



VIETNAMESE TEXTILE - GARMENT AND ADVANTAGES, DIFFICULTIES IN THE WTO INTEGRATION PROCESS

**Presented by
Vietnam Textile Association**

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1. Overview

Position and roles

1. Contribution:
10% of industrial manufacturing value;
2. Use more than 2 millions labors, making up 5% of nationwide labors
3. Export: first place in terms of nationwide export, making up 16% of Vietnam's total export revenue
4. Being top ten of 153 textile export countries worldwide after China, Hongkong, India, Taiwan, Pakistan

1. Overview

Number of companies: 3700

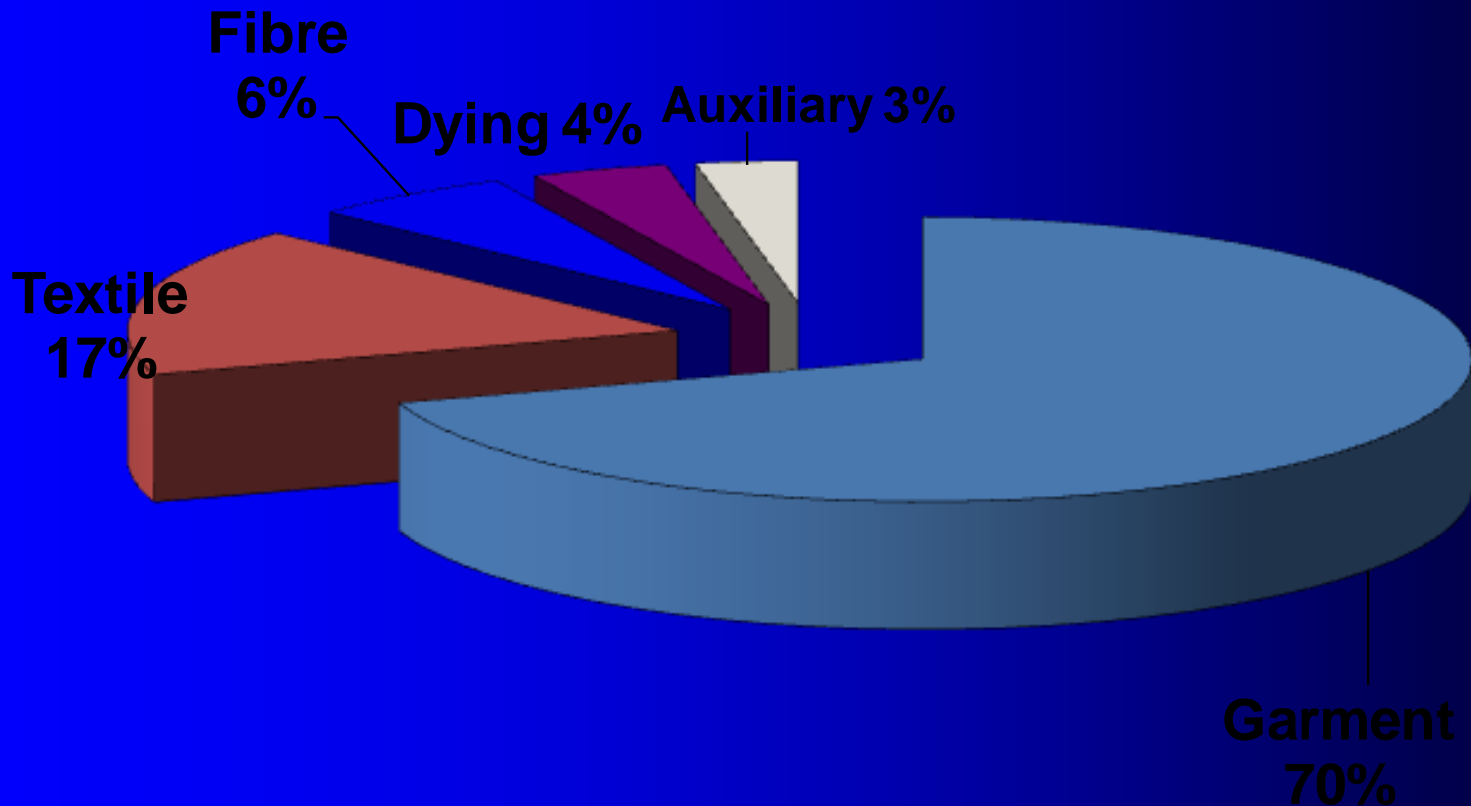
- ✓ State-owned: < 1%
- ✓ Private and joint stock: >81%
- ✓ F.D.I: 18%

Number of labors:

- ✓ 2.5 millions in 2011
- ✓ 2.85 millions in 2015 (forecasted)
- ✓ 3.0 millions in 2020 (forecasted)

1. OVERVIEW

Rate of companies by products



1. OVERVIEW

MANUFACTURING CAPACITY

Areas	Number of companies	Number of equipment	Yearly Productivity
1. Upstream			
Cotton			60.000 tons
Spinning yarn	145	3.789.000 cộc	350.000 tons
2. Midstream			
Weaving	401	21.800 machines	1.100 million. M2
Knitting	105	3.800 machines	200.000 tons
Without knitting	7		5.000 tons
Dyeing and finishing	94	1.109 machines	800 mio. m2
3. Downstream			
Garment	2,424	918.700 machines	2.500 mio. units
Bath towel			62.000 tons

1. OVERVIEW

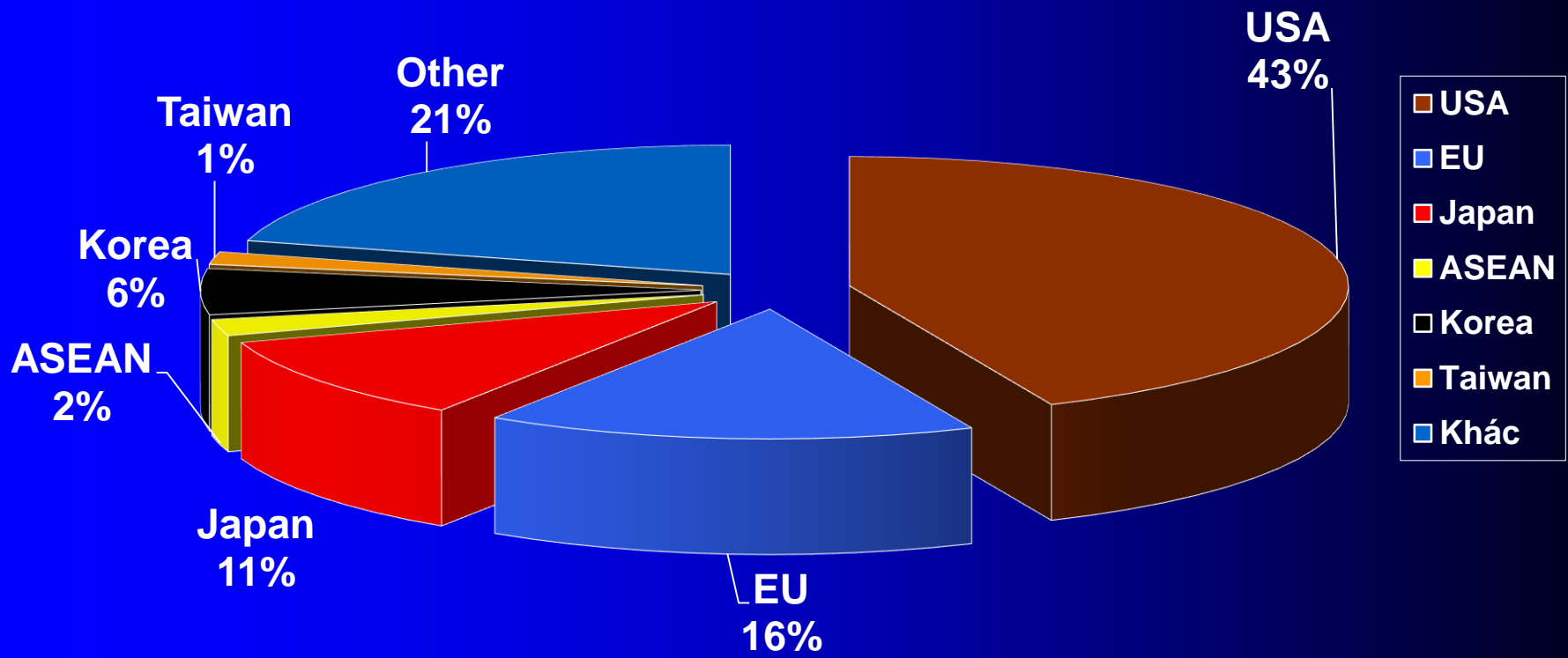
EXPORT MARKET

Units: USD mil

Year	2005	2006	2007	2008	2009	2010	2011
Total	4838	5927	7780	9130	9070	11200	15800
USA	2603	3186	4400	5100	5000	6120	6872
EU	882	1225	1500	1700	1700	1884	2506
Japan	604	636	700	820	1000	1155	1684

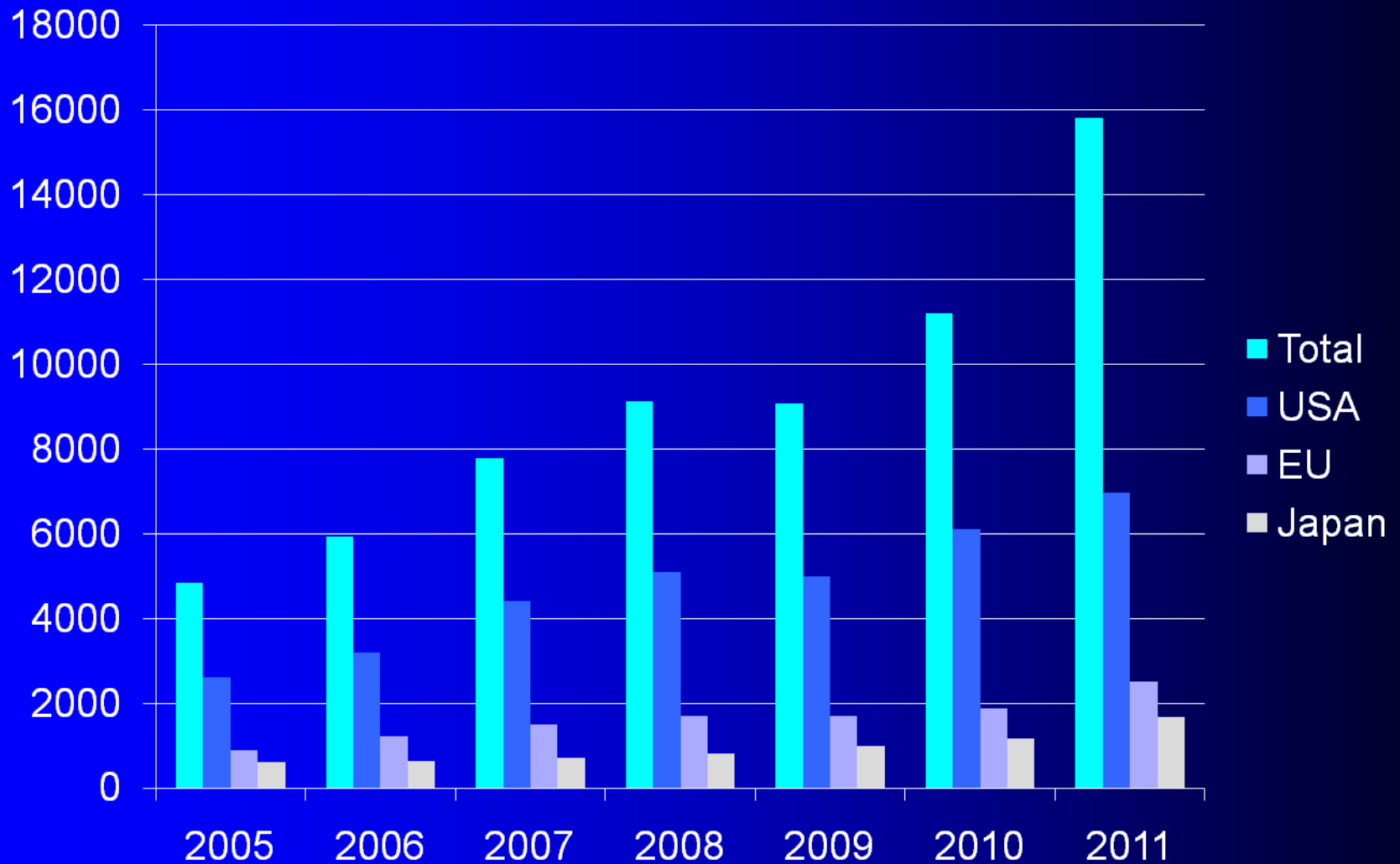
1. OVERVIEW

EXPORT MARKET IN 2011



1. OVERVIEW

EXPORT MARKET



1. OVERVIEW

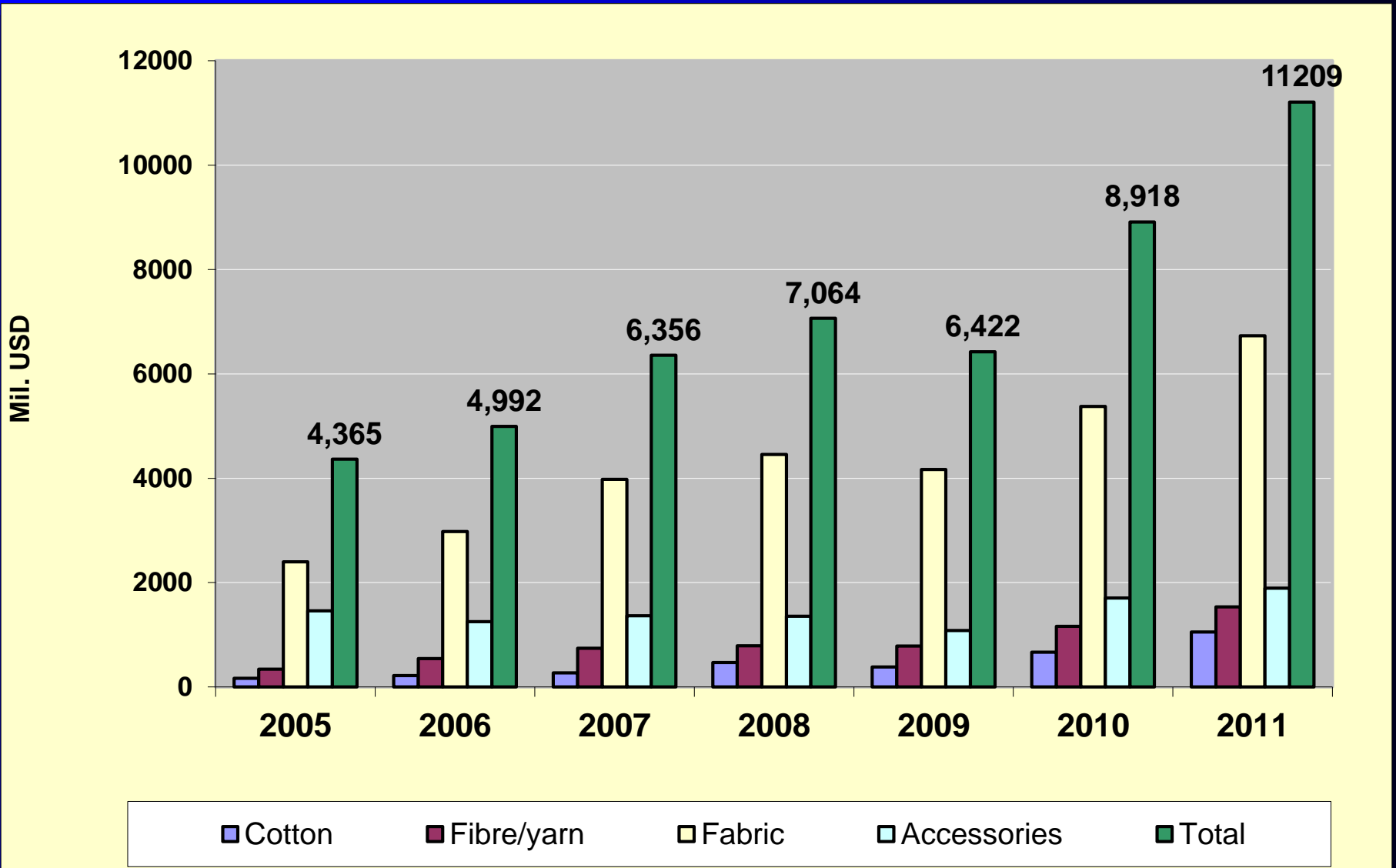
IMPORT

Unit : mil.USD

Categories	2005	2006	2007	2008	2009	2010	2011
Cotton	167	219	268	468	385	674	1053
Fiber/yarn	340	544	744	788	787	1176	1533
Fabric	2398	2980	3980	4454	4168	5362	6730
Accessories	1460	1249	1364	1354	1082	1706	1893
Total	4365	4992	6356	7064	6422	8918	11209

1. OVERVIEW

IMPORT



2. Advantages, Difficulties

Advantages

- Vietnam is located in the central area providing materials and accessories for textile and garment industry
- The trend to shift manufacturing garment products to developing countries including Vietnam
- Having good relationship with importers, customers
- Textile and garment industry is well equipped with modern machines
- Competitive labor prices and high workmanship
- Domestic market with 88 millions of people has increasing purchasing power

2. Advantages, Difficulties

Advantages

- Stable political, economic and social environment;
- Having the conditions of deep integration: WTO accession and FTA signing have created many opportunities for Vietnam to develop the market;
- Attract foreign investment;
- Reducing trade barriers: removing quotas, equal tax, improving the ability to trade and export capacity -> pushing the exports;
- Opportunities to access managerial skills, new advanced technology, information, services

2. Advantages, Difficulties Difficulties

- Environment: Commitments of opening markets, reducing tax and protectionist barriers, anti-dumping, removing subsidy, importing control...
- National competitive capacity (such as infrastructure) has not developed in compliance with the development needs
- Global economic crisis, suffering the competition from China, India, Pakistan, Bangladesh and emerging markets (Uzbekistan,...)
- Strict rules of origins

2. Advantages, Difficulties Difficulties

- Managing manufacture, technology and low labor productivity
- Poor auxiliary industry;
- High rate of imported material and accessories, low localization rate;
- Processing is main activity;
- Most of companies are SME which lack market capacity;
- Suffering from pressure of technical barriers: CSR, SA8000, Okotex, waste treatment, TBT, SPS, IP, TSCA

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- WTO and agreements can affect activities of textile-garment industry

WTO is specialized in dealing with matters of trading rules between economies. The main objective of WTO is to reduce gradually barriers to trading exchange activities among countries. In some cases, WTO supports maintenance of trade barriers with the aim to protecting consumers, environment or preventing spreading diseases...

WTO agreements are often very long and complicated but they are all based on basic and simple rules (no discriminations, gradual freedomlization, easily-forecasted trade policies, transparency, pushing fair competition and economic innovation

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

Vietnam's commitments of textile-garment industry in trade agreements

- Some agreements of WTO can adjust activities of textile-garment industry:
 - General Agreements on Tarriff and Trade (1994)
 - Agreements on Technical Barriers to Trade
 - Rules of goods origins
 - Custom evaluation
 - Agreements on Textile and Clothing (ATC) ended in late 2004
- Besides, Vietnam also takes part in trade agreements such as AFTA/CEPT. ACFTA. AKFTA

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- ASEAN (Agreement on Trade in Goods of ASEAN – ATIGA);
- ASEAN – Australia – New Zealand (AANZFTA);
- ASEAN – China (ACFTA);
- ASEAN – India (AIFTA);
- ASEAN – Japan (ASEAN – Japan Comprehensive Economic Partnership – AJCEP);
- ASEAN – Korea (AKFTA);
- Vietnam – Japan (Vietnam-Japan Economic Partnership Agreement - VJEPA)

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

In the time to come, Vietnam will negotiate and sign:

- FTA VN-EU
- FTA VN – RUSSIA
- FTA VN – CHILE
- TPP Trans Pacific Partnership (TPP):
USA; PERU; CHILE; AUSTRALIA NEW
ZEALAND; MALAYSIA; BRUNEI; SINGAPORE
and VIETNAM

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- Positive effects after WTO accession:
 - Export growth and increased export market share;
2005 : 4,838; 2006 : 5,927; 2007 : 7,780; 2008 : 9,130; 2009 : 9,070; 2010 : 11,210 và 2011 : USD 15,821 billions
 - Creating more than 2 million jobs;
 - Improving the workmanship of labors
 - Textile-garment industry has built prestige and trade mark “made in Vietnam” in the world market

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- Challenges after WTO accession:
 - Slow-down due to world's economic recession (2008 and 2011): Vietnam's Textile-Garment suffered severely: orders, prices;
 - Severe international competition: advantages of labor is no longer Vietnam's outstanding advantage;
 - Inflation in Vietnam is kind of highest in the world (over 18% in 2011); bank interest rate (over 18% for VND, 6-8% for USD);
 - Minimum salary, prices have increased very fast, which put pressure on companies to increase manufacturing costs;
 - Prices of material and accessories increase steadily and are not stable

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- Challenges after WTO accession:
 - Limited ability of trading for export (FOB);
 - Limited ability of designing to create added value, companies mainly focus on processing resulting in low added value and small profits accordingly;
 - Textile industry is left half-done and poorly developed especially the dyeing and finishing steps;
 - Auxiliary industry has not met the needs of textile for export -> most of them are imported.

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- Challenges after WTO accession:
 - The disorder and lack of highly skilled labors especially middle and high class labor is due to the competition with other industries with higher salary; Strict requirements of international and regional integration process: bilateral and regional FTAs with requirements of origion: goods must be made from cloths, yarn, which can not be met by domestic manufacturing ability -> not many Vietnamese textile and garments products enjoy incentives given by FTAs;
 - Limited flexible adaptability of Vietnamese companies

3. Effects of WTO on Vietnam's Textile- Garment after 5 years of accession

- Challenges after WTO accession:
 - Companies have limited knowledge of complicated requirements of international rules (WTO, FTA, TPP...). Meanwhile, importing countries usually set technical barriers (technical requirements), matters of anti-dumping, CSR issues, safer and greener manufacturing (environmental requirements)...., which imposes big risks on companies especially SMEs;
 - Vietnam has not been considered “market economy” yet, which makes companies face more difficulties in case of anti-dumping

4. DEVELOPMENT STRATEGY

(Decision 36/2008/QĐ-TTg)

Objectives up to 2015

1. Fabric, yarn: 500,000 tons/year;
2. Cloth: 1,500 million. m²/year;
3. Garment: 2,850 million. products/year;
4. Export: USD 18,000 million/year;
5. Labor : 2.75 millions.

Mục tiêu đến 2020

1. Fabric, yarn : 650.000 tons/year;
2. Cloth: 2.000 million.m²/year;
3. Garment: 4.000 million. products/year;
4. Export: USD 25,000 million/year;
5. Labor: 3 millions.
6. .

4. Development Strategy

Textile-Garment industry is developed basing on:

**“Quality – Social responsibility –
Friendly environment”**

Manufacturing restructure:

- *Shifting garment manufacturing to areas in which labor is available*
- *Moving dyeing plants to industrial zone well-equipped with waste water treatment system*

5. Conclusion, Solutions and Recommendations

CONCLUSION:

- Vietnamese textile-garment is an important industry to the Vietnam's economic and social development;
- Industry's growth rate is closely linked to reducing the country's poverty rate;
- As calculated, every USD 1 billion of exports creates jobs for 150,000 people;

5. Conclusion, Solutions and Recommendations

- Focusing on developing exports by increasing jobs especially in auxiliary sectors for export garment in particular and the whole country in general;
- Free Trade Agreements FTAs, TTP will make meaningful growth for textile-garment industry, which is the same as signing BTA with USA (2001) and WTO accession (2007)

5. Conclusion, Solutions and Recommendations

- For the Government:
 - Policy environment needs to be completed to be transparent and effective (policy changes for implementing commitments of FTAs and/or WTO should be informed to the public in terms of roadmap and implementing time and the road map and implementing time need to be “fixed” not changeable);
 - Promoting negotiation and signing FTAs and TPP;
 - Improving the competitive ability both at national and corporate levels
 - Promoting administrative reforms especially custom procedures
 - Building more suitable mechanism for textile-garment industry

5. Conclusion, Solutions and Recommendations

- For the Government:
 - Strengthening to encourage and call for state investment on material manufacturing
 - Having policy supporting moving manufacturing places to the outskirts and investing on clean manufacturing
 - Supporting to build trading center of textile-garment materials and accessories;
 - Supporting development of auxiliary industry for exports;
 - Giving solutions to stabilize, improve macro economics, attract capital;
 - Simplizing administrative, tax and custom procedures;
 - Increasing funds for trade promotion;
 - Reducing difficulties for exports

5. Conclusion, Solutions and Recommendations

- For the Association:
 - Continuing to cooperate with companies and network of consular office in foreign countries in order to better implement trade promotion activities
 - Need to cooperate with relevant agencies for knowing information of market needs, trade policies, regulations of technical standards... to disseminate to companies.
 - Doing study for information, requirements of companies to make recommendations to negotiating agency and looking for information during negotiating process to disseminate to companies

5. Conclusion, Solutions and Recommendations

- For the Companies:
 - Promoting exports of traditional textile-garment products with the efforts to diversify products and improve the competitive ability not based on prices.
 - Companies should accept and improve the ability to adapt to technical barriers at developed markets
 - Need to start immediately with specific action plans

THANK YOU