Vietnam to double the value of its textile and clothing exports by 2010

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In 2006, however, the USA implemented safeguard quotas on several categories of Chinese textiles and clothing, with the result that buyers returned to Vietnam. As a result, Vietnamese exports soared by 20.8% to US$5.8 billion. Another milestone was reached on January 11, 2007, when Vietnam joined the World Trade Organisation (WTO) and the USA was obliged to remove all quotas on textile and clothing imports from the country.

This removal of quotas is widely expected to boost US demand for Vietnamese clothing, especially for lower-end products. Exports will have to increase by 20.7% in 2007 to reach the government's interim goal of US$7 billion. However, if this is achieved, average growth of just 12-13% per annum between 2007 and 2010 will be enough to reach the government's US$10 billion goal.

Investment plans for increased exports

In order to achieve its goal, the Vietnamese government has come up with two main policy objectives. One is to shift the focus in garment manufacturing from CMT (cut, make and trim) to fob (free on board) production. The other is to increase the domestic content of garment production by investing

in cotton production, and in spinning and weaving facilities. The government has also identified three other aims for the industry.

The government is planning to invest around US$3 billion in developing the textile and garment sector during the run-up to 2010. It is envisaged that US$180 million will be spent on projects to expand raw material supplies, US$2.27 billion on textile and dyeing projects, US$443 million on garment projects, and US$200 million on trade centres and personnel training. Meanwhile, state-owned Vinatex plans to invest over US$1 billion in 24 key expansion projects from 2006 to 2010. According to Vinatex, these projects aim to develop production and distribution systems, fashion design and infrastructure.

One sector targeted for expansion is raw cotton production. To process the additional cotton produced, Vinatex plans to invest US$26.7 million in the construction of five new cotton processing mills during the next two years in a bid to satisfy demand for raw materials from the country's textile producers. The most important import item is fabric, upon which Vietnam's garment industry is heavily dependent. In 2006 fabric imports were worth US$2,954 million, compared with only US$761.3 million in 2000. Thus fabric imports rose in value by 288% over the six-year period. The government has a clear strategy of increasing the supply of domestically produced inputs such as raw cotton, yarns, fabrics and garment accessories. Its overall aim is to reduce the import content to less than 25% by 2010. Investment in modern machinery has soared in recent years. During 2006 the industry added 171,720 new spindles and 5,840 open-end rotors. This followed an extended period of expansion during the ten-year period 1997-2006 when 840,132 spindles and 19,784 open-end rotors entered service. In the weaving sector the industry added 6,012 shuttleless looms during 1997-2006, of which 1,357 alone were added to the industry's capacity in 2006 following the addition of 476 in 2005. This shows convincingly the move towards modern manufacturing technology.

The Vietnamese textile and clothing industry has also managed to attract a substantial amount of foreign investment. The largest foreign investor in the Vietnamese textile and clothing industry is Taiwan, followed by South Korea and Hong Kong.

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