

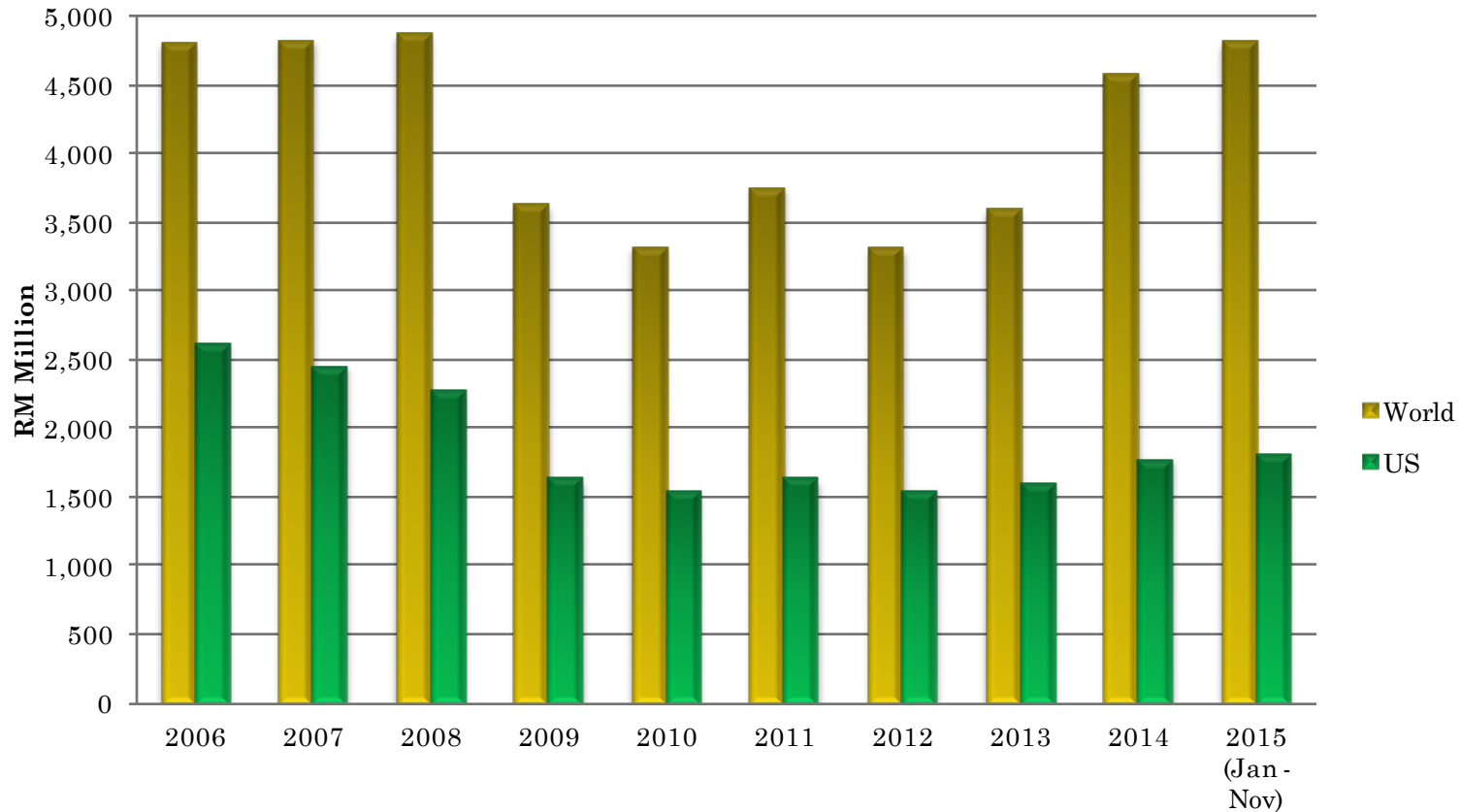
# **DIALOGUE ON THE POTENTIAL IMPACT OF THE TPPA ON THE MALAYSIAN TEXTILES AND APPAREL INDUSTRY**

## **REJUVENATION OF TEXTILE AND APPAREL INDUSTRIES**

**20 JANUARY 2016**

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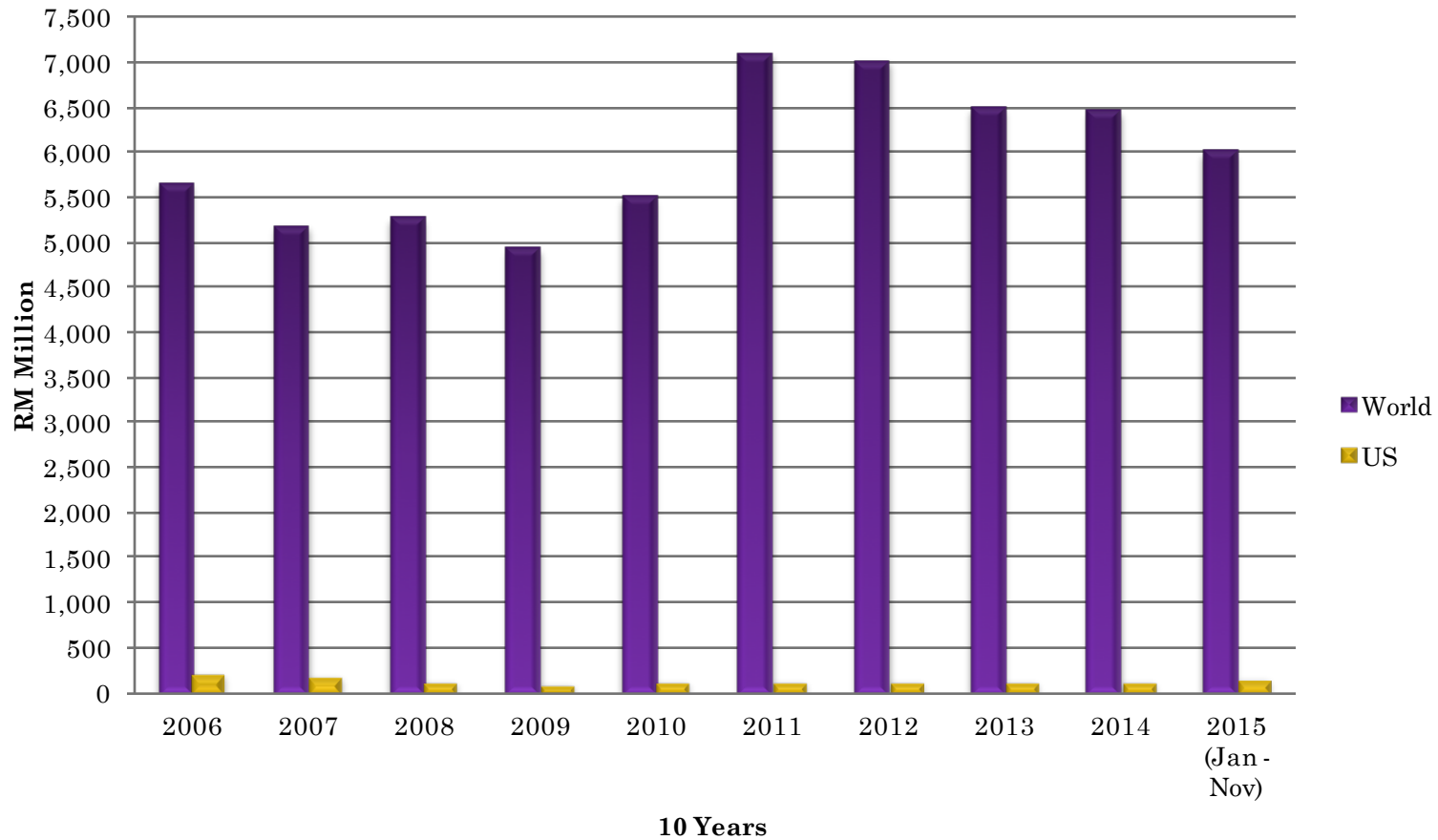
## Malaysia's Exports of Apparel to USA vs ROW



### 10 Years

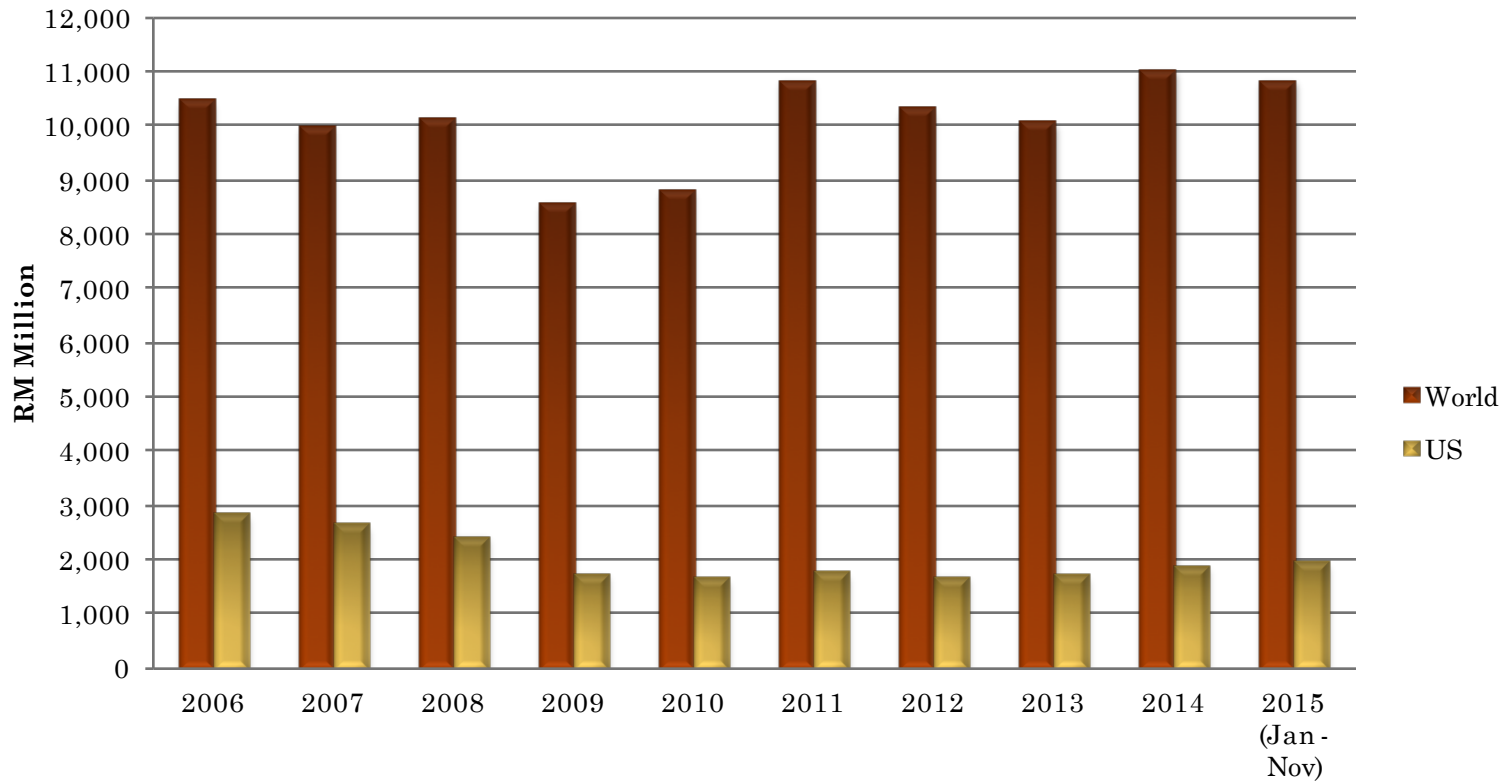
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (Jan - Nov)
<b>World</b>	4,796	4,815	4,869	3,620	3,313	3,744	3,305	3,590	4,574	4,811
<b>USA</b>	2,616	2,442	2,265	1,630	1,534	1,629	1,537	1,594	1,771	1,803
<b>USA Vs World</b>	54.5%	50.7%	46.5%	45.0%	46.3%	43.5%	46.5%	44.4%	38.7%	37.5%

# Malaysia's Exports of Textiles to USA vs ROW



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (Jan - Nov)
<b>World</b>	5,644	5,163	5,264	4,925	5,494	7,082	6,999	6,480	6,451	5,999
<b>USA</b>	213	173	128	84	107	118	118	106	101	130
<b>USA Vs World</b>	3.8%	3.3%	2.4%	1.7%	2.0%	1.7%	1.7%	1.6%	1.6%	2.2%

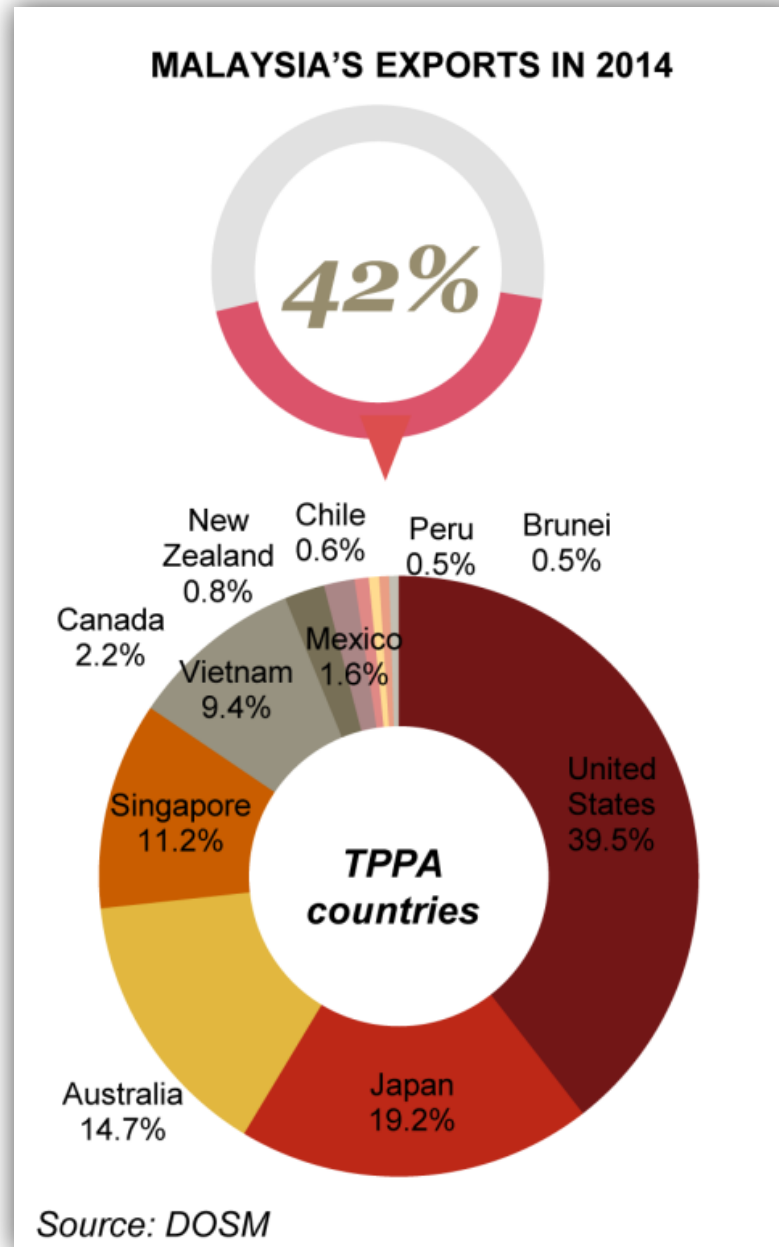
# Malaysia's Exports of Textiles & Apparel to USA vs ROW



10 Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 (Jan - Nov)
<b>World</b>	10,441	9,979	10,133	8,545	8,808	10,826	10,304	10,069	11,025	10,811
<b>USA</b>	2,829	2,615	2,394	1,714	1,642	1,748	1,656	1,700	1,872	1,933
<b>USA Vs World</b>	27.1%	26.2%	23.6%	20.1%	18.6%	16.1%	16.1%	16.9%	17.0%	17.9%

# EXPORTS OF TEXTILE & APPAREL PRODUCTS TO TPPA COUNTRIES



# TPPA COUNTRIES TARIFF ELIMINATION FOR TEXTILE & APPAREL

Country	Range of MFN Import Duty (%)	Elimination at Entry Into Force (%)	Less Than 5 Years (%)	6 to 10 Years (%)	More Than 10 Years (%)
Canada	4.5-18	83.8	12.8	3.3	-
Mexico	5-30	17	-	75.6	7.4
Peru	9-17	13.3	-	11.3	75.5
US	0.4-32	73.7	7.0	3.6	15.7
Chile	6	87.6	3.3	9.1	-
Vietnam	3-100	98.7	0.3	0.4	0.5
Japan	2.4-9.8	98.8	-	1.2	-
New Zealand	5-10	81.7	5.5	12.7	-
Australia	5-10	81.8	18.2	-	-
Brunei	5-10	96.6	-	3.4	-
Singapore	0	100	-	-	-
Malaysia	2-30	99.2	-	0.8	-

# DUTY ELIMINATION-TEXTILES & APPAREL TO USA

	Percentage of Tariff Line Eliminated Under TPP	Percentage of Total Export to US
Entry into Force	1,178 lines (72.9%)	36.7%
Duty Free Year 5	117 lines (7%)	3.0%
Duty Free Year 11	145 lines (8.97%)	46.86%
Duty Free Year 13	177 lines (10.95%)	13.44%

## DUTY ELIMINATION-TEXTILE & APPAREL TARIFF LINES & EXPORT PORTION TO RESPECTIVE COUNTRY

Country		With TPP		Without TPP	
		Tariff Line	Export	Tariff Line	Export
USA	EIF	72.90%	36.70%	11.00%	0.90%
Canada	EIF	83.80%	89.00%	40.00%	12.46%
Mexico	EIF	27.57%	0.74%	12.67%	0.02%
Peru	EIF	13.25%	2.53%	6.52%	0.02%

# USA APPAREL AND TEXTILE DUTIES

Description	Duty Range
Yarn	0 ~ 13.2%
Woven fabric	0 ~ 25%
Knit fabric	0 ~ 18.5%
Non-woven fabric	0 ~ 12%
Industrial fabric	0 ~ 14.1%
Apparel/garment	0 ~ 32%



# HIGH DUTY IMPOSED BY USA ON APPAREL

Description	Range ( % )		Average %
Cotton Base	16%	22%	20%
Polyester base	26%	32%	30%

## DUTY SAVING FOR USA MARKET POST TPPA

Description	FOB	Landed Duty Paid		Tax Save
		Current	Post TPPA	
Cotton Base	10.00	12.00	10.00	2.00
Polyester base	10.00	13.00	10.00	3.00

### ○ Tax Saving represent:

- Competitive edge for manufacturer located within TPPA Countries
- Attraction of buyer to source within TPPA Countries
- Potential of better FOB as a result of Tax Saving

# OPPORTUNITIES

- Greater and liberalized market. TPPA comprising of 12 countries – Malaysia, Singapore, Brunei, Vietnam, Japan, Australia, New Zealand, Peru, Chili, Canada, Mexico and USA.
- Total GDP of US\$27.5 Trillion.
- Total Population of 800 Million VS 30 Million of Malaysia Population.
- TPPA will change the landscape of sourcing & marketing.
- Enhance Malaysia's competitive edge in regional & global supply chain.
- The market is beyond our imagination.

# CHALLENGES

## ○ Yarn Forward (YF) & Product Specific Rule (PSR)

- Perusal study on YF, SSL, Single Transformation, Deminimis and Market Access to determine the right product.
- Team Matching with yarn & fabric supplier whom qualify for Market Access to make an effective offer to buyer.
- The magic of finding a right product for right country to a right customer in order to maximize the duty saving.

## ○ Capacity and Capabilities Building

- Upstream integration in fibre, yarn spinning, fabric making (weaving / knitting) facilities installation need to be speed up in Malaysia in specific or TPPA member's country in general.

## ○ Multiple Country Production Base

- In order to gain quick response to the market and tap into the abundant resources such as labour force, player may need to look into multiple country production base.

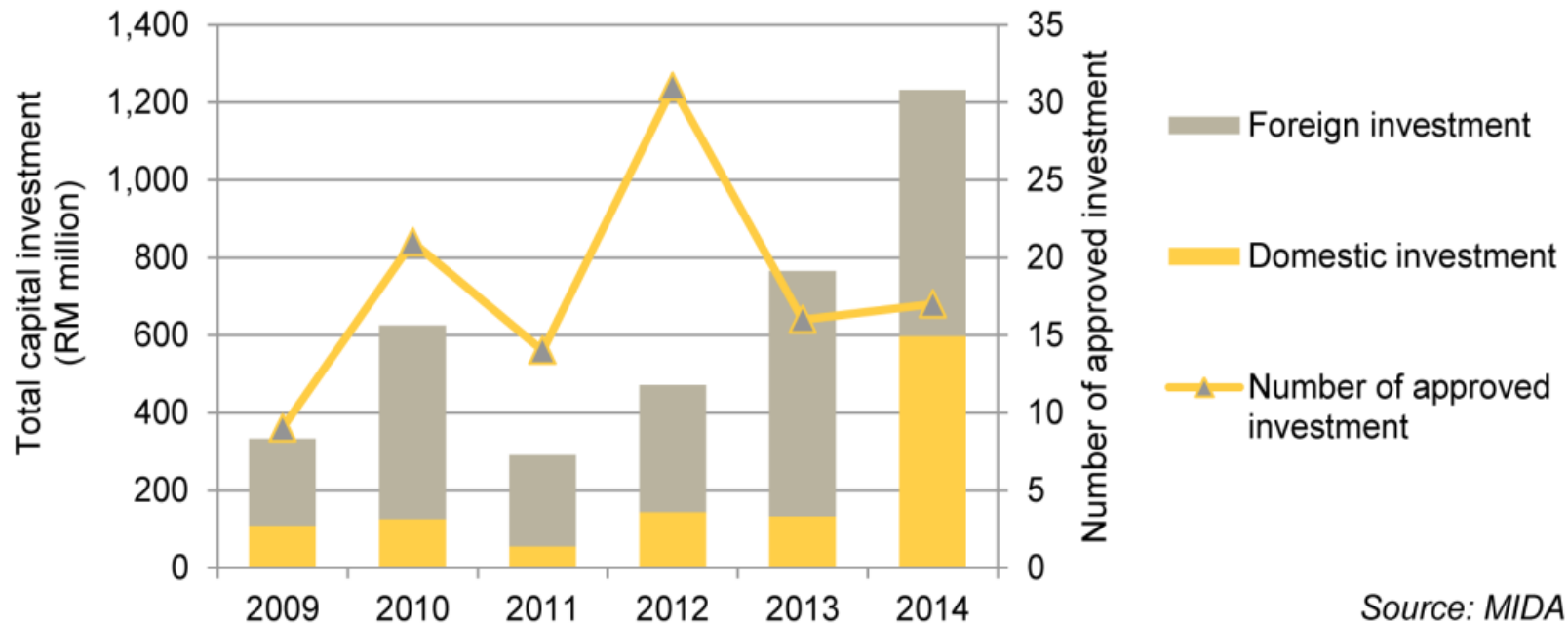
# CHALLENGES

- Labour shortage - major threat to success factor
  - Foreign Worker is a need and important input to sustain and grow the economy.
  - Government shall facilitate & make available (simple & easy) of the Foreign Worker in order for the private sector to fully tap into the potential greater demand upon TPPA regime.
  - Levy & Minimum Wage to be maintained at current level.
- Government to provide the strategic and competitive business / manufacturing environment, to curb the cost of doing business.
- Trade Union Activity
  - TPPA requested for Freedom of Association, government shall extremely careful in amending the relevant law & regulation.

**FOREIGN INVESTMENTS IS ON THE RISE, CONTRIBUTING MORE THAN 50% OF THE TOTAL CAPITAL INVESTMENT IN THE SECTOR**

*In the past 3 years, the most notable investment projects are mainly in the upstream activities which are at least 10 times more capital intensive than the downstream*

**Approved investment for manufacturing projects in the textile sector**



Source: MIDA



**THANK YOU**

**REJUVENATION OF TEXTILE AND  
APPAREL INDUSTRIES**

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