



TPP NEGOTIATION

OPPORTUNITIES AND CHALLENGES FOR VIETNAM TEXTILE & APPAREL INDUSTRY

Vietnam Textile & Apparel Association

Hanoi, March 2013





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INDUSTRY INTRODUCTION

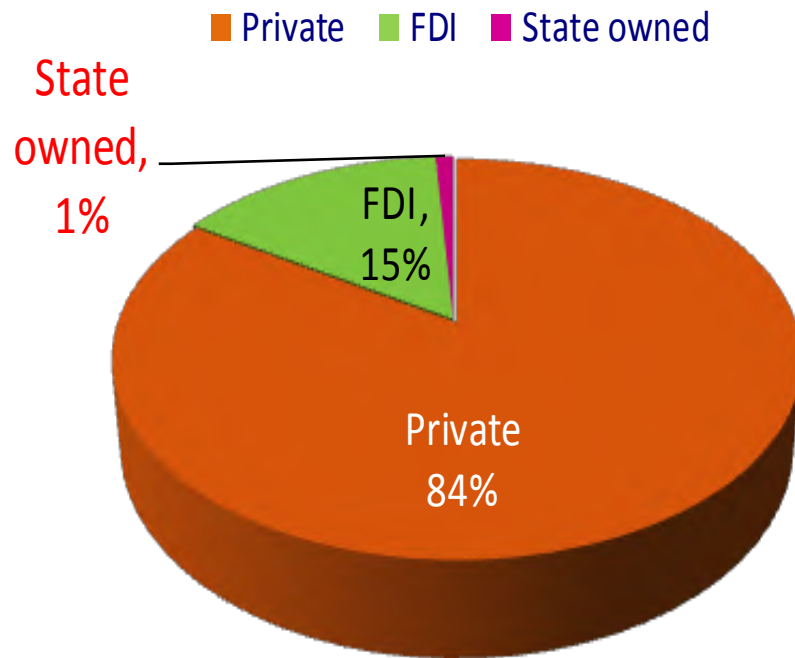


INDUSTRY INTRODUCTION (1/3)



- Number of companies: 5,982

Textile and Apparel Companies



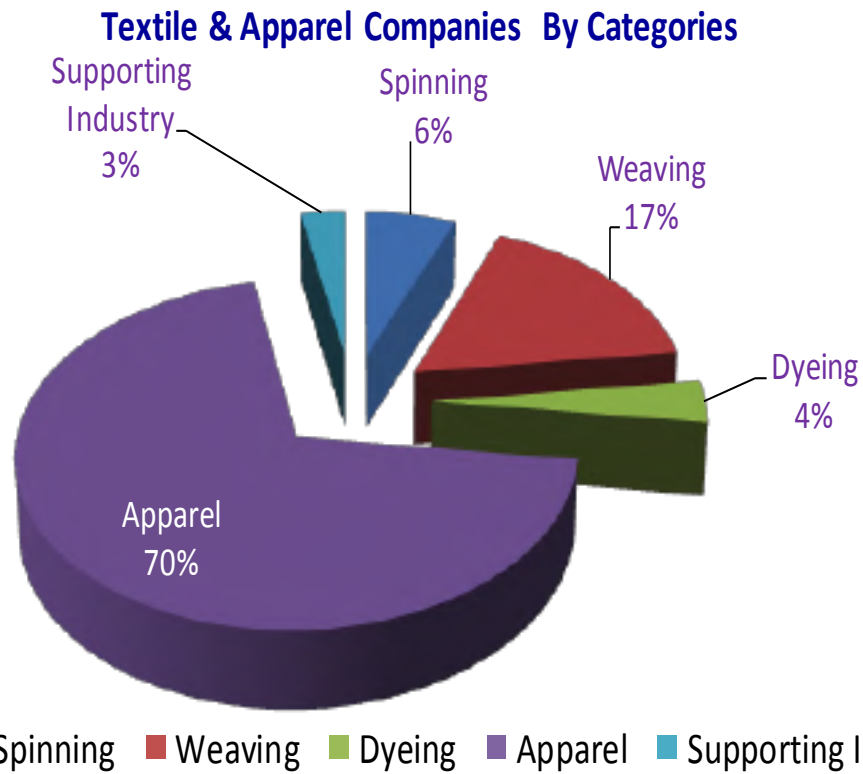
➤ Capital Structure

- Comprehensively diversified with involvement of multiple economic sectors;
- Only **1%** of companies are **state owned** and they are in the process of equitization;
- The mother holding company of Vinatex will also be equitized by the middle of 2013;
- About **60%** of textile and garment export turnovers come from **FDI companies**.

INDUSTRY INTRODUCTION (2/3)



- **Number of companies: 5,982**



Companies by location:

- Northern provinces: 30%
- Central & highland provinces : 8%
- Southern provinces: 62%



INDUSTRY INTRODUCTION (3/3)



- ✓ In 2012, textile and apparel export turnover reached **US\$17.2 billion** making about **15%** of the country's total export revenues;
- ✓ Together with mobile & spare parts, textile & apparel industry has been in top 2 biggest foreign currency earners (ranked number 1 in recent years);
- ✓ Continue to be a crucial industry in the national economy in the future.

Main Export Markets (2012)

1. **US:** US\$ 7.5 billion
2. **EU:** US\$ 2.5 billion
3. **Japan:** US\$ 2.02 billion





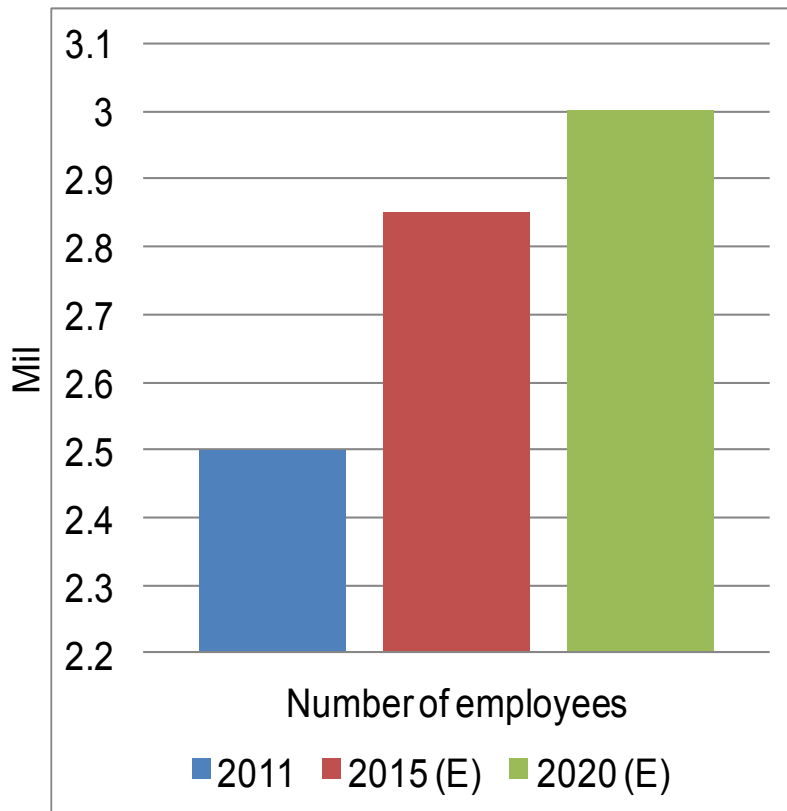
ROLE OF TEXTILE & APPAREL INDUSTRY IN VIETNAM



ROLE OF T&A INDUSTRY (1/2)



- **Number of employees: 2.5 millions (calendar year 2011)**



- 10% of Vietnam industrial workforce;
- Intensive use of labors, especially females;
- Every US\$ 1 billion increase in export turnover expected to create about 150,000-200,000 jobs;
- Average annual income: US\$2000 per worker per year in 2010, and estimated US\$3000 in 2015, nearly double the Vietnam's GDP per capita (Vietnam's GDP per capita in 2012: US \$1500)



ROLE OF T&A INDUSTRY (2/2)



- Textile & Apparel - a key industry for socioeconomic development and poverty reduction in Vietnam
- Play an important role in terms of export revenues;
- Greatly contribute to efforts in poverty alleviation and society stabilization by creating a large number of jobs;
- Develop independently and is one of the key industries in the industrialization and modernization process of Vietnam's traditionally agriculture-based economy.





INTEGRATING INTO THE GLOBAL TEXTILE & APPAREL SUPPLY CHAIN



PROCESS OF GLOBAL INTEGRATION



- ❖ Global integration is a key factor in the development of Vietnam textile & apparel industry.
- ❖ 3 important occasions for Vietnam textile & apparel to integrate into the global supply chain

2000

- Signed Vietnam – US Bilateral Trade Agreement (BTA)

2007

- Joined WTO

2008

- Signed Free Trade Agreement (FTA) Vietnam – Japan in 2008

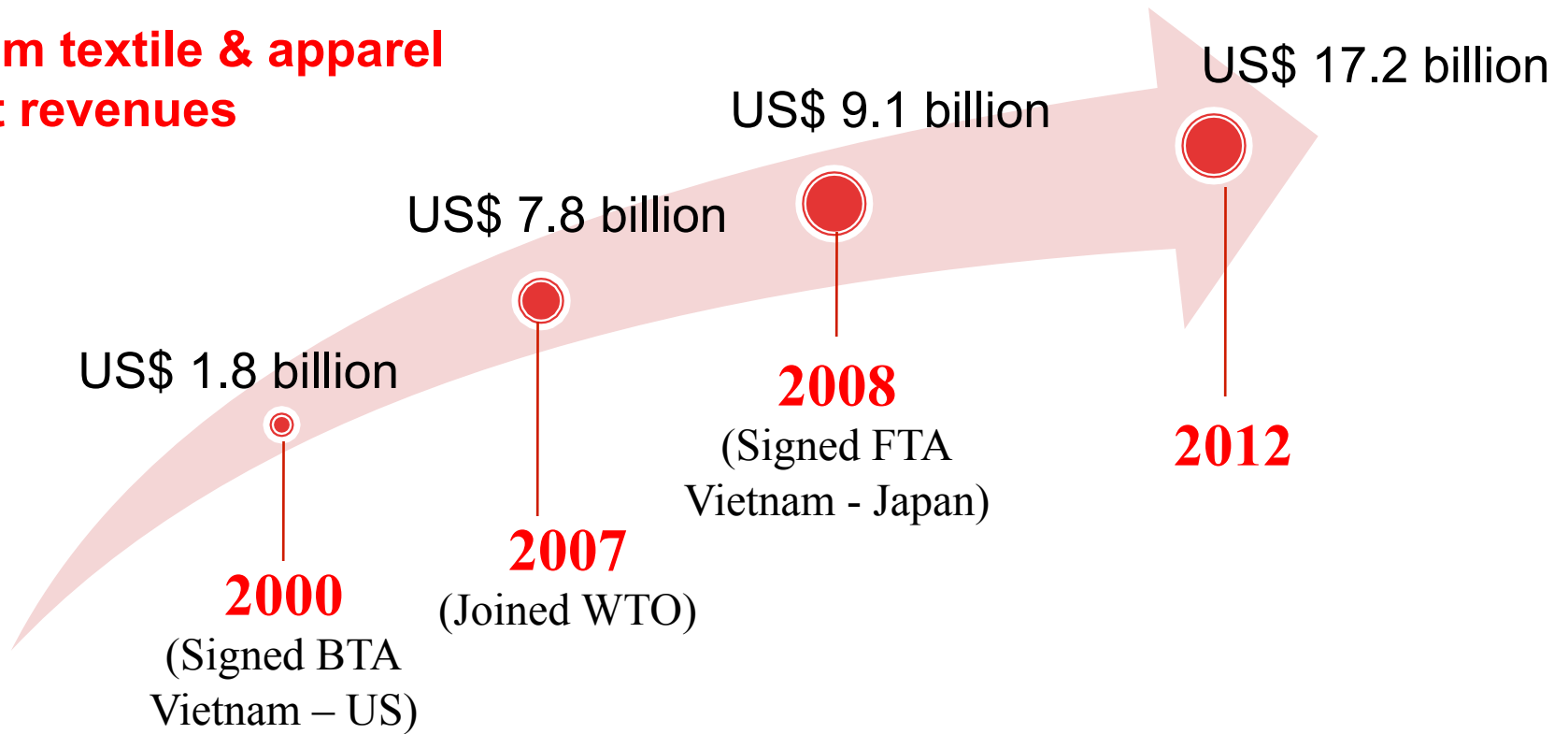


BENEFITS (1/2)



➤ Boost to Vietnam textile and apparel export

Vietnam textile & apparel export revenues



BENEFITS (2/2)



- ✓ **Vietnam** becomes the **2nd** largest textile and garment exporter to the US, the **3rd** largest textile and garment exporter to Japan and the **5th** largest textile and garment exporter to the EU.
- ✓ Vietnam's textile & apparel is placed at higher priority by suppliers in the global textile & apparel supply chain
- ✓ Create more jobs, poverty reduction.
- ✓ Make more room for Vietnam textile and apparel producers.



CHALLENGES



- ✓ Trade barrier policies, quota, textile monitoring program.
- ✓ Strong competition from rivals, especially from China, India,...
- ✓ No government subsidies.
- ✓ Rely heavily on the global textile & apparel supply chain.
- ✓ Strong demand for upgrading technology, production management.



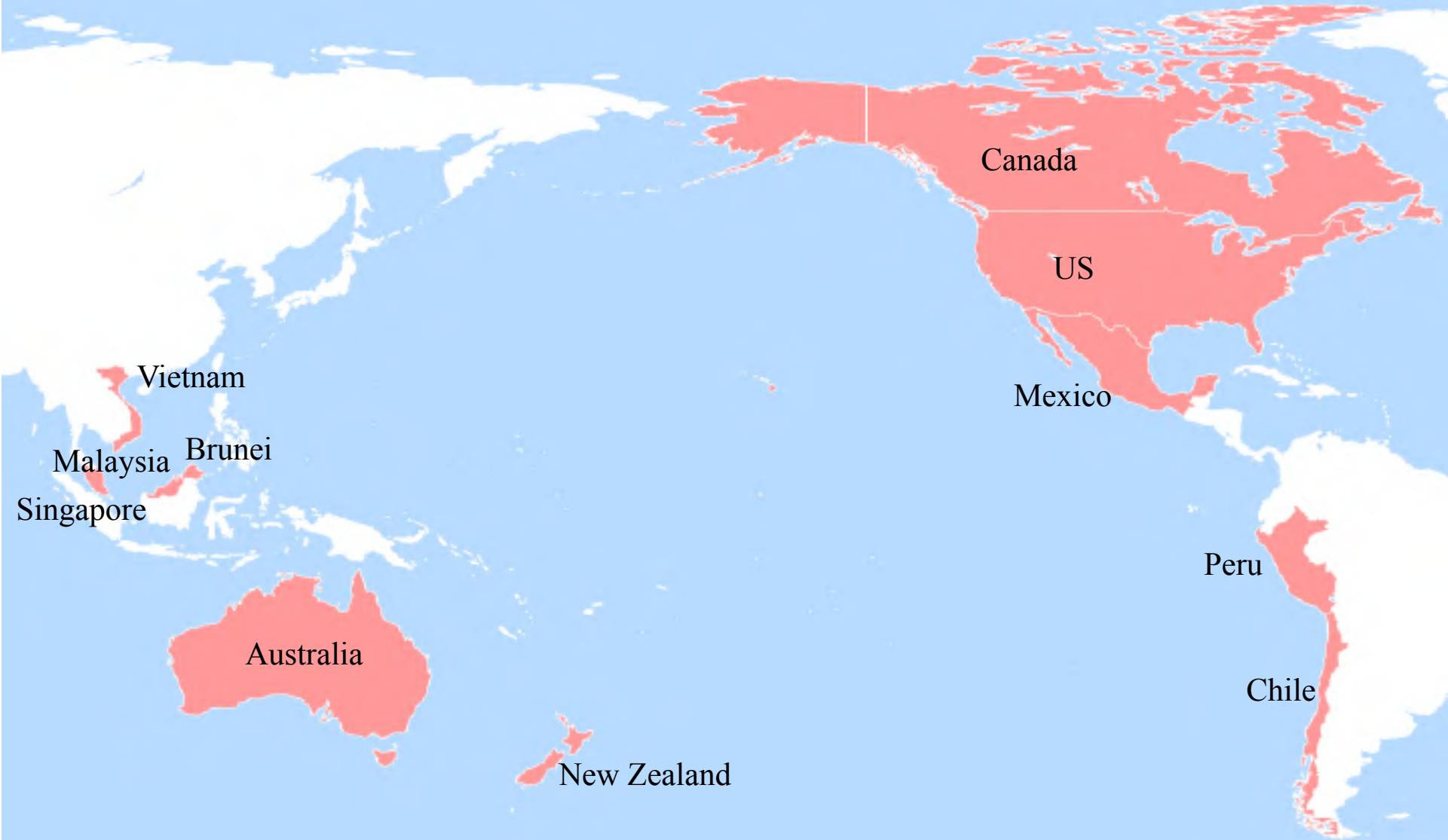


TRANS-PACIFIC PARTNERSHIP (TPP)

OPPORTUNITIES & CHALLENGES FOR VIETNAM TEXTILE & APPAREL INDUSTRY



MAP OF TPP COUNTRIES



OPPORTUNITIES (1/4)



- ✓ Chance to eliminate tariff and non-tariff barriers to trade and investment among TPP countries.
- ✓ The tariff rates of about 1,000 8-digit-HTS textile & apparel tariff lines exporting to the US can be reduced from an average of 17.3% to 0%.

Harmonized Tariff Schedule of the United States (2004)

Annotated for Statistical Reporting Purposes

XI
61-34

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
6109 (con.)		T-shirts, singlets, tank tops and similar garments, knitted or crocheted (con.):				
6109.90		Of other textile materials:				
6109.90.10		Of man-made fibers		32%	Free (CA, CL, IL, MX, SG)	90%
		Men's or boys':				
		T-shirts:				
	07	Men's (638)	doz.	MFN Tariff	FTA	
	09	Boys' (638)	doz.			
		Tank tops and singlets:				
	13	Men's (638)	doz.			
	25	Boys' (638)	doz.			
	47	Thermal undershirts (652)	kg			
	49	Other (638)	doz.			
			kg			

OPPORTUNITIES (2/4)



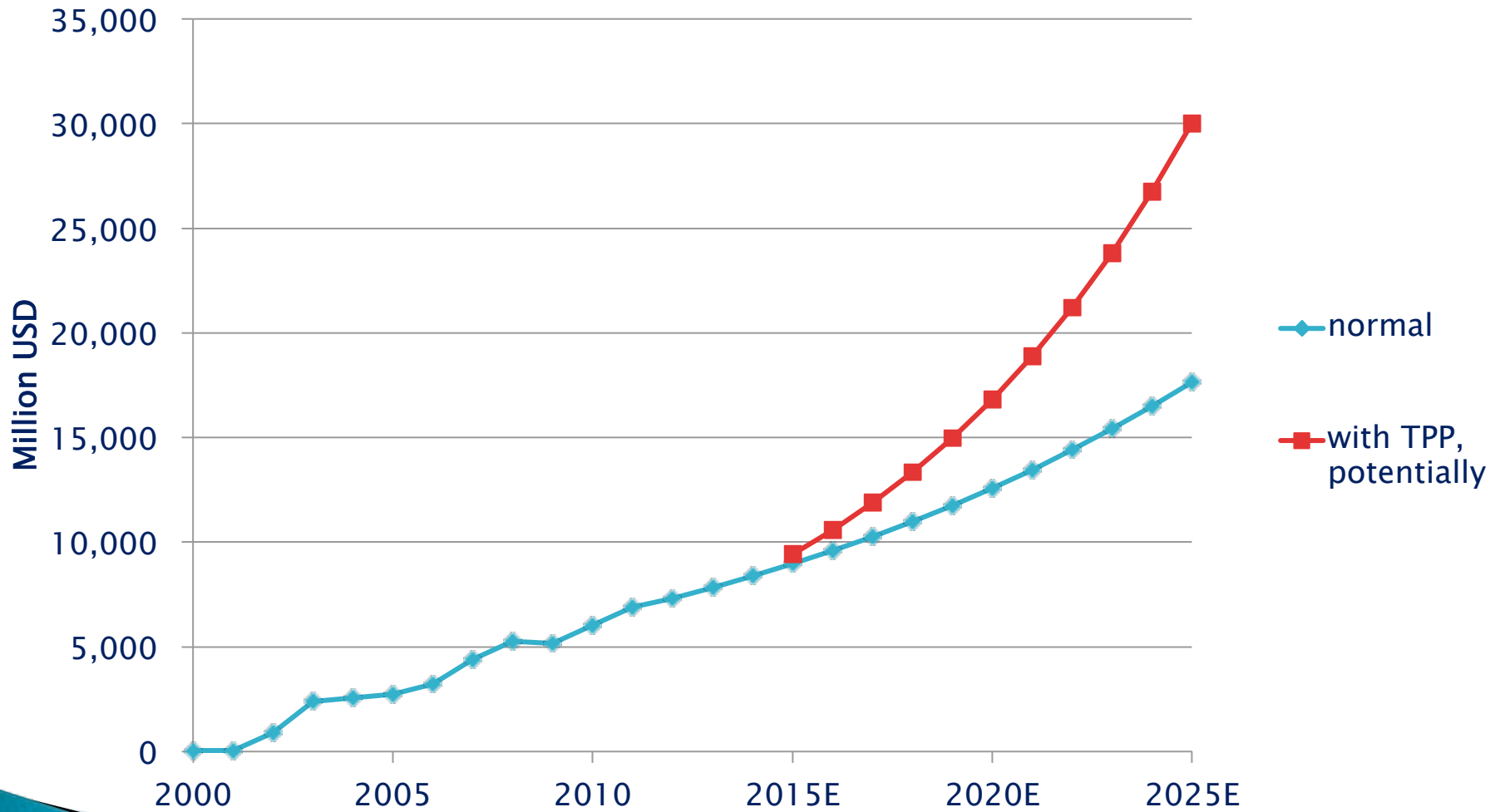
- ✓ Increase textile & apparel export to TPP countries, mostly to the US.
- ✓ If the TPP concluded favorably, Vietnam's textile & apparel exports to the US could increase 12%-13% per year instead of the current 7%, and could reach USD 30 billion in 2025.
- ✓ Thanks to the TPP, the US market could account for 55% of Vietnam's total textile and apparel exports, instead of the current 49%.
- ✓ With TPP, Vietnam's total textile and apparel exports in 2025 could potentially reach USD 55 billion.
- ✓ These are optimistic theoretical estimates, not taking into account a lot of variables, such as: the US textile and apparel market size; factors of textile and apparel production in Vietnam; expansion of the TPP and proliferation of other FTAs, etc.



OPPORTUNITIES (3/4)



Vietnam textile & apparel exports to the US



OPPORTUNITIES (4/4)



- ✓ Possibility of attracting investment in Vietnam textile & apparel industry, especially in Weaving/Knitting and Dyeing-Finishing



- ✓ Raise added value of local textile & apparel products.
- ✓ Improve competitive advantages
- ✓ Sustainable Development



CHALLENGES



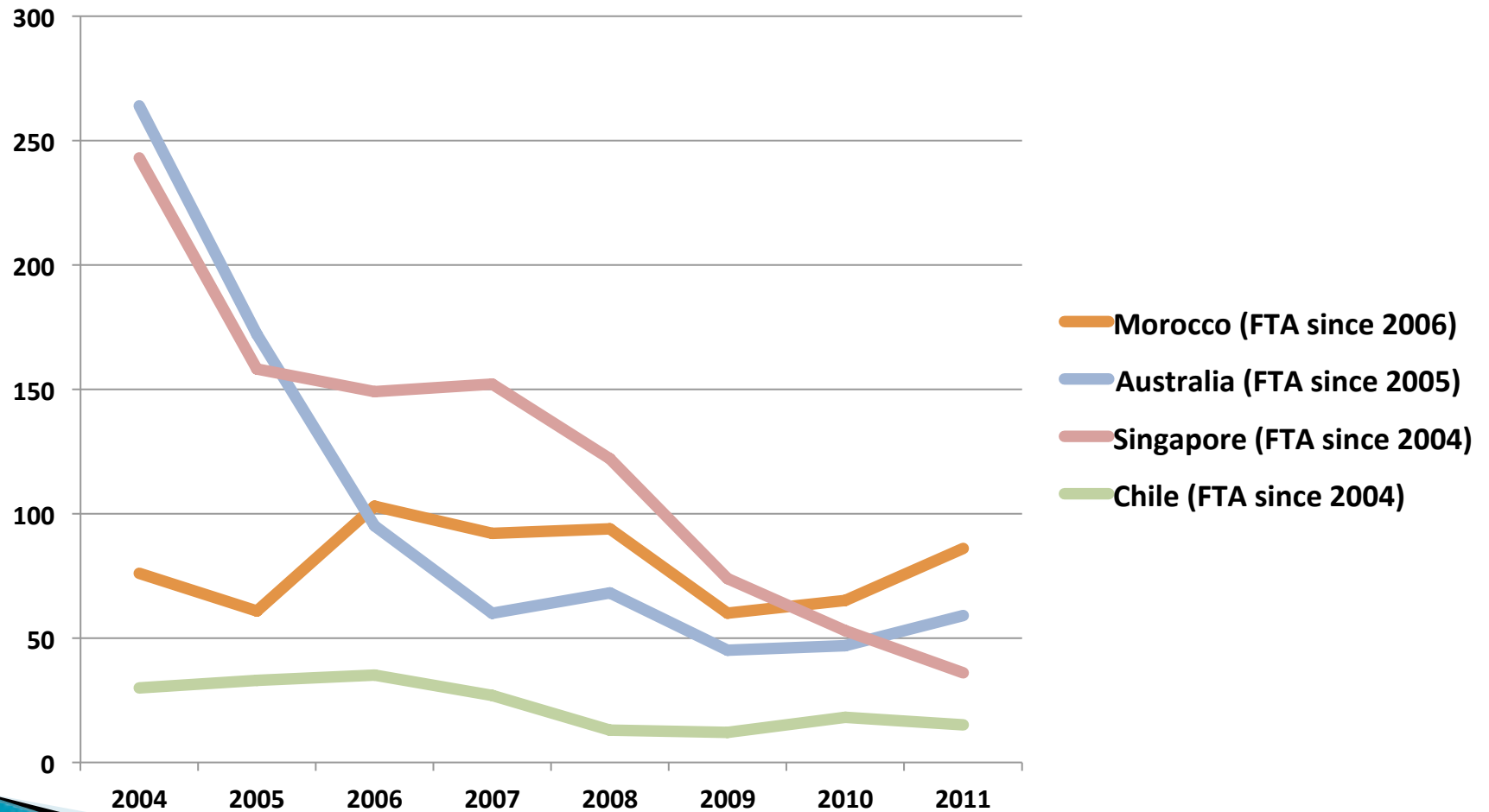
- ✓ US government officials insist on “yarn forward” rule and other restrictive regulations.
- ✓ Major US buyers and their vendors have expressed little interest in investing in Vietnam to benefit from TPP.
- ✓ Even the Fabric Forward rule in Japan – Vietnam EPA, which is more liberal than Yarn Forward, has not been effective in drawing investment into Vietnam.
- ✓ The burdens (records keeping, paperwork, time, speed to market, costs, etc.) might outweigh tariff cuts.
- ✓ TPP customs regulations may also apply to non-TPP-preference-claiming shipments and thus adversely affect current non-TPP normal textile and apparel trade.



STRICT YARN FORWARD HAS NOT WORKED WELL



US Textile & Apparel Imports from some FTA partners (million USD)



VIETNAM T&A INDUSTRY NOT READY FOR YARN FORWARD



- ✓ Yarns: domestic production at 500,000-600,000 tons - but mostly of low-to-medium quality, suitable for towels, not for fabrics in exported garment; exporting lower-quality yarns while importing higher-quality yarns.
- ✓ Fabrics: domestic production: 80,000 tons of knitted fabrics and 700 million m of woven fabrics – of low-to-medium quality, mostly for garment in domestic market, not for exported garment. Import 180,000 tons of knitted fabrics and 2,200 million m of woven fabrics.
- ✓ Dyeing and Finishing: 120,000 tons of knitted fabrics and 300 million m of woven fabrics – only 20-25% of these woven fabrics are good enough for exported garment; knitted fabrics are a little better but far from enough.



EXPECTATIONS



- ❑ The integration of textiles and apparel into normal trading rules
- ❑ The timely elimination of Tariffs and Non-Tariff Barriers

Tariffs

+ TPP provides the timely elimination of duties on all consumer goods, including all textile and apparel products.

Non-Tariff Barriers

+ TPP adopts a simple rule of origin for T&A, reflecting the global supply/value chains, without restrictive yarn forward rules.

+ Vietnam T&A Industry supports the harmonization, transparency and streamlining of customs procedures among participating countries along with the strengthening of customs systems to prevent fraudulent activities.

+ However, burdensome requirements, mechanism, procedures or barriers to importers/exporters should not be incurred or created





THANK YOU FOR YOUR ATTENTION!

