

The Increasing Amount of Offshoring:

Thailand's Chance to Take Control of the Global Runway

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Section 1: Introduction

Globalization accelerates the amount of foreign outsourcing, also known as offshoring, in various countries around the world which in turn leads to the further development of industries in developing countries such as Thailand. In order to participate in offshoring, developing countries are responding by adopting policies to encourage further economic development while participating in the global market. These policies are affecting the clothing and textile industry by allowing developing countries to differentiate themselves from their exporting competitors. This paper argues that offshoring creates a need for trade agreements and policies therefore opening the doors for economic development opportunities in developing countries. In this paper economic development will be portrayed in the form of product differentiation, export revenues, employment in developing countries, and recreating the image of the textile and clothing industry in Bangkok, Thailand.

The following paper is composed of three main sections and a conclusion. Section two will discuss the concept of offshoring in relation to the global scope of the trend as well as policies that initiate and strengthen the operations involved in offshoring. It will focus primarily on Mexico, India, and China. There will be a brief description of the policies and trade organizations that assist in offshoring in those countries while demonstrating how those country's economies have developed through Gross Domestic Product and export revenues. Subsequently, an overview of who supports and opposes offshoring is given.

The third section primarily discusses how offshoring has impacted the fashion merchandising profession. The impact focuses on various aspects of the profession such as the role of fashion buyer, retail concepts exercised in the industry, loss of employment in developed countries, and morale of people involved in and entering the profession. Section three therefore argues that offshoring has a negative effect on the apparel industry in the ways previously mentioned.

Furthermore, section four argues that, through implemented policies, offshoring has created opportunity for Thailand to rise as a regional trendsetter in the fashion industry. Offshoring ultimately assists in economic growth, therefore allowing Thailand to invest in advanced textile and apparel

manufacturing technology to produce differentiated products as well as establishing an educational system to train young Thai professionals in the business and designing of fashion. Since offshoring creates competition among developing countries, Thailand has invested in those activities to rise above the status of an exporter and rather a fashion center for original brand manufacturing.

Finally, section five summarizes the main points discussed through the paper. It will also discuss how the trend is ultimately relevant in Thailand and in the fashion merchandising and apparel manufacturing profession. This section will conclude with the ramifications for the future of offshoring and the apparel industry.

Section 2: Global Trend/Regional Issue

Outsourcing “the process of sourcing [a] work [task] from outside [a] company” has existed for centuries; therefore it is not a new concept. (Ofreneo 1). It is becoming a global trend with the recent increase of foreign outsourcing, or offshoring. Offshoring is usually done to reduce labor or production costs. Globalization has caused this trend to rise because opportunities to make more profit are available to companies that are based in countries with a higher wage rate and standard of living. Many developed nations that are economically stable have the option to collaborate with developing countries in order to use their resources for their own benefit as well as the developing country’s benefit. This global trend is emerging quite rapidly, and while its scope is truly global, offshoring is occurring most prominently in Mexico, India, and China.

The growth of offshoring was first noticeable in the 1970s and 1980s when “giant retailers and producers of garments, textiles, footwear and labor-intensive products started ‘internationalizing’ or globalizing their production processes, siting factories or sourcing products from cheaper global locations” (Ofreneo 1). Offshoring was mainly seen as a way for the host country to benefit and make profits from the lower production costs offered in those developing countries.

The North American Free Trade Agreement (NAFTA), Association of South East Asian Nations (ASEAN), ASEAN Free Trade Agreement (AFTA), and Free Trade Agreements (FTAs) are different trade organizations and agreements that have been developed and implemented allowing countries to

participate in offshoring. These policies further involve developed and developing countries to participate in the global process of offshoring. Developing countries are willing to abide with such agreements since they also benefit. Ultimately, offshoring contributes greatly to the developing country's economic growth and development.

Mexico is a developing country that has implemented policies in order to outsource and grow economically. Mexico is a member of NAFTA, the North American Free Trade Agreement. The signatories to this agreement are Canada, Mexico, and the United States. There are several objectives included in this agreement; however, the most important relating to outsourcing is that trade barriers were eliminated between the three territories to allow the liberalization of trade. "Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements" (The CIA World Factbook). This allows Mexico to have an opportunity to increase the wealth in their economy by creating more jobs in order to produce and manufacture goods for imports and exports. There is also opportunity to invest in other territories. The GDP increased approximately \$81.5 million from 1998 to 2002 while their GDP growth rate from 2003 to 2004 was 4.1% (Countrywatch; The CIA World Factbook).

India, which is used mainly for offshoring, has an economy that is on the rise. Much of this has to do with their involvement with the ASEAN. This association's objective is mainly to economically and politically stabilize the Southeast Asian region of the world. India has relations with the countries that are part of the association which also means that they are involved in the AFTA. Agreements such as this increase the country's willingness to compete in the global market of trade, therefore inviting business outsourcing from multinational corporations in other countries. The information technology (IT) industry in India produces products and services dealing with telecommunications, call centers, and accounting and finance; all of which are outsourced. "India's IT industry is growing at a vertiginous rate...Last year the industry notched up sales of \$16 billion..." (Edwards 10). This indicates that India's economy is growing drastically in a short amount of time. They have taken advantage of the technology boom and are

doing well. Furthermore, once the quota and tariff system was eliminated after 1991, it allowed India to increase their trade levels. “India’s manufacturing and energy sectors have been able to achieve robust growth by taking advantage of greater freedoms to borrow overseas which have allowed them to expand and set up new projects” (Countrywatch). This example of outsourcing the IT industry in India has shown that economic growth comes along with the process.

China is one of the biggest apparel manufacturing outsourcers in the world. Its economy has been expanding rapidly over the last thirty years and it is partly due to the economic reforms implemented by the government in the 1980s as well as the FTA, implemented by the Agreement on Textiles and Clothing, which removed all textile and apparel quotas for imports and exports (Industry Outlook). A quota is a minimum amount of imports that can enter a country’s territory. Since the elimination of quotas, China, with its booming economy and manufacturing industry, will have the ability to export products without restrictions. Low cost labor wages in China attract global corporations to offshore many of their products. This all gives rise to the thought that China may become a major threat to other countries competing in the global market.

Outsourcing is a process which propels opportunity in all directions. Multinational corporations highly support offshoring because of the low labor costs. Companies eventually make an incredible profit when the offshore manufacturing jobs to countries with low labor costs. “Offshoring [is] an industry with well over \$100 billion in annual revenues by 2008” (Agrawal, Farrell, Remes 2). That is an enormous amount of savings for those companies participating in offshoring than if they were to produce those work tasks in higher-wage countries. “Companies can boost their capital productivity in low-wage environments in three ways: round-the-clock shifts, cheaper capital equipment, and reduced automation” (Agrawal, Farrell, Remes 2-3). People in developing countries that are used for offshoring live under very different standards than in developed countries. Not only are the wages lower but the cost of infrastructure is also less costly when compare to a developed country’s. The obvious supporters of offshoring would be the employees in those developing nations. There are thousands more employment opportunities available to them. The wages they receive may be unfairly low to a U.S. citizen but to a

citizen of India, they could be considered wealthy. “Many of the jobs sent offshore may be considered undesirable and lacking in prestige in developed countries yet are highly attractive in developing ones. So offshore workers not only cost far less but also are often more highly motivated, which means that they perform better” (Agrawal, Farrell, Remes 2).

As much as the concept of offshoring is supported, there are those who oppose and for good reason. If a work task is being moved from one country to another country, there are people who are losing jobs. It is estimated that “by 2015, roughly 3.3 million US business-processing jobs will be performed abroad” (Baily, Farrell 3). “America is expected to have lost 74,642 legal jobs to poorer countries, and Europe will have 118,712 fewer computer professionals” (Edwards 3). This is a serious concern for many people in America and Europe. An increase in unemployment plays a major role in the economy. If people are being laid-off then they are not receiving income or salary. If they do not receive a salary then they will not be willing to spend money and participate in the market as a consumer. This eventually brings down revenues for companies around the world and projects some serious ramifications that need to be considered and fixed.

The trend of offshoring has a major impact on the world. Proposing and implementing agreements such as NAFTA and FTA will severely affect worldwide competition with importing and exporting goods, investments, and the cost of living. Countries used for outsourcing will see an increase in the individual worker’s income which is beneficial for those citizens. However this implies that jobs are being lost elsewhere such as in the United States and Europe. As these countries economies continue to grow and once they become stable, it will be much easier for them to participate in the free market of trade and employment. Being economically powerful can take any country in the direction they want to lead and foreign outsourcing is the first step. India has overtaken the IT industry so quickly and proves that offshoring is the key. The United States and other developed nations choose to offshore many of their goods and clothing, therefore giving developing countries these opportunities. Will offshoring go too far?

Section 3: Impact of the Trend on Fashion Merchandising

Offshoring essentially causes various shifts in developed and developing countries. There are an increasing number of developing countries that are implementing policies to increase offshoring and it is having a serious affect on the employees, education and morale of the apparel manufacturing industry and fashion merchandising profession. Ultimately, retailing concepts that are implemented in the industry will also be affected. Therefore the increasing amount of offshoring negatively impacts employment and retail strategies in the apparel manufacturing industry, leading the industry to integrate new policies.

Since the elimination of textile and apparel quotas in January 1, 2005, there has been an enormous increase of imports from several countries, China more specifically (Morrissey 14). In order to control this situation, the United States has placed safeguards on particular garments such as cotton knit shirts and trousers (Promoting Fair Globalization 13-14). A safeguard is an imposed restriction that controls the import of a specific garment. China's ability to rise even higher as the number one exporter for textile and apparel goods is highly underestimated. These safeguards are a great disadvantage for China since there is a limitation on the number of exports allowed. It will allow China's competitors in that region of the world to perform on a more competitive level. This is one way that offshoring and trade agreements affect the fashion industry.

Offshoring has affected the fashion industry in other ways, such as the improvement of working conditions in the manufacturing facilities used in developing countries. Although the cost of labor is cheaper that does not necessarily mean that the workers are being treated poorly. Their wages may be relative to the cost of living in that particular country. However, with the ability for retailers to ensure that workers are being treated fairly and following ethical codes of conduct sets an example throughout the world. Conditions in factories must be regulated and in most cases have a severely negative affect on a retailer if they are not. Associations such as the Department of Labor Protection and Ministry of Labor help to assure that factory workers are being treated fairly, earning fair wages, and working in acceptable conditions (US Department of Labor; Ministry of Health, Labour, and Welfare). Human rights play a big role in the fashion industry. Workers who produce a vendor's clothing are treated with much more respect

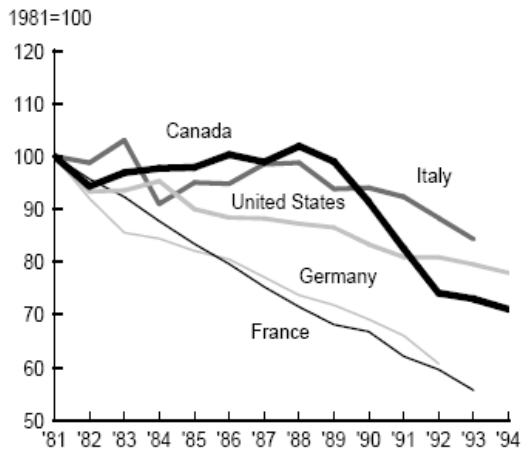
than ever before and most of it has to do with the media in developed countries, specifically in the U.S. Nike, for example, received negative publicity due to the fact that their products were being produced in factories where child labor was acceptable.

Fashion Buyers, people who “select and purchase apparel and accessories from manufacturers...for retail resale to consumers”, have an additional responsibility to oversee the working conditions of manufacturing facilities around the world (Vogt 103). This is an important part of the buyer’s job because it is the buyer who decided which factories to purchase clothing from for retail sales. It is very challenging for a buyer to make those decisions. “To help address this challenge, Federated Merchandising Group, Hudson's Bay Company, Reebok International Ltd., the National Retail Federation, the Retail Council of Canada, and World Monitors Inc. have jointly organized the Fair Factories Clearinghouse (FFC), a collaborative industry effort involving retail and consumer brands and retail trade associations to create a system for managing and sharing audit information... A key tool in assessing factory workplace conditions is the use of social compliance audits. Buyers also use audits to assess security and environmental conditions in factories” (Fair Factories Clearinghouse). The FCC offers a service for retailers to share information on one database about working conditions in factories around the world. This will ultimately improve working conditions in factories globally, making the buyer’s job less difficult (Fair Factories Clearinghouse).

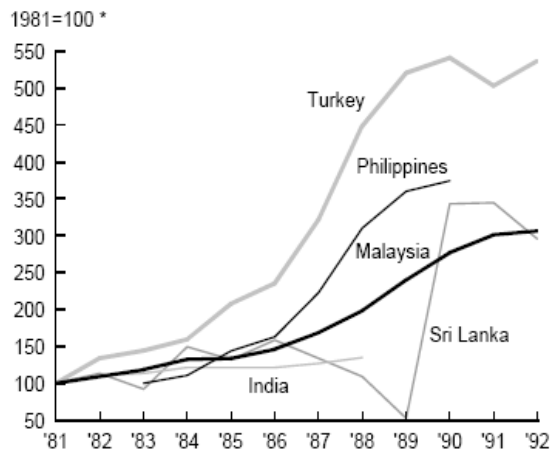
A large majority of textile and apparel manufacturing is now being done offshore in developing countries that offer cheaper labor. This is another result occurring from the increasing amount of offshoring. It is having a negative affect on the employment rates in the developed countries. For example, the United States has much of their apparel goods manufactured in countries overseas such as China, Taiwan, or Mexico. These countries offer cheaper labor which makes the country more attractive for retailers to have their goods manufactured in those factories overseas. Cotton products were the U.S.’s leading exports; however, recently China has taken control. The “U.S. textile industry continues to erode financially in the face of competition from textile imports - and there is no more competitive textile and apparel manufacturer in the world than China. With its rate of increase in cotton production, cotton mill

use and cotton purchasing, China is the dominant force in world cotton" ("U.S. Cotton Industry"). This shows that offshoring is creating employment opportunities in developing countries while employment is decreasing in developed countries. Decades ago, deciding to perform business operations offshore was thoroughly considered and researched. Today, "The decision of many larger manufacturers in developed countries is no longer whether to engage in foreign production, but how to organize and manage it" (Gereffi 53). Companies that decide to produce overseas may be increasing their profit margins however; many workers that have had these manufacturing positions for years are being laid off because of people overseas who are willing to work for less. Ultimately, while employment in the United States decreases, globalization and the policies implemented for offshoring offer foreigners a chance for employment, as seen in the chart below.

Employment in clothing manufacturing is declining in industrialized countries ...



and increasing in many developing countries.



Sources: Survey of Manufactures; ILO; OECD
 * Except for the Philippines where 1983=100.

(Guevremont 37)

As previously mentioned, offshoring continues to increase because of cheap labor offered in countries overseas. The reason for lower wages plays a major role in the education system of that particular country. For example, the United States offers the opportunity for everyone to attend a university to obtain a degree. Once a person graduates with that degree, they will expect to be paid higher

wages or salaries since they are skilled and trained to perform the job's tasks. Therefore countries that pay lower wages lack skilled workers. There is a lack of training programs in those developing countries as well as lack of communication skills. Many of the factory workers in countries overseas can only speak the language of their country. Since offshoring is becoming increasingly competitive, there is a larger need for advanced technology to produce new and innovative products. The lack of technical and communication skills creates a major disadvantage for those facilities to adopt advanced technologies. It would cost more money for the factory to provide those educational services to their workers therefore increasing the wages and making that country less desirable for offshoring (Guevremont 39).

This goes to show that the policies recently implemented for trade and quota systems has impacted the United States' and other country's employment and economy in a major way. Overall, this trend will simply increase the level of competition in the apparel manufacturing industry. Both developing and developed countries will see these changes as beneficial and detrimental but eventually the standard of living will become more expensive and then outsourcing moves elsewhere.

The increasing amount of offshoring as well as the elimination of quotas has had an enormous effect on imports throughout the world. Certain countries that had strict restrictions with imports and exports are now involved in a global market where the sky is the limit. There has been a noticeable change in textile imports from various countries to the United States. For example, there was a 10.5% increase in the amount of imports in the world from 2004 to 2005 since the elimination of quotas.

To focus more closely on the concept of "lean retailing," offshoring affects that as well. "Lean retailing' [is] the combination of low inventories and frequent restocking. With low inventories, stores will not be stuck with large amounts of unsold goods even if demand collapses. With frequent restocking, stores will not run short of popular items. Lean retailing requires: 1. Bar codes, which allow retailers to keep daily track of sales of each of the tens of thousands of products that they stock. 2. Electronic data interchange, which is a system of linked computer networks which make it possible for retailers to communicate quickly and cheaply with suppliers. 3. Modern distribution centers which rapidly channel goods from suppliers to sales locations" (Evans, Harrigan 2). These three factors are affected by

offshoring. Bar codes started out simply as a way to track the inventory in a store in order to have knowledge of what items and the quantity that is on hand. With manufacturing facilities all over the world retailers have barcodes that are placed on rolls of fabric of piece goods that are not yet constructed into a garment. This process allows for retailing to be more efficient. Electronic data interchange is another factor that is affected by offshoring. It is now much easier for retailers to communicate with vendors to communicate with manufacturers to communicate with mills and factories. Finally, quick replenishment through distribution centers is a factor that is not benefited by offshoring because it takes longer to receive shipments from manufacturing facilities in countries overseas (Evans, Harrigan 2).

When a retailer chooses to outsource a step in their production process to a country offshore such as China or India, there can be a serious effect on the lead time of those products. Lead time is the amount of time it takes for a product to leave the distribution center and be placed on the selling floor. If, for example, a pair of jeans is being manufactured overseas and is selling extremely fast in the retail stores, it may be too difficult to receive a quick shipment of that product to replenish the shelves. It can take anywhere from 2 weeks to 2 months to receive garment shipments and it is especially more difficult when a natural disaster occurs such as a tsunami or hurricane. The point is that although offshoring saves an incredible amount of money for retailers, there are also risks one must take that will affect overall profits and business.

The factors mentioned are serious issues that a clothing buyer considers when performing their duties. Many decisions are made by the buyer such as where to produce the good, the cost of production, and in what amount of time the product will be needed to place on the selling floor. Universities that offer fashion merchandising courses discuss the trend of offshoring and the effects it has on people in that profession, in terms of traveling to factories overseas and tracking production. The morale of the people seeking a profession in the fashion industry has changed dramatically since most of production is performed overseas. People will reconsider whether they want to be exposed to that extent of traveling. In addition, the morale of factory workers in developed countries has declined since the risk of being laid off

due to lower wage countries is higher than ever before. Overall the fashion industry is affected by offshoring in both negative and positive ways.

Section 4: Case Study Relating the Trend of Offshoring to the Apparel Industry in Thailand

Offshoring has developed opportunities for Thailand to grow. The global trend of the increase in outsourcing has given rise to a new form of competition in Southeast Asia. Since policies such as NAFTA and FTA have been established, developing countries that offshore have to compete with other developing countries by differentiating their products. Textile and clothing manufacturing are the “second largest export commodities in the country registering over \$5.2 billion in 1999...The industry consists of approximately 2000 garment firms, 250 weaving firms and 150 spinning companies employing over 1 million workers” (Industry Outlook). Experts in Thailand want to expand this industry since they are now capable of doing so. Their economy is very stable and growing and the political system is also stable. “A successful textile industry can emerge in an institutional environment like Thailand’s with good macroeconomic conditions, a rich array of trade institutions to finance operations and spread risks, and entrepreneurship” (Unger 110-111). Offshoring has allowed Thailand to increase its technological base relative to the apparel manufacturing industry in order to achieve regional dominance, by producing better quality goods and highly trained professionals in the industry.

The cost of labor in Thailand is becoming more expensive as well as transportation and distribution costs. This makes it less appealing for developed countries to use Thailand for offshoring. In order for the manufacturing industry to grow and stay in the market, they need to invest more money into machinery that will produce a higher quality garment. Ultimately, countries will then choose Thailand to offshore their apparel goods regardless of the higher cost because they are receiving a better quality product than they would from another exporting country.

Thailand’s textile and clothing industry is an important source of income and employment for much of the country. Exporting these goods to countries all over the world is what maintains Thailand’s economy. “The total textile and clothing industry accounted for \$6.4 billion in exports in 2004, a 17% growth on 2003. The major importer of Thai textiles and clothing is the United States, which accounts for

slightly more than a third of all exports, and over a half of all garments, followed by the European Union (EU), ASEAN, East Asia and the Middle East. Textiles accounted for US\$3,001.79m, whilst clothing accounted for \$3.4 billion” (Tait1). Garment exports in Thailand have increased from 1.48% in 2003 to 11.95% in 2004. These numbers and statistics show how important Thailand is in the textile and clothing industries around the world.

Thailand exports to many well known retailers such as “Nike, Adidas, Wal-Mart, K-Mart, JC Penny, Sears, The Federated, May Department Stores, Next, Old Navy, Puma, Liz Claiborne, Eddie Bauer, Gap, Banana Republic, Uniqlo [and Nike]”. Since there has been a great increase in exporting, Thailand’s employment has also increased since there are more jobs needed to produce additional exports. “The clothing industry sub-sector [alone] employs 841,500 people, accounting for 77.6% of all those employed in the textile industry, 16.5% of all employed within Thailand's manufacturing and 2.4% of the country's employment” (Tait1). These statistics demonstrate how important textile and apparel manufacturing is to the country’s economy and people. Furthermore, the industry’s performance has been affected by free trade agreements that have been implemented.

Thailand’s involvement in the Free trade agreements, especially with the U.S., has significantly benefited the textile and garment industry. With the elimination of quotas there is much more opportunity for the industry to increase their percentage of exports. Thailand is also a member of the ASEAN, which signed Free Trade Agreements earlier this year. However, most importantly the U.S.-Thai free trade agreement seems it would benefit Thailand’s industry the most. “Thailand is quoted as the number ten country supplier of clothing to the US, accounting for 3% of all US imported clothing. To maintain this level at 3% or even grow to 5%, the US-Thailand FTA will be particularly important to the industry. In essence, the tax import duty levied on Thai clothing goods would be reduced by half, helping Thailand to compete far more effectively against China” (Tait2).

The US-Thailand FTA is a major advantage that Thailand has on China since there is much competition between those countries and others. “The ASEAN agreement will also be of increasing importance to Thailand's textile industry as many of the ASEAN members are major clothing producers,

such as Vietnam and Cambodia, with little established textile manufacturing of their own. From 2007 onwards the duty within ASEAN on textile goods will apparently be abolished, leaving Thailand in a prime position to act as an ASEAN fabric-producing hub of the area” (Tait2). Slowly but surely, Thailand is sure to rise as the most ideal country to export and engage in business with in the textile and clothing industry. While Thailand continues to formulate free trade agreements with other countries, they must move forth with technological advancements to differentiate their apparel garments from their competitor’s.

Another way that Thailand can rise above the export competition in the South East Asian region is by differentiating their garments. In order to do so, advancements for technology used to produce those garments is required. “With the considerable changes in the sourcing patterns of buyers, Thailand is setting out to produce the type of garments China is not specializing in, i.e. high fashion and complex garments, areas where Thailand has not previously specialized” (Tait2). While labor costs rise in Thailand, the production of higher quality goods will offset that factor and developed countries such as the US and Europe will continue to use Thailand as their main exporter.

The technology used to produce garments such as spreading, cutting machines, CAD systems, which are used for making garment markers, and sewing machines are of average quality in Thailand. “Over the last five to ten years, most sewing machinery was purchased from key Japanese companies, particularly Brother and Juki, though recently machinery from Taiwan, Korea and China has been introduced as the quality of the machines from these countries has improved” (Tait1). By purchasing these upgraded machines, Thailand can produce better quality garments than the local competitors.

While Thailand uses technological advancements to emerge as a regional trendsetter, fashion institutes have been established to expand the design aspect of the apparel industry. Like many fashion capitals around the world, Milan, New York City, Los Angeles, Miami, Bangkok, Thailand is transforming into a fashion capital itself. The Bangkok Fashion City Project has been progressing with the objective to transform Bangkok into a fashion capital. Universities have been recently established in Bangkok in order to properly educate students of the fashion industry and concepts. Since students in

Thailand are better educated and trained, there is a possibility that Bangkok will surely rise as a regional trendsetter. “The Bangkok International Fashion Academy has been set up at Chulalongkorn University, one of Bangkok's leading Universities. Its main objective is to develop human resources for the Thai fashion industry by collaboration with leading international fashion institutes in Asia, Europe and the US, such as the Fashion Institute of Technology and Institut Français de la Mode. [Diplomas are offered in fashion business, fashion design, fashion technology and management, and fashion merchandising” (Tait2).

The Bangkok Fashion City Project is an attempt to build Bangkok, the capital of Thailand, as a regional trend-setter or fashion hub. “The project's goals are to escalate Thai fashion to be a regional fashion leader in the year 2005 and become one of the world's fashion hubs in the year 2012, resulting in increased fashion export volumes. Thus it means that Thailand has to [create its own] fashion identity and be recognized internationally with an effective fashion centre. It is hoped this will support businesses and help develop fashion merchandisers, quality brand names, and fashion resource personnel.” In order for this project to further grab the attention of fashion icons around the world and allow them to see Bangkok's potential, “various projects are taking place. These include Bangkok Fashion Week where the leading designers will promote their collections. In addition there will be fashion workshops on trend setting, fashion competitions, overseas fashion road shows, and the production of a series of top fashion reports published by TTIS to expose Thai fashion to the world's media” (Tait2).

Currently, Thailand produces OEMs, Original Equipment Manufacturing, “which are orders based on multinational corporations” (Lotharukpong 39). Basically, OEM products are not designed by the manufacturer. They are simply cut and made for the retailer. Thailand will eventually switch to OBMs, Original Brand Manufacturing, which allows manufacturers to “eventually [design and] create its own brands and assume the role of trendsetter” (Tait2). In order for Thailand to develop its own garment business they need design, marketing, research and development, as well as the development of supporting industries (Lotharukpong 42). Currently Thailand is home to many Thai clothing brands that target the young and fashionable. They include “Jim Thompson, Greyhound, Senada, Blue Connor, Pena

House, Jousse, Ten and Co, Xact, Flynow, Zein, Haas, Chap, Jaspal, Pusita, Dapper, Classify, BSC, A11Z and Red” (Tait1). Unfortunately, these brands are not recognized by U.S. or European designers. “The cleanness, freshness and general attraction of brands such as A11Z and Pena House, combined with the innovation of some of the garments of brands such as Haas, would enhance many of the Western retail markets” (Tait1). It will not be long, however, for these unique Thai brands to be noticed and incorporated into fashion industries in the US and Europe.

Section 5: Implications

Overall this paper has discussed many results of the acceleration of offshoring due to globalization. The world is now viewed much smaller than it was one hundred years ago. It is partly due to an increase in offshoring. Countries on opposite sides of the globe are interconnected in ways never thought of before. Developed countries have the opportunity to acquire resources and services elsewhere if they choose because trade policies and organizations make that possible. With the increase of offshoring, developing countries also have the opportunity to become more economically developed and compete in the global market of trade and manufacturing.

Some of the main points discussed in this paper include how trade agreements and organizations such as NAFTA and FTA have contributed to the increase of offshoring around the world. When a developing country makes an agreement to trade freely among other developing nations, both participants benefit. The developed country mainly receives a cut in production costs to ultimately increase profit margin of that business or corporation while the developing country has the opportunity to economically grow and develop. When employment is lost in the developed country, it is gained in the developing country. However that does not mean that jobs lost cannot be replaced.

Another main point is that offshoring may negatively impact the strategy of “lean retailing.” Lean retailing thrives on the importance of quick and timely delivery of apparel garments and other products. The process of reordering must be efficient enough for the consumer. In an industry as saturated as the retail industry, each competitor must have their own unique quality, service, or product that differentiates themselves. The consumer wants their merchandise to be readily available and having to wait two weeks

for a certain product will eventually lead the customer to purchase it at a major competitor. Ultimately, with an increasing amount of production facilities being moved offshore, lead times for products may not be as efficient as the retailer would like. Many factors contribute to the increase in lead time such as weather, natural disasters, or political turmoil. A retailer must consider those factors when deciding to offshore production.

The final main point discussed in this paper is that, because of the increasing amount of offshoring, Thailand will become a fashion center in the next decade or so. This argument was supported with evidence of the Bangkok Fashion City Project, investment in advanced textile and apparel manufacturing technology, and the extensive education and training at the Bangkok International Fashion Academy.

There are a couple ramifications of offshoring that may occur in the future. One is that developing countries will rapidly become more developed therefore creating major competition in all markets, not just production. There will be new entrants in the market from those developing countries that may be providing better quality products or new and innovative products that entice consumers to purchase them. Consumer Price Indexes will increase in those countries since more consumers will be buying their products or services. Developing countries will easily be able to target a global market.

Another ramification of offshoring, particularly in Thailand's apparel and textile industry is that Thailand may very well become a fashion hub, like New York City, Milan, Italy, or Paris, France. All that is needed is the resources and money to do so. As previously discussed, Thailand already has resources and money to invest mainly because of policies implemented for offshoring. If Thailand becomes the next fashion capital of the world, it could offer new and innovative styles and trends since its perspective originates from Southeast Asia, rather than Europe or the United States. People in the fashion industry are constantly searching for different ideas in styles and designs and this could be Thailand's chance to take control of the global runway.

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