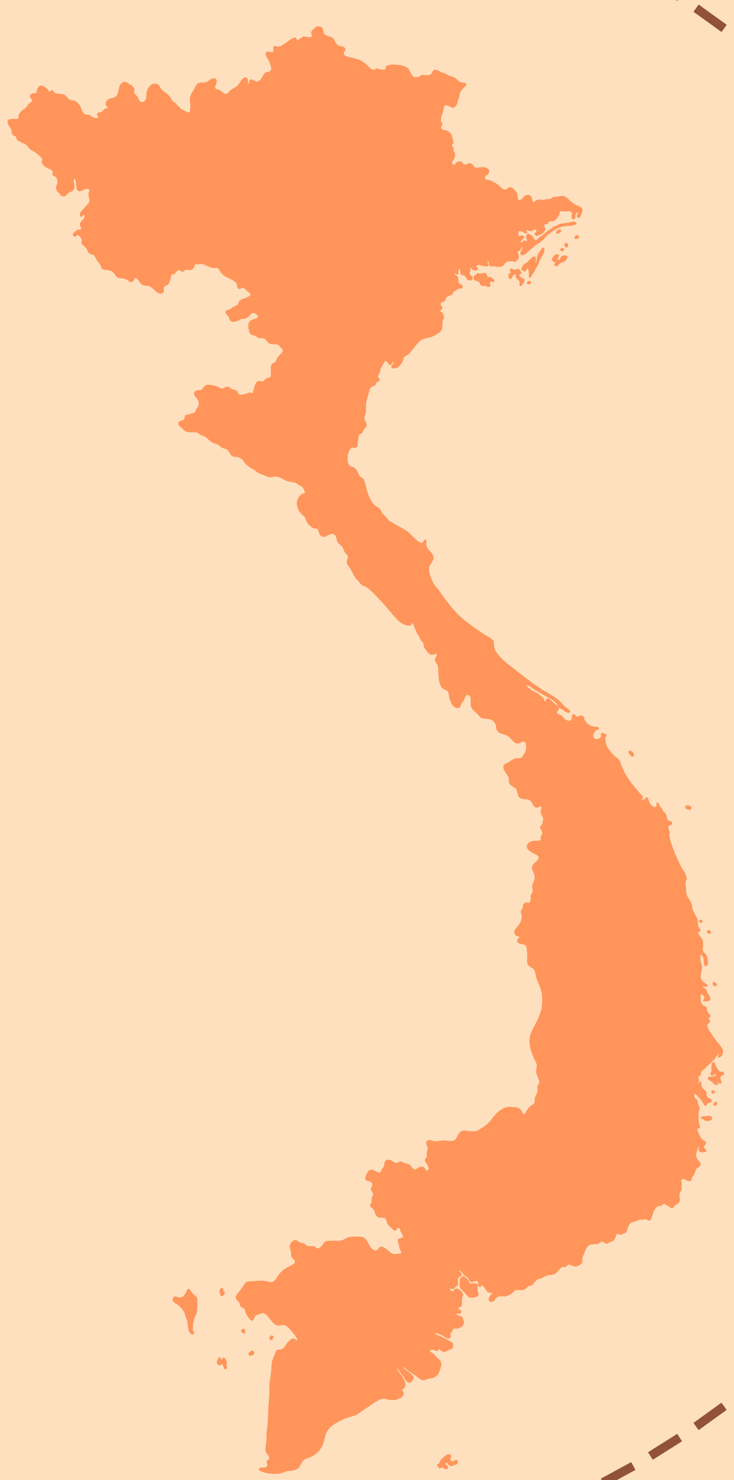
TRADE GROWTH IN VIETNAM'S

Textile and Garment Industry

BY Group4

BACKGROUND



- Export revenue: $39 billion
- Exports contribute to: 16% of GDP
- Industry annual growth rate (2014 to 2019): 17%
- FDI capital in first 11 months of 2019: $1.55 billion for 184 projects
- FDI firms made up 70% of total export revenues in 2019

Driven forces

- export- driven economy
- young & productive workforce
- low labor cost
- multilateral Free Trade Agreement (FTAs)

KEY ISSUES AND CHALLENGES : SHORTAGE IN RAW MATERIALS IN COVID-19 ERA

most of the raw materials for the textile are imported from other countries
transportation affects price and incurs significant cost and time

China has been the largest supplier while shows no indication of changing its zero-Covid policy

numerous fabric shipments are stuck at its ports due to the border closures

Most businesses need to postpone the production and delivery. They are compelled to place purchases in advance to obtain input supplies.

As Their items are seasonal fashion items. The preparation of imported goods are by six months.

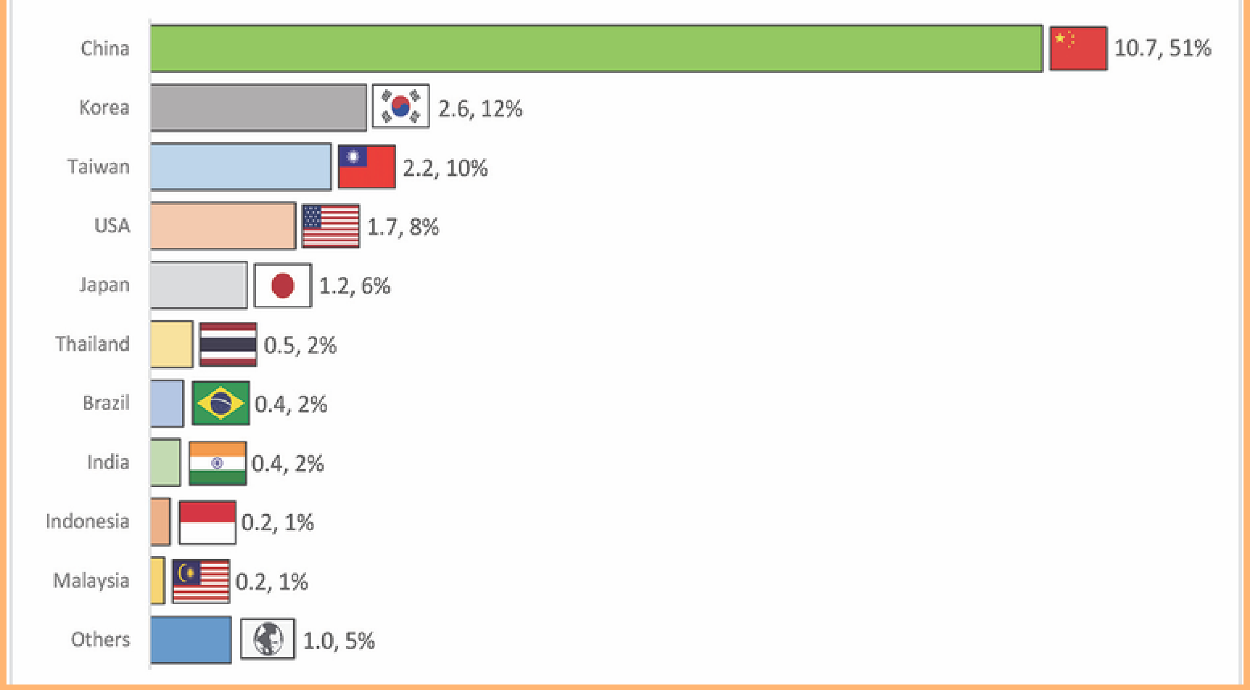
Partners claim that the border closures effect all items in this season must moved to next year, rendering them out of style.

Over 40% of existing textiles will be discarded or sold at reduced costs. This causes enterprises to incur substantial extra costs while their cash flow is 'frozen'

VCOSA

Vietnam Cotton and Spinning Association (VCOSA)shows that cotton prices that imported are increased by 0.87 %, reaching around US$1,625 per tonne.

It is a challenge for manufacturers to pass on the higher price to customers in the short term. Once the price of the final product increases, textile share prices fluctuate.The export value of garments and fiber products fell by 6 - 6.6 %



KEY ISSUES AND CHALLENGES : LACK OF TECHNOLOGY IN PRODUCTION

Developed machinery does not meet local demand

70% of the textile and apparel industries are small and medium-sized businesses with high demand

With access to foreign markets that are not linked to large enterprises

lack of international competence

Vietnamese textile and garment firms fall behind international textile and garment enterprises by 1 to 3 generations of technology.

The proportion of technological lag is greater in the textile industry than in the apparel industry.

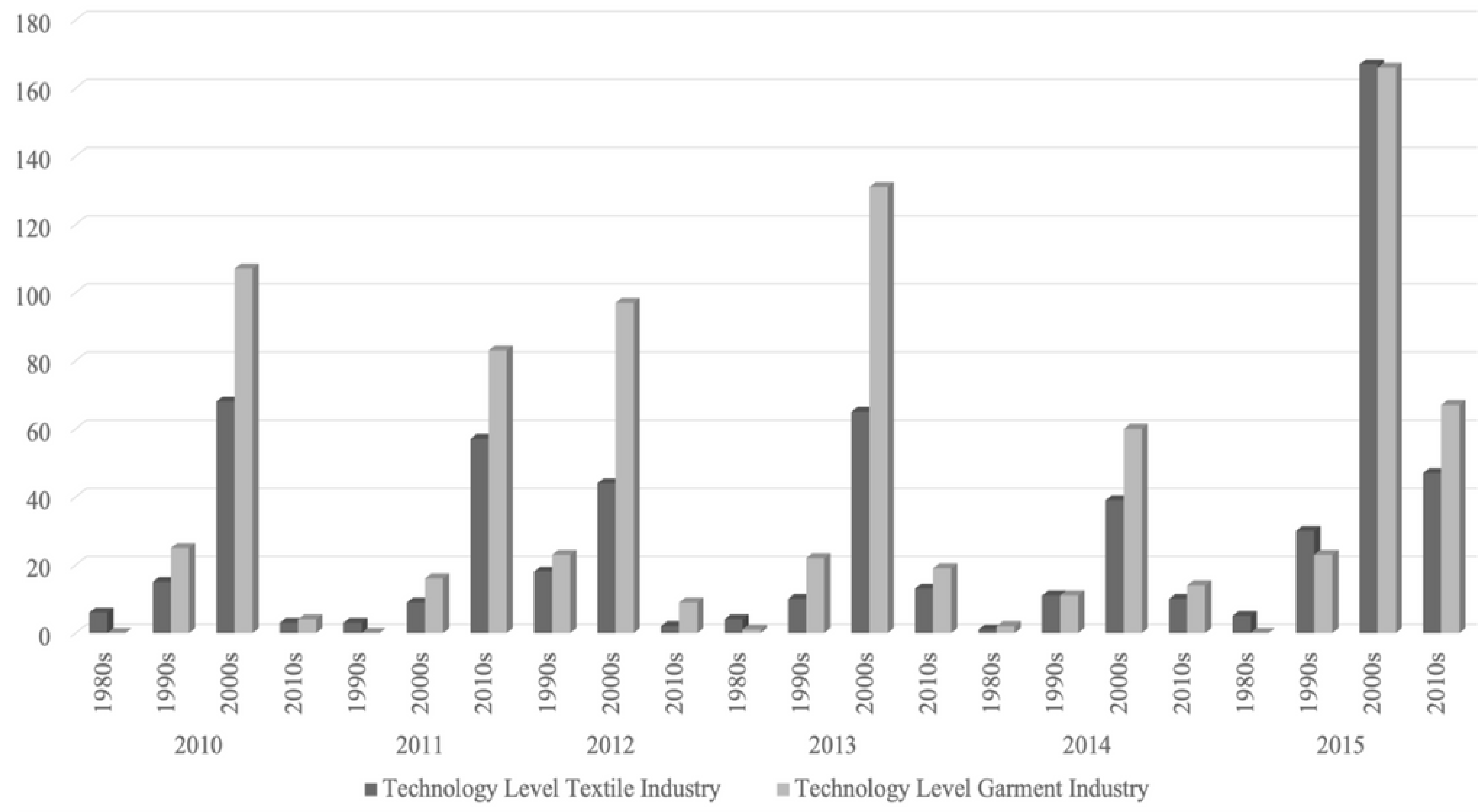


Fig. 2. Current status of technology level in textile and garment industries 2010-2015

Source: compiled from statistics of GSO

the development of high-quality human resources.

In the past — Firms relied on inexpensive and lower secondary school graduates for production

Present — the integration of technology fewer laborers with the capacity to run the robots-system.

KEY ISSUES AND CHALLENGES : COMPETITION FROM NEIGHBORING NATIONS

Vietnam are facing intense competition from China, Thailand and Singapore

China accounts for 20-40 % of Vietnam's department stores.

Losing more market share in urban areas

Vietnam's garment industry is its outdated design & unstandard raw material quality.

Vietnamese employees are not involved in the production of innovative ideas

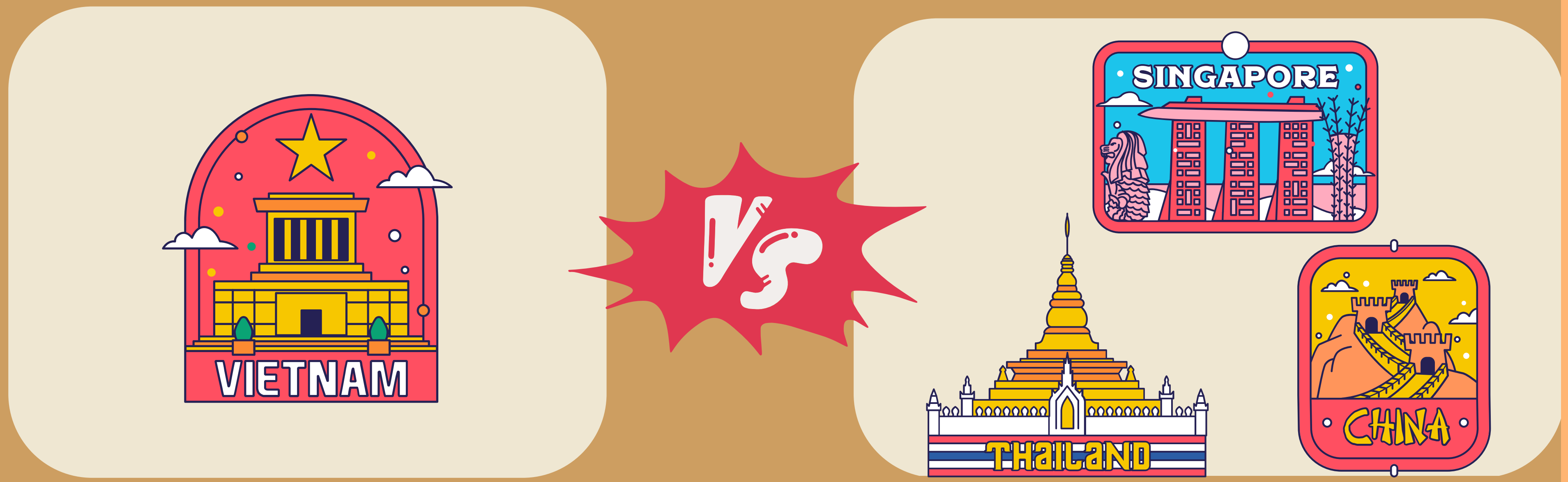
China enjoys a dominating market position

Labors are more productive than Vietnamese

Chinese products are more diverse

EXAMPLE

Bangladesh may undercut Vietnam due to its cheaper rates which makes it Vietnam's direct competitor.



Government Policies :

Policies on the effect of shortage in raw materials during Covid-19

- Reduce raw materials and production costs.
- Cotton and yarn are import-tax-free.
- Upgrade machinery and boost domestic raw material production.
- Offer low-interest loans with flexible repayment.
- Reduce operation and documentation requirements.
- Support changed manufacturing methods and found new raw materials to maintain production.

Policies to lack of technology in producing textile and garment industry

- Advanced technology boosts competitiveness, productivity, and sustainability.
- Management and leadership training programs.
- Improve manufacturing and educational facilities.
- Establish research and development centers.
- Tax breaks and low-interest loans.

Policies to competition in the textile industry from neighboring nations

- Develop machinery, equipment, and raw materials.
- Grow local suppliers.
- Invest in research and development.
- Provide incentives and subsidies.
- Boost textile and garment exports.
    - CPTPP and EVFTA
- Eco-friendly textiles, energy reduction, and sustainable production.

Conclusion

Issues	Causes	Policies implemented
The shortage of raw materials in the textile industry during Covid-19	• the disruption of global supply chains • decreased demand for textiles • increased competition for raw materials • hoarding of raw materials.	• Impost import tax exemption on cotton and yarn • Enacting tax cuts and incentives • Provide financial assistance • Set low-interest rates and flexible repayment • Streamlining customs operations and minimizing documentation requirements • Foster research and development into alternate sources of raw materials
The lacks of Technology in producing textile and garment industry	• the limited investment in research and development • lack of skilled labor • dependence on imported machinery • limited access to financing.	• upgrade facilities, equipment and establishing research and development centers • subsidize for textile and garment manufacturers and educational institutions • provide training and education programs for textile and garment laborers.

Conclusion

Issues

The competition in the textile industry from neighboring nations

Causes

- a combination of factors related to lower labor costs
- favorable government policies
- access to raw materials
- technological advancement
- infrastructure development

Policies implemented

- negotiate Free Trade Agreements (FTAs), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the European Union-Vietnam Free Trade Agreement (EVFTA)

Discussion

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THANK YOU!

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If you have any questions
Please feel free to ask :)