

Effects on Environment for Promotion of Export of Clothing from Vietnam

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In recent years, the Vietnam's export earnings have increased steadily, amounting to US\$39.5 billion in 2006. Of this value, earnings from export of clothing, second only to crude oil, reached US\$5.9 billion and accounted for 14.9% of the total export value. The main export market for the clothing industry is the U.S. that brought about US\$2.7 billion. The added value of exported clothing goods, however, is low because the industry could only do subcontract jobs that required no complicated processing facilities.

I. Vietnam's clothing export and the world market

1. Export of clothing from Vietnam

The clothing industry in Vietnam has a long tradition. Its output and export value are on the increase, which lead to bigger contributions to the national budget income. As a labor-intensive industry, it helps reduce the unemployment rate. Table 1: Earnings of staple exports from Vietnam (US\$ million)

Product	1999	2000	2001	2002	2003	2004	2005	2006
Total export value	11,490	14,482	15,029	16,485	20,149	26,485	32,420	39,605
1. Crude oil	2,010	3,080	4,015	5,061	6,150	6,825	7,366	8,323
2. Clothing	1,682	1,892	1,962	2,751	3,750	4,309	4,840	5,802
3. Footwear	1,406	1,472	1,578	1,875	2,281	2,691	3,040	3,555
4. Rice	1,030	720	769	669	787	840	1,290	1,306
5. Aquatic products	982	1,479	1,816	2,036	2,200	2,408	2,739	3,364
6. Coffee	500	760	965	750	780	1,010	1,095	1,101

Source: Ministry of Trade

After 20 years of economic reform, the clothing industry experienced more favorable conditions for its developments. Its products are increasingly familiar to foreign markets.

Table 2: Clothing export earnings by markets (US\$ million)

Market	2001	2002	2003	2004	2005	2006
The U.S. 50%	44.6	975	1,975	2,500	2,775	3,100
The EU 21%	599	540	640	760	875	1,200
Japan 20%	588	485	550	530	605	640
Others	730.4	751	585	519	585	962
Total	1,962	2,751	3,750	4,309	4,840	5,802

Source: Ministry of Trade

The market is a decisive factor to survival and development of an industry. To find export market, companies have to research and predict the market demand, select measures to control flows of commodities with a view to meet the market demand, and carry out marketing campaigns. In addition, they should capture new trends of the market demand in order to produce new goods as required by customers. The Vietnamese clothing industry, however, hasn't do well these jobs.

2. World export of clothing

In the early 1990s, the export of clothing was transferred to emerging economies, such as Thailand, China, Indonesia, India, Bangladesh and Vietnam with the result that clothing export from these countries made a 10-fold increase and this business can enjoy faster increased in the coming years

Table 3: Clothing export earnings from main exporters in 2005 (US\$ billion)

Country	Earnings	Country	Earnings
China	139	Philippines	4.1
India	12.0	Pakistan	6.8
Indonesia	11.0	Sri Lanka	3.5
Thailand	6.5	Vietnam	4.8
Bangladesh	5.3		

Source: Vietnam Clothing Group

3. World import of clothing

The biggest importer of clothing is the U.S. Spending on imported clothing by its population of 272 people equals some 150% of what is spent by the EU population. Its market demand is huge while its clothing industry almost goes out of business. That is why it becomes the world's leading importer of clothing. Other markets for clothing are the EU (some 500 million people) and Japan (120 million).

Table 4: Import of clothing to major markets (US\$ billion)

Product	Import value			
	U.S.	EU	Japan	Others
Clothing	250	120	20	60

Source: Vietnam Clothing Group

II. Effects on the environment for promotion of clothing export from Vietnam

1. Both central and local governments have adopted many policies to provide better conditions for the industry. For example, Decision 55/2001/QĐ-TTg by the

PM provides a plan to supply a loan of VND35,000 billion to help the industry develop the textile and dyeing businesses, and effluent treatment works and many other projects has benefited from this Decision. After Vietnam became a WTO member, however, the financial support provided by this Decision ceased to exist with the result that the development of the industry in the coming years will certainly be slower because most clothing companies can't build their effluent treatment works and move their factory buildings to industrial parks using loans from commercial banks.

To achieve the target of making one million meters of high-quality cloth used for producing exports by 2010, the industry must mobilize all possible sources of finance, especially foreign ones, along with their managerial skills and technology, to expand the distribution network and markets. The industry also faces shortage of land needed for the building of new factories. The privatization of clothing companies as approved by the Government is a useful way to mobilize necessary resources for future development.

2. In 2006, the Vietnamese growth rate was 7.8% and the personal income reached US\$720 a year, which leads to higher demand for fashionable and better clothes. With a population of some 85 million people who spend from 7.63% to 9.5% of their income on clothing, the industry has great opportunities to expand its share in the domestic market. Many clothing companies, by researching the market demand, improving their designs of products, and innovating their production lines, have succeeded in increasing their profit. Some of them could make total sales of VND1,000 billion.

3. Highly differentiated products receive full attention from certain companies and this could be seen as a measure to improve their profit. However, such typical and original products are not produced in large quantities and their markets are still small.

4. The clothing industry employs some two million laborers (80% of them are untrained ones). This labor force will increase as the clothing export rises. If wages, benefits and training courses given to laborers are not improved, many clothing companies will fail to maintain their labor force. Statistics show that in recent years, laborers with some training and skills have tended to return to their home provinces in Central Vietnam and Western South where they could earn wages and bonuses

as high as ones they got in big cities and cut a lot of expenses on accommodation and transport. Many clothing companies, such as Việt Tiến and Phong Phú, have succeeded in improving labor relations and wage scales.

5. Only seven clothing companies have built waste treatment works and environmental protection systems according to ISO 14000 standard, which will damage the competitiveness of the industry on the world market in future.

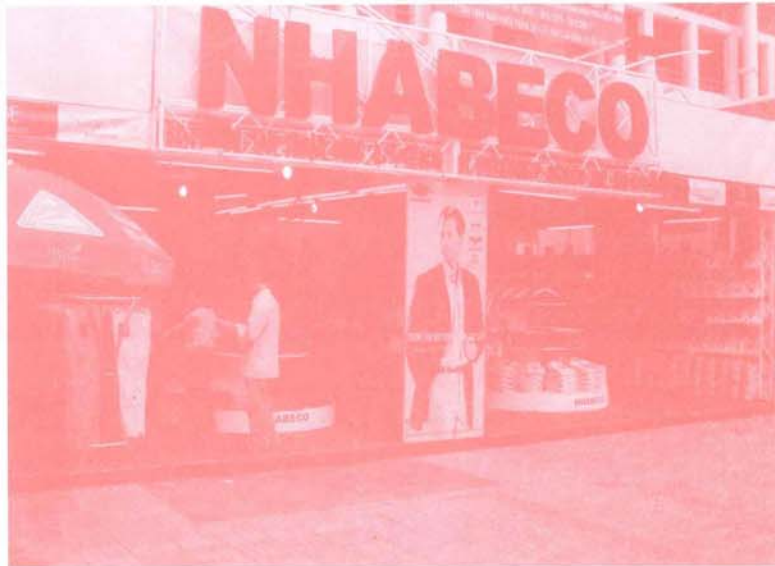


Photo by Thiên Triều

6. Supporting businesses of the clothing industry are very small with the result that the industry has to import most of its raw materials, such as cotton, synthetic fiber, dyes, many kinds of machines and accessories. That is why the industry can only do subcontract jobs for foreign companies and the added value of its products is low.

7. The industry is facing fierce competition from China, India, Thailand and Pakistan in terms of price and supply of raw materials. In the last two years, the industry could increase its export because importers imposed technical barriers to clothing exports from Vietnam's rivals.

8. Most companies rely heavily on export of their products. Their competitiveness is based on cheap labor, and favorable conditions offered by importers and local government. In the coming years, clothing companies should improve the product quality and productivity to increase their market shares in both domestic and foreign markets.

9. Many clothing companies failed to pay attention to their brand names and distribution network. This shortcoming could make it difficult for them to ensure firm footholds on foreign markets ■