

ABSTRACT

Like other developing countries, Malaysia has relied on the textile and apparel industry to embark on industrialization. In 1995, the industry took third place in terms of total manufactured export earnings, making a contribution of RM6.5 billion. However, the Second Industrial Master Plan (IMP2) noted that although the industry has registered impressive growth in the past with a compounded average growth rate of 15.2 per cent per annum for the 1988-1995 period, the apparel sector in particular is facing escalating production costs mainly due to **labour** shortages and rising wage rates. As such, issues regarding technology, R&D, HRD, materials and sourcing are increasingly gaining prominence at the domestic level.

Internationally, various changes are taking place in the industry's trading environments - the emergence of a global economy, the phase-out of the Multi-Fibre Arrangement (MFA) and the advent of trading under the World Trade Organization (WTO) regime, regional economic integration and competition from lower-cost countries.

Against this backdrop, this case-study seeks firstly, to present and discuss the impact of changes in both domestic and international competitive environments on the Malaysian textile and apparel industry and secondly, to develop a framework for a Malaysian response to the issue of "strategic adjustments" by drawing on the experiences of pioneers and forerunners of the industry among the developed and newly industrialised countries.

Four broad-based strategies - viz enhancing cluster development, market penetration and development, technology upgrading and human resource development are proposed for the development of a viable Malaysian textile and apparel industry. The market opportunities are plentiful for the textile and apparel industry - textile and apparel trade in 1992 at **US\$247.6** billion accounted for 9.3 per cent of total world trade for that year, which, represented a 240 per cent increase from 1985. As to whether Vision 2020

signals the demise of a relatively less technology-intensive industry, this is obviously not the case since **Germany** continues to be the world's biggest *textile* exporter with about 10 per cent of world trade in 1993. Similarly, for *clothing or apparel*, in 1993, five **developed** countries are included in the list of ten leading clothing exporters: Italy, Germany, USA, France and Portugal. All these statistics support the view that textile i.e. yarns and fabrics can still be made competitively in developed countries, even if clothing production is rapidly relocated to low cost regions i.e. high-cost countries are still competitive. Besides earlier studies have shown that trade barriers that curtail free competition do not necessarily work to the advantage of all textile and apparel manufacturers. As such, the phase-out of the MFA and Malaysia's participation in the CEPT under **AFTA** may well signal a positive turning point for the industry - could be viewed as the coming of age of the textile and apparel industry.

In light of the above, the case-study concludes that it would be unfair to rule out continued significant contributions by the textile and apparel industry towards the Malaysian economy as the country moves on to the next millennium i.e. that the Malaysian textile and apparel industry is far from being a sunset industry.