the availability of a labour force, the establishment of free trade zones, and implementation of various industrial investment incentives. To encourage further investments in the textile and clothing industry, several textile products and activities have been gazetted as promoted products under the Promotion of Investment Act, 1986. The industry is considered eligible for tax incentives in the form of Pioneer Status or Investment Tax Allowance.

The textile, clothing and footwear sectors are export-oriented. These industrial sectors were formerly the major export earners of manufactured goods for Malaysia. The export and import of Malaysian textiles has increased from US $343 million and US $951 million in 1990 to US $1,270 million and US $1,114 million in 2000 respectively. However, textile exports declined to US $1,359 million in 2009 while imports also declined to US $916 million in 2009. The export and import of clothing continued to grow steadily since the 1990s from US $1,315 million and US $76 million in 1990 to US $3,624 million and US $492 million in 2008. Due to the impact of the global economic crisis from 2007 to 2009, exports and imports of textiles and clothing dropped in 2009. Exports and imports of clothing accounted for approximately US $3,126 million and US $352 million in 2009, respectively (Tables 1, 2, 3 and 4). With respect to the Malaysia-China trade in T&C, Malaysian exports to China increased from US $61 million in 2001 to US $114 million in 2009. At the same time, Malaysian imports of T&C products from China increased from US $210 to US $524 million respectively (Table 5 and 6). Based on these figures the local Malaysian T&C sector is losing in comparison to the greater value amount of Chinese T&C products imported into Malaysia.

The decline in competitiveness of Malaysian T&C goods in the global as well as in regional markets is due to the emergence of low-cost production centres in countries such as China, Indonesia, Vietnam, Pakistan, Sri Lanka and Bangladesh (Mohamed Aslam, 1996). The Malaysian textile and clothing industry seems to be squeezed out from the world's textile and clothing market. Before the ACFTA came into force China's low-price products were already favoured by local consumers and local enterprises. When Malaysia opened new doors to China with lower tariff rates, the country invited risks such as an increase in textiles and clothing importations from China. This would hurt local producers. In this regard Mr. William Cheng, the President of Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), had urged the Malaysian government to delay full trade liberalisation with China. Mr. Cheng had voiced objections over the removal of tariffs for 90 percent of goods traded under the ACFTA because local businesses might not be fully prepared to face competition from Chinese products. He also added that industries in Thailand and Indonesia had also called for a delay in the implementation of the FTA agreement (Fintan, 2010). The influx of Chinese textiles and clothing dominating the domestic market would surely cause local products to be uncompetitive in the local market as well as in the international market. The ACCCIM reported that out of over 4,000 small and medium enterprises involved in this sector some 3,000 have closed down (Yeoh and Ooi, 2007). China is a strong competitor, a dominating textile and clothing producer in the world including within Malaysia. Since the early 2000s local banks have classified the T&C industry as a sunset industry due to the non-competitiveness of local industry products in the domestic as well as in the world market. Therefore, local firms are facing difficulties in securing loans to invest in modern technology and automation. Research and development in T&C will be affected without the financial support from financial institutions.

Nevertheless, Malaysian manufactures and exporters attempted to compete with cheaper goods from foreign competitors by focusing on branding, quality, reliability, labour rights and superior customer service as well as high-end fabrics and industrial textiles (Textile Intelligence, 2009). Additionally, local firms are improving in terms of securing linkages between sub-sectors in the industry and aggressively investing in new and modern technologies to create a niche market while specializing in the export market through product differentiation and diversification to counter global competition. Malaysian firms engaged in the textile and clothing industry are now moving from being labour-intensive to being more capital-intensive. This shift is primarily to enhance industry competitiveness and strengthen the quality of products in the textile and clothing industry. The transformation from labour to capital-intensive production is linked to the rising costs of labour. The incremental growth of capital intensities has reduced labour demand in the sector. In the textile sector, demand for labour has declined from 18,479 workers in 2008 to 15,320 workers in 2010 while labour demand under clothing/apparels also dropped from 34,592 workers to 28,694 workers, respectively. The total employment of the T&C industry has dropped approximately 17.1 percent for the period 2008-2010. Utilization of high capital intensities and adoption of modern technologies in the production process will enable manufacturers to increase productivity and produce high value output at lower production costs. Local brands such as Padini, Seed, Vincci, P & Co, PDI, Miki, Monaco, etc., have been aggressively promoted in the domestic market with a strategy that this promotion can be extended to other countries. By adopting new technologies, marketing strategies, improving the quality of products, and effective branding, labour costs will become a less significant factor when determining the price of finished goods (Sadasivan, 2006:23). However, the Malaysian Knitting Manufacturers Association Executive Director, Rebecca Chiang pointed out that although local textile makers were known for their reliability and quality products internationally, that would not guarantee their survival as other countries were fast catching up with other low cost competitors (Zazali, 2010). Competition from low cost countries is going to be more intense. Local textile manufactures would have no choice but to relocate their businesses to other countries if the government does not provide a long-term solution for the industry.

The shortage of workers and rise in labour costs will lead to many companies in developed as well as developing countries to set up or relocate businesses to lower cost countries. Malaysia is no exception. Malaysian textile and clothing companies are largely dependent on foreign workers from Nepal, Bangladesh, Indonesia, Myanmar and Thailand. Production of textile and clothing since the middle of the 1990s was hindered due to the lack of a willing and able workforce. Even though shortages of workers has been resolved by hiring foreign workers, the procedure for hiring foreign workers and the costs of hiring these workers are too high for firms. Because of the economic integration with China, while factoring lower costs of raw materials and abundance of cheap labour in China, quite a significant number of Malaysian firms have relocated their factories or shift production bases to China, Vietnam, Cambodia and Pakistan in order to expand the output of products and increase market share. Although production costs are rising in China some Malaysian T&C companies are interested in investing in China because the country has a vast market. As an example, Hytex Integrated Berhad, a garment manufacturer in Malaysia, has invested US $25 million in China to set up a new factory for the sake of gaining higher profit margins (Yeoh and Ooi, 2007).

The positive view of the ACFTA is that the duty free feature will result in lower transaction costs and that the removal of tariff barriers will benefit consumers in both countries so that consumers can have more options to choose from and enjoy a wider selection of products that truly fits their needs at lower prices. On the other hand, the ACFTA will create enormous competition between manufactures in both countries and will indirectly encourage producers to become more committed in improving the overall quality of their products in order to bear down competitors. Under the free trade agreement consumers will have a plethora of choices when it comes to quality products.

The Deputy Minister of International Trade and Industry, Datuk Mukhriz Mahathir, suggested that Malaysian manufacturers can explore new business opportunities via the ACFTA by value–adding to China's exports and re-exporting to the rest of the world. To qualify the product as made in Malaysia at least 40 percent of local content is required to be added in on goods imported from China (The Star, 2010). Value-adding, research and development are important in strengthening the existing industry and in retaining Malaysia's competitiveness in the world market. To ensure that the Malaysian textile and clothing industry can continue to compete effectively on the global market, technology and skills are being upgraded to improve productivity and operational efficiency.

Thailand's Textile and Clothing Industry

The textile and clothing industry is a priority sector in Thailand, playing a crucial role as a major contributor to the country's economy. The industry comprises a broad range of manufacturing activities and processing stages including spinning, fibre production, weaving, knitting, dyeing, printing and finishing. The Thai textile and clothing industry employs more than 1 million workers which is approximately 22.1 percent of the country's industrial labour force. Simultaneously, the industry has made itself a significant earner of foreign exchange and is the second largest leading export sector after electrical goods and equipment.

Thailand is not only a major exporter of textiles and clothing, the country is also a major importer of textiles and clothing. Data in Tables 1, 2, 3 and 4 clearly reveal that Thai exports and imports of textile continue to increase. The export of textiles in 1990 was about US $928 million and increased to US $3,211 million in 2008 while imports have increased from US $898 million in 1990 to US $2,444 million in 2008. However in 2009, due to the global economic recession, exports and imports of textiles have dropped to US$ 3,002 million and US $1,913 million respectively. Clothing export and import figures also show an increasing trend since 1990. The exports of clothing rose from US $2,817 million in 1990 to US $4,241 million in 2008, but dropped to US $3,724 million in 2009. Thai imports of clothing has also increased from US $29 million in 1990 to US $392 million in 2008 but then later declined to US $372 million in 2009. The reason behind the up and down trend of clothing exports from 2007 to 2009 was due to the appreciation of the Baht and contraction in the United States economy. The United States is the biggest export market for Thailand's textile and clothing products. With regard to T&C product trade between Thailand and China, Thai exports of T&C products to China increased from US $98 million in 2001 to US $299 million in 2009. Thailand imports from China has also increased, more than doubling from US $484 million in 2001 to US $1,086 million in 2009. Trade between Thailand and China in the T&C sector seems to favour China with Thailand on the losing side (Table 5 and 6).

Besides factors of global competition including competition from China, the textile and clothing industry in Thailand also faces a number of other challenges such as declining productivity and rising production and labour costs. Declines in productivity and rising production and labour costs have affected Thailand's competitiveness in the textile and clothing market (Barron-Gutty, 2010). The rise in labour cost was related to an increase in the minimum wage per hour from approximately 8 to 17 baht, for an average daily minimum wage of approximately 176.3 baht (Fibre2fashion, 2010). The decision to increase the minimum wage was made by the National Wage Committee of Thailand (Fibre2fashion, 2010). Even though Thai production quality is considered to be good, if compared with other countries production costs in Thailand are significantly higher than many competing countries. For instance, labour costs in China, India, Indonesia and Vietnam are cheaper by 50 percent compared to Thailand (Barron-Gutty, 2010). Due to higher costs of production the number of factories dropped from 4570 in 2002 to 4440 in 2005, and labour demand dropped from 1,082 million workers to 1,034 millions workers respectively (Barron-Gutty, 2010). The factor cost of production has also affected the inflow of foreign direct investment into the T&C industry. In order to improve and encourage further development of the textile and clothing industry in Thailand the government had designed several policies including liberalizing trade and foreign investment.

An indirect result via reduction of trade barriers under the ACFTA would turn China into a major trading partner with ASEAN including Thailand, as well as generate trade rivalry with Thailand in the textile and clothing industry. Under the ACFTA it was assumed that there would be more opportunities for Thai enterprises to internationalize their products in the Chinese market. However the ACFTA will threaten Thai domestic producers who are unable to compete with China's textile and clothing products. The ACFTA is actually forcing Thai producers to enhance their competitiveness in order to compete with China in the regional market as well as in the world market. The ACFTA is helping China to pave the way to export cheap fabrics, textiles and clothing products to Thailand as well as to other member countries of ASEAN. Cheaper products from China flooding into Thailand's domestic market dominate the local textile and clothing industry most notably the Thai silk industry (Pratruangkai, 2009). Cheaper Chinese products with low quality imports will hurt local enterprises and consumers, and will impact approximately 100,000 households that rely on the local silk industry. Buntoon Wongseelashote, president of the Thai Silk Association, stated that: "Thai silk farmers, who produced traditional handmade silk, could be forced out from the industry and producers and traders may shift to importing more Chinese silk at lower price" (Pratruangkai, 2009). However, the Thai industry would receive benefits via the ACFTA if local firms could access and import raw materials from China at lower costs (Pratruangkai, 2009).

Virat Tandechanurat, director of the Thailand Textile Institute, said that the textile and garment industry will face more pressure from importers as specific requirements such as green production, design and technology would be issued in order to serve the wide-ranging demands of consumer in the near future. On the other hand, China is infamous for transhipping orders to avoid any trade defences introduced by trade partners against the dramatic growth of cheaper Chinese products (The Bangkok Post, 2005). The Thai Garment Manufacturers Association is worried that China will utilize the free trade agreement as a way to tranship their cheaper products to the United States, the European Union and other countries through ASEAN countries to avoid any trade defences and trade disputes.

However, some voices express optimism towards the ACFTA in that the FTA could bring gains to the local industry. Indeed, low-priced Chinese products are already flowing into Thailand with or without the free trade agreement. Those voicing optimism believe that the ACFTA will create better opportunities for local business to export more goods to China. Healthy competition between both countries will benefit consumers and make local producers more efficient. Therefore, textile enterprises and traders must focus on higher quality goods rather than fight against cheaper products from China that have inundated the local market. Currently Thailand is focusing on high value items such as functional and technical textiles as well as eco-friendly products. Thai fashion exports also contribute a positive figure, earning a healthy US $17.628 billion from fashion exports in 2009 that was expected to surpass US $20 billion in 2010 experiencing a positive growth rate between 9 to 13 percent from 2009 to 2010 (The Malay Mail, 2010). Furthermore, Thai investors can consider investing in partner countries which offer lower production cost, and link up with local supply chains as well as open new factories that can ensure more profit. Since production costs including labour are increasing, Thai producers could relocate their T&C factories to China to benefit from a large Chinese market with a possibility that Thai enterprises may earn better profits (Chalermphol, 2010). Additionally, Thai enterprises can overcome high labour costs and shortages of manpower. If local producers possess the capability to compete with Chinese producers, Thai producers can enjoy access to cheaper inputs to upgrade their products via lower costs contributing to cost savings (Chalermphol, 2010).

Conclusion

An FTA is a trade bloc that allows members of the pact or bloc to trade goods and services across borders freely within the bloc. The free mobility of goods in the bloc will build specialization in production and trading. Some members may receive a trade gain in the form of comparative advantage and some members may receive a trade diversion due to the lack of competition of a particular good or industry. The FTA will promote efficiency and expand the market for exports and permits mutual benefits among signatory members under various arrangements. In the case of the ACFTA, significant economic development and growth within ASEAN and in China may occur. The market size of the ACFTA is about 1.7 billion consumers, with an aggregate GDP of over US $2 trillion, with total trade estimated at US $1.23 trillion. The size of the market, economy, and trade is a good opportunity for members of the ACFTA to expand their market share within the region.

However, in any trade bloc some members may gain whilst others may lose. In the case of the ACFTA we expect that there would not be a total gain to members of ASEAN but that China may gain substantially in terms of trade creation. There will be some industries that ASEAN may suffer losses. One of these industries is textiles and clothing. Textiles and clothing is one of the protected industries in ASEAN. Under the ACFTA textile and clothing products are listed under *sensitive items*. ASEAN's exports and imports of textiles and clothing into and from China have increased significantly. ASEAN exports to China have increased 118 percent while imports from China increased 160 percent. Therefore, the free trade area is more likely to benefit China rather than ASEAN in the T&C industry. Since ASEAN's comparative advantage in the T&C industry has been eroded in the global market, the industry is vulnerable to competition by low cost producers. With respect to the ACFTA, the situation will worsen since ASEAN's T&C industry is unable to compete with Chinese T&C producers. Producers and enterprises in ASEAN are worried that imported goods from China duty-free will threaten local business survival with the flooding of China's cheaper products into domestic markets. The export of textiles and clothing, toys, processed foodstuffs, and even machinery and equipment has dropped in response to the economic integration with China. ASEAN countries that are heavily dependent on labour intensive industries feel the pain and SMEs are the most affected in the short to medium run. There are reports that many textile and clothing firms in Malaysia, Indonesia, the Philippines, Singapore and Thailand have been closed. Closure of firms has increased unemployment rates in these aforementioned countries. Mr William Cheng, President of ACCCIM and the chairman of Lion Group, had proposed that the trade ministers of Malaysia, Indonesia and Thailand urge their Chinese counterparts "to control the volume of exports from China in order to give struggling local businesses some breathing space" (Business Times, 2010). He also urged that governments impose a cap on Chinese exports. For example, the volume increase in Chinese exports to individual ASEAN nations should not exceed 10 per cent of the previous year's volume (Business Times, 2010).

One of the major issues in negotiating and signing an FTA agreement with trade partners is that governments seek views, opinions, and advice from industry groups such as manufacturer associations. As discussed at length it seems that government members of ASEAN seek advice from manufactures and traders associations. However, as stated by the President of the Malaysia Iron and Steel Industry Federation (MISIF), Mr Chow Chong Long, the MISIF was not consulted when the ACFTA was signed in November 2002 (Hanim, 2011). With regard to competition in global markets manufacturers know better than governments.

Governments rely on hired consultants in preparing feasibility studies but consultants are not manufacturers. Consultants' views merely consolidate theories of international trade particularly pertinent to free trade areas or customs unions. However, trade theories as presented in textbooks do not match up to the real world.

References

2e5e.com. (2009). China Textile Exports Estimated 10 Percent Negative Growth in H2, http://en.2e5e.com/news/a/2009/0626/00023554.html, accessed January 15, 2011.

AntaraNews. (1999). ASEAN-China FTA to threaten RI steel, textile industries, December 3, Jakarta.

Ardian Wibisino. (2010). Textile Companies to Find Banks Stingy, Bank Indonesia Says, *The Jakarta Globe*. January 13.

Barron-Gutty, Audrey. (2010). The Textile and Garment Industry in Thailand, in *Sustainability of Thailand's Competitiveness. The Policy Challenges*, (eds) Paparapong Intrakumnerd and Yueline Leclar. Singapore: Institute of Southeast Asian Studies. pp: 174-208.

Brambilla, Irene; Khandelwa,Amit and Schott, Peter. (2007). *China's Experience under the Multifibre Arrangement (MFA) and The Agreement On Textile and Clothing (ATC),* NBER Working Paper W13346, Massachuttes, USA: page 2.

Business Times. (2010). KL urged to limit new imports from China, February 9, Singapore 2010

Chalermphol, C. (2010). Thai Textiles–ASEAN champion,. http://www.ttistextiledigest.com/articles/industry-outlook/item/1766-thai-textiles-asean-champion.html. , accessed February 5, 2011.

Fibre2fashion. (2010). Federation condemns hike in daily minimum wage, December, www.fibre2fashion.com./news/apparel-clothing-policy-news/newsdetails.aspx?news_id=93983, accessed February 1, 2011.

Fintan Ng. (2010). Rough start for ASEAN-China FTA, *The Star*, January 14, Kuala Lumpur

Hanim Adnan. (2011). Steel- a hot issue, *The Star*, July 23, Kuala Lumpur.

Harvard Center of Textile and Apparel Research (HCTAR). (1999). *The Development of The China Apparel Industry,* www.hctar.org/pdfs/GS01.PDF, retrieved January 11, 2011.

Hassen Saheed. (2006). *Prospects for the Textile and Clothing Industry in Indonesi,* www.textilesintelligence.com, accessed December 12, 2010.

Hufbauer, Gary Clyde and Yee Wong. (2004). *China Bashing 2004*, International Economics Policy Briefs, PB04-5, September. Washington DC: Institute for International Economics, page 14.

International Labour Organization (ILO). (2005). *Promoting Fair Globalization in Textiles and Clothing in a Post-MFA Environment*, International Labour Organization (ILO), Geneva, retrieved January 12, 2011, http://www.ilo.org/public/english/dialogue/sector/techmeet/tmtc-pmfa05/tmtc-pmfa-r.pdf.

Jinmin Wang, Jiebing Wu, and Xianguo Yao. (2008). The Expansion of Textile and Clothing Firms of China to Asian Least Developed Countries: The Case of Cambodia, Working Paper No. 60, December, Asia-Pacific Research and Training Network on Trade. Bangkok: UNESCAP, page 19.

Kim Hyung Jong. (2007). ASEAN Way and Its Implication and Challenges for regional Integration in Southeast Asia, *JATI*, vol. 12: 17-29.

Kin-fan Au, Kin-Fan. (2009). *The Maturing Apparel Industry in China*, University of Delaware, Department of Fashion & Apparel Studies, www.udel.edu/fiber/issue3/world/ApparelIndustry.html, accessed January 24, 2011.

Lim, I. and Kauppert, P. (2010). *Facing a Political Lock-In Situation with the ACFTA, Which options for Indonesia?* Friedrich-Ebert-Stiftung Indonesia, http://library.fes.de/pdf-files/bueros/indonesien/07101-20100325.pdf, accessed January 22, 2011.

Martin, Will. (2009). China's Textile and Clothing Trade and Global Adjustment, in *China's New Place in a World in Crisis: Economic, Geopolitical, and Environmental Dimensions*, (eds) in R. Garnaut, L. Song and W. Woo. Canberra: Australia National University Press, pp: 303-324.

Mohamed Aslam. (1996). Kerjasama Perdagangan Serantau ASEAN. Impian dan Realiti *(ASEAN Regional Trade Cooperation. Dreams and Reality)*, *JATI*, No. 2: 100-110.

Mohamed Aslam. (2004). Kawasan Perdagangan Bebas (FTA) ASEAN-China. Impak ke atas ekonomi ASEAN dan Malaysia *(ASEAN-China Free Trade Area. The Impact on ASEAN and Malaysia)*, *JATI*, no.9:75-88.

Mohamed Aslam. (2005). Komuniti Ekonomi ASEAN. Mungkinkah menjadi realiti (*ASEAN Economic Community: Will it be a reality*), *JATI*, no.10:205-226.

Mustaqim Adamrah. (2009). ASEAN and China FTA to ignite tug of war in trade, *The Jakarta Post*, July, 27.

Mustaqim Adamrah. (2010). Employers, unions unite in fear of imports *The Jakarta Post*, February 19.

Nazery Khalid and Armi Suzana Zamil. (2005). Prospects for Port in Southeast Asia: Rising to the Challenges of China's Emergence as an Economic Superpower, *JATI*, No. 10: 127-136.

Ocean. (2010). Strategy to Face ACFTA, December, http://anoceanofnoise.com/2010/12/strategy-to-face-acfta, accessed January 25, 2011.

Pratruangkai, P. (2009). Chinese Textiles to flood Thailand, www.nationmultimedia.com/home/Chinese-textiles-to-flood-Thailand-30116400.html, accessed February 1, 2011.

Sadasivan, V.D.N. (2006). *Impact of Multi Fibre Arrangement (MFA) Removal in Malaysian Textile and Clothing Industry,* M.Ec Project Paper, University Malaya, Kuala Lumpur.

Sheng Lijun. (2003). China-ASEAN Free Trade Area: Origin, Development and Strategies, *ISEAS Working Paper, International Politics and Security Issues* series no. 1. Singapore: Institute of Southeast Asian Studies, ISEAS, page 6.

Textile Intelligence. (2009). *World Textile and Apparel Trade and Production Trends: China, South-East Asia and South Asia 2008*), www.textileintelligence.com, accessed December, 2010.

Textile Minister of Commerce. (2009). *The Textile Industry in the Doldrums behind the Price Risk,* June, www.sourcejuice.com/1187041/2009/06/25/textile-industry-doldrums-behind-price-risk/ accessed January 5, 2011.

The Bangkok Post. (2005). Tariff cuts set to open new doors in China, July 11.

The Malay Mail. (2010). Thai Fashion Exports to surpass RM68.5b, February 17, Kuala Lumpur

The Star. (2010). Malaysia committed to Asean-China FTA, January 19, Kuala Lumpur

Tongzon, Joze. (2005). ASEAN-China Free Trade Area: A Bane or Boon for ASEAN Countries?, *The World Economy*, 28 (2): 191-210.

Winarno Zain. (2011). The pain, gain from ACFTA, *The Jakarta Post*, April 26.

Yeoh Kok Kheng. and Sally Ooi. (2007). *China-ASEAN Free Trade: Prospects and Challenges for Malaysia.* Paper presented at the International Conference "Made in China vs. Made by Chinese", Global Identities of Chinese Business, Collingwood College, Durham University, United Kingdom.

Zazali Musa. (2010). Textile industry in a quandary. *The Star,* April 12, Kuala Lumpur