

**T**he USA is an attractive market for garment industry because in this country there are 253 million people and most of them live in cities and have got high income (the per capita income is US\$ 26,870 in 1995). The American have high spending power and diverse demand. The US imports annually US\$40 billion worth of garments.

The US lifted trade embargo against Vietnam in February 1994 and aid embargo in August 1994. The US-Vietnam relation was normalized in July 1995. The problem in the coming years is what the Vietnamese clothing should make to enter the American market before and after receiving the most-favored-nation status.

#### 1. An overview on American import-export business

The US exports were worth US\$393.6 billion in 1990, US\$465.1 billion in 1993 and US\$512.3 billion in 1994. These exports comprised machine and equipment (32%), manufactured goods (25%), transport means (16%), chemicals (10%), agricultural products (9%), consumer goods (8%).

In 1990, the US imported US\$495.3 billion, US\$580.7 billion in 1993 and US\$657.5 billion in 1994. Its imports comprised machines (32%), consumer goods (30%), fuel (15%), automobile parts (15%) and the others (8%).

Generally, the purchasing power of the American market is big, so the consumer goods such as clothing, footwear, handbags, domestic appliances represented the second largest quantity and value in the American imports (smaller than machines only).

The majority of American clothing imports come from Asian developing countries such as South Korea, Taiwan, Hong Kong, Thailand, China... For example, China exportation to the US increased from US\$3.1 billion in 1983 to US\$38 billion in 1994, of this turnover, clothing exports brought China in US\$23.72 billion.

#### 2. The US-Vietnam bilateral trade development

In 1994, after the embargo was lifted, many conferences between Vietnam's Ministry of Trade and US foreign trade representatives were held with a view to promoting trade and investment between the two countries. Information about national commerce, laws and regulations were supplied to each other, so the US-Vietnam bilateral trade has increased considerably. In 1994, Vietnam exported US\$51.94 million worth of goods to the US (US\$2 million of

## TO FIND OUT A NICHE IN AMERICAN MARKET FOR VIETNAMESE GARMENTS

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which were clothing exports) and imported from the US US\$172.22 million worth of goods.

#### 3. Measures to help Vietnamese garments enter the American market in large quantity

In recent years, Vietnam clothing industry has made good progress and has been able to become an important supplier to the American market. So we should try our best to encourage US companies to give orders to Vietnam instead of to China, Bangladesh or other Asian countries. The American people spend a remarkable percentage of their income on clothes and the American clothing industry is protected carefully because it is a source of jobs. Since 1970 the American clothing industry has lost 500,000 jobs because of clothing importation. Around 50% of sales of garments come from selling imported garments. So the problems posed for the exportation of garments to the US are as follows:

a. From now on, Vietnam garment businesses should try their best to export their products to the US in possibly largest quantities. Delivery time, quality and price should be made satisfactory although Vietnam hasn't been given the MFN clause and quota on garments, because if we wait for the MFN clause and quota, our rivals will have a year to increase their shares in the American market. If we can't find a niche in the American market now, we will be put at a disadvantage entering into quota negotiation later. The US party will give us a small quota because our small exports become a good excuse for them to do so. Contrarily, if we have got a fair market share in the US, the quota negotiation will be to our advantage.

b. What American companies expect from Vietnam garment businesses are: all agreements should be respected, the product quality and delivery time should be ensured, the prices should be reasonable, the source of supply should be stable and reliable.

Vietnam garment businesses should try to introduce themselves to American companies in order to help them learn about quality of garments

made in Vietnam and the ability of Vietnam businesses to become reliable suppliers. Moreover, Vietnam businesses should try to learn about ways of doing business of American clothing industry.

c. It's expected that the US government will give Vietnam the MFN clause within a year. This clause will make Vietnam garments cheaper for American buyers (because the tariff will decrease from 45% or 90% to 20%) although Vietnam garments will continue to be in competition with their counterparts from China and Bangladesh. To compete successfully, Vietnam garments should have higher quality and lower prices.

d. After Vietnam is given the MFN clause, its clothing exportation may be free from a strict import quota because of the small value of exportation. But when the value and quantity are big enough, there will be a strict import quota on Vietnam garments. The Vietnam party (including Vietnam Clothing Corporation, the Ministry of Light Industry and the Ministry of Trade) should make preparations for the quota negotiation, and then, the service of American legal advisory firms will become necessary before we can enter into negotiation with the US government.

e. At present when the American market is strange to Vietnam garment businesses, the related bodies (Ministry of Trade, Ministry of Light Industry, Vietnam Industrial and Commercial Chamber, Vietnam Clothing Corporation and Vietnam Association of Garment Producers) should supply information about American market for garments. Recently, many workshops on this matter have been held by the Ministry of Trade, Association of Garment Producers or HCMC University of Economics. These workshops are very helpful to Vietnam garment businesses.

In short, the Vietnam economy, or the clothing industry to be precise, will benefit a lot from entering into the American market. The clothing industry can export to the US in large quantities and help other domestic industries develop well ■