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Vietnam is perfect fit for textile firms

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Despite uncertainty surrounding the Trans-Pacific Partnership agreement, foreign textile and garment firms are still investing heavily in Vietnam.

In the northern province of Vinh Phuc, Hong Kong-based TAL Group officially launched a US$50 million project to manufacture fabrics, garments, and textiles last week.

Located in Ba Thien Industrial Park (IP), the plant is expected to churn out 12 million products per year and create 3,500 jobs. This is TAL Group's second project in Vietnam, after it entered the country in 2004 to set up a US$40 million textile-garment factory in Phuc Khanh IP in the northern province of Thai Binh, currently employing more than 3,000 workers.

TAL Group, a private, family-owned firm, is one of the world's largest clothing manufacturers-with 25,000 workers at eight factories worldwide. It specializes in the manufacture of quality men's and women's garments for leading apparel brands.

China-based Texhong Group, one of the world's largest yarn suppliers, just confirmed its investment in Vietnam earlier this month.

The group's founder and chairman, Hong Tianzhu, said that, even without the Trans-Pacific Partnership (TPP) the competitiveness of the company's Vietnam operation "is very strong [compared with other] Southeast Asian nations, and even compared to Chinese production bases."

Texhong Group has been aggressively raising production capabilities in TPP signatory Vietnam. Tianzhu has said that one of the main intentions of the company's Vietnamese investment is to benefit from the trade agreement.

Execution of the TPP "will pose new challenges to China's textile and apparel enterprises," so the company is building up its Vietnam operation "with respect to the cost advantages" and prospects of the pact, he said in the company's annual report in March.

Vuong Duc Anh, director of the Import-Export Department under the Ministry of Industry and Trade, said, "Vietnam's garment and textile exports grew 8% each year in the past, before any trade agreements had been discussed. This was still one of the key industries of the economy."

Much of this growth is predicted to come from the textile and garment industry's exports to the US and other countries. Vietnam has a cost advantage in the labour-intensive garment segment and could exploit the preferential access to big markets granted by the TPP.

According to a consultant of the Japan International Cooperation Agency (JICA), a number of Japanese investors were implementing a "China+1" business strategy.

Instead of focusing only on China, they would also open another production location so as to diversify their supply sources. Vietnam is among the locations that receive their attention.

"With reasonable labour costs, Vietnam is one of the most recommended candidates for Japanese garment and textile businesses to choose when seeking a new investment destination," he said.

"Many delegations came to Vietnam to find partners for joint ventures in textile and garments, as well as to build their plants. [This is thanks to it being a] low-cost sourcing alternative to other [countries], and its stable political and economic environment."

Industry insiders said that the trend of increased investment and expanded production among foreign-invested projects in Vietnam is still evolving, only in part due to the benefits that would be reaped by the nation's free-trade agreements on the horizon.

"We see that Vietnam's market is moving fast. The company has a vision to thrive within the market, making Vietnam one of our biggest investments and an important market in our global business plan," said Paul Hulme, president of Singapore's Huntsman Textile Effects.

Last year, the company inaugurated a new bonded warehouse with a capacity of 250 tonnes of dyes and chemicals near Ho Chi Minh City. (VOV News – October 24)

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