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**ENHANCEMENT OF COMPETITIVENESS OF VIETNAM’S TEXTILE PRODUCTS IN THE CONTEXT**

**OF INTERNATIONAL ECONOMIC INTEGRATION**

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# THESIS-RELATED PUBLICATIONS OF THE AUTHOR

1. Le Tien Truong, Nguyen Xuan Tho (2015), “For Vietnam to become the world’s textile center”, *Yearbook of International Scientific Workshop*, Publishing House of the National Economics University, p. 480-488.
2. Nguyen Xuan Tho (2018), “Solutions for enhancement of competitiveness of Vietnam’s textile products in the context of international economic integration”, *Journal of Industry and Trade*, No. 9, 06/2018, pp. 170-175.
3. Nguyen Xuan Tho (2018), “Strengthen Vietnam’s position in the global apparel value chain”, *Journal of Economics and Forecasting*, No. 18, 6/2018, pp. 99-102.

# INTRODUCTION

1. **Rationale**

Competitiveness is vital to economic activities in a market economy, especially in the context of international economic integration. Therefore, study on enhancement of competiveness has always been put much importance to point out issues to be addressed and effective solutions for enhancing competitiveness. Textile products are one type of the export products with good growth and competitive advantages of Vietnam. In 2017, with the export value of $ 31 billion, Vietnam’s textile contributed over 16% of total export turnover of the country. Up to now, Vietnam’s textile products have been present in more than 180 countries in the world, having the second largest market share in the fastidious markets such as USA and Japan. The textile industry employs nearly 2.5 million people, accounting for about 30% of the labor force in the manufacturing sector [79].

However, recent studies show that, in order to maintain the position of textile products in the market and enhance competitiveness of the sector, much work remains to be done, especially in the context of international integration. The fourth industrial revolution began with a high degree of automation and the use of robots, all the textile labor force will decline sharply. In addition, the stages in the production and circulation process are connected through the Internet, so there are many changes in management, design, offer and other services. Many advantages such as low labor cost, traditional materials, etc., will be no longer attractive, leading to the risk that textile production would move back to the developed countries. Meanwhile, many countries with cheap labor such as Bangladesh, Cambodia, etc., will compete fiercely with Vietnam. The prospect of participating in free trade agreements in the coming time such as CPTPP, FTA-EU, Regional Comprehensive Economic Partnership (ASEAN+6), etc., will be a great opportunity for Vietnamese goods in general and the textile industry in particular. In that context, if there is no rational transformation strategy or wrong choice of investment, Vietnam textile will have great obstacles in maintaining the development and existence. At the same time, the search for solutions to solving the difficulties will promote the development of textile products, bring into full play the country’s potential strengths and turn the textile industry into a sustainable development industry.

What is competitiveness of textile products? Which is the reason for strong development of textile products in recent years? What are the factors for textile products to develop? From the deep insight of the above situation, both theoretical and practical, the PhD student decided to select the title “Enhancement of competitiveness of Vietnam’s textile products in the context of international economic integration” for the doctoral thesis.

## 2. Research objectives of the thesis

The thesis focuses on the following main objectives:

 - To systematize some basic theoretical issues on competitiveness in general and competitiveness of textile products in particular in the context of international economic integration and the fourth industrial revolution.

 - To analyze and assess the current competitiveness of Vietnam’s textile products and the causes of the situation.

 - To propose some major solutions to improve competitiveness of textile products, deeply involved in the global apparel value chain.

The questions to be covered in this thesis include:

(1) What is the theoretical basis for assessing competitiveness of Vietnam’s textile products in the context of international economic integration?

(2) What are international experiences and lessons for Vietnam to improve the production capacity of textile products in the context of international economic integration?

(3) At what level is competitiveness of Vietnamese textile products in the country and in the world? Which related criteria affect competitiveness of Vietnam textile products?

(4) What is the international economic integration trend of the world and Vietnam in the coming years?

(5) What are the trends and prospects of competitiveness of Vietnam’s textile products in the domestic market and in the world?

(6) Which system of solutions to maintain and develop competitiveness of Vietnam’s textile products?

## 3. Research object and scope

***3.1. Research object***

The main object of the thesis is to improve competitiveness of Vietnam’s textile products in the context of international economic integration.

* 1. ***Research scope***

-Scope of content: The thesis studies and analyzes the current situation of competitiveness of textile products, refers to the factors of internal and external environment to enhance the competitiveness of Vietnamese textile products

- Spatial scope: Research on Vietnam’s textile and garment products in domestic markets and export markets.

- Time scope: To study and analyze the current situation of the development of Vietnam’s textile products from 2010 up to now and the period up to 2030.

## 4. Approach and methodology

***4.1. Approach***

Based on the theory of competitiveness, the global value chain theory, the thesis will identify the position of Vietnam’s textile products, analyze the opportunities and threats for the textile industry in the global apparel value chain, thereby recommending the key and decisive steps to focus. Based on that, the thesis proposes specific solutions and policy recommendations to enhance competitiveness of textile products.

***4.2. Methodology***

During the study, the author used a combination of several research methods. In particular, there are some basic methods:

- Qualitative methods: Using the historical data and theory of the global apparel value chain and Michael Porter’s diamond model to analyze competitiveness of Vietnam’s textile products.

- Comparison method: Placing research objects in the unity of the development strategy of the socialist-oriented market economy in our country and in the context of the world economy. Comparison among countries and among some textile enterprises in the aspect of developing markets for textile products to draw the right orientations and solutions to develop the market of textile products in the coming time.

- Statistical method: From the collection of data and figures on the development of Vietnam’s textile market and of the Vietnam Textile and Garment Group over the past years and experiences of related countries, provide analysis and assessment of the current situation.

- Method of analyzing and synthesizing documents: The author will analyze and synthesize existing documents on the textile industry in order to have the most comprehensive and realistic view on the object of research to achieve the research objectives. The SWOT analysis is a useful tool used to understand Strengths, Weaknesses, Opportunities, and Threats, thereby providing basic strategies for enhancing competitiveness of Vietnam’s textile products in the context of international economic integration.

***4.3. Data sources***

The thesis basically uses the secondary data source, collected from the statistics of the General Statistics Office of Vietnam, the Annual Report of Vietnam Textile and Apparel Association (VITAS), Vietnam National Textile and Garment Group (VINATEX), the published data on competition of Vietnam Textile and Garment products by the Ministry of Industry and Trade, the annual and quarterly reports of non-governmental organizations and foreign organizations assessing the development of the textile and garment industry of countries in Asia, USA, Europe such as UNIDO, World Bank, WEF, etc. In addition, the author also consulted experts who are managers of companies and professionals of the State management agencies in the field of textile and garment.

## 5. Contributions of the thesis

***5.1. Academic and theoretical contributions***

Based on the theoretical framework of competition at horizontal and vertical levels and relationships among the stages in the product value chain, the thesis clarifies the nature, basic characteristics and role of enhancement of competitiveness of textile products in the context of economic integration, with the effective and sustainable development of enterprises in the product value chain.

The thesis studies and defines the basic criteria for enhancing competitiveness of textile products, including the market share of textile products, the quality of human resources for textile, textile technology and brand names, the cost of labor and the time of production of textile products. The State’s policy factors affect the criteria to evaluate competitiveness of products.

***5.2. Practical contributions***

Applying the basic theoretical issues of product competitiveness, from the analysis of the general characteristics of the textile industry, the thesis analyzes the market share of textile products in the world market, evaluates labor productivity, technological innovation of textile equipment, and determines labor cost and production time of textile products. Support policies of the State for product competition are also carefully analyzed in the context of the textile industry that is deeply influenced by the Fourth Industrial Revolution. The thesis also clearly assesses the demand, favorable preconditions and obstacles to competitiveness of Vietnam’s textile products. Based on the SWOT analysis, the thesis has clarified the scientific foundation for orienting and developing competitiveness of Vietnam’s textile products. The orientation is to “Develop textile products in the direction of accessing modern technology (the fourth industrial revolution), being environmentally friendly and ensuring efficiency and sustainability in the process of international economic integration”.

The findings of this thesis will be a useful reference for managers of textile and apparel enterprises and policy makers of textile industry development in research on competitiveness of Vietnam’s textile products, contributing to promoting the development of effective and sustainable textile enterprises, accelerating the process of industrialization and modernization of Vietnam in the context of international economic integration.

# CHAPTER 1

# LITERATURE REVIEW

## 1.1. International Studies

There are quite a few studies of different scholars and international organizations on competitiveness in general and competitiveness of textile products in particular, in terms of both theoretical and practical issues of different countries. Hereinafter, the author would like to analyze some typical studies directly related to the thesis.

“The global apparel chain: What prospects for upgrading by developing countries” by Gary Gereffi (2003) analyzed and assessed issues related to the global value chain and competitiveness of textile products, and highlighted the global apparel sourcing, variants of Europe and Japan in the apparel sourcing network, as well as the trend of the world market. The author emphasizes, “The apparel value chain is organized around the main components: (1) purchasing raw materials, including synthetic and natural fibers; (2) supplying materials such as threads and fabrics made by textile companies; (3) production networks made up of garment factories, including domestic and foreign processors; (4) export channels organized by trade intermediaries; and marketing networks at the retail level.

[Michael E. Porter](https://www.hbs.edu/faculty/Pages/profile.aspx?facId=6532) (1979) in his book titled “How competitive forces shape strategy” presented the “Diamond” framework, a mutually reinforcing system of four factors that determine national advantage in the context of international integration, including (i) factor conditions; (ii) demand conditions; (iii) related and support industries; (iv) firm strategy, structure and rivalry. According to Michael Porter, in the today’s flat world, “the competitive platform will shift from the absolute advantages or comparative advantages to the national competitive advantages created and maintained the long-term competitive position of companies in the international marketplace” [118].

The United Nations Industrial Development Organization - UNIDO gives its views on industrial competitiveness based on the context of international integration and global value chain relationships as follows: “Industrial development depends not only on firms’ ability to build technological competence in given products, processes or functions, but also on the business environment (the framework conditions), the efficiency of factor markets (for labor, skills, technology, finance, inputs and infrastructure) and the quality of support available from intermediary institutions (for training, technological services, R&D, and so on).” Government policies can improve or worsen these structural determinants of industrial development [131]. In labor intensive industries such as textiles and footwear, the characteristic factor is the product value chain that is decided by the buyers or demand side. Distributors, retailers and fashion companies play the role of a bridge in the formation of production systems in textile export countries.

## 1.2. Domestic studies

In the PhD thesis on “Solutions to improve competitiveness of Vietnam’s garments in the EU market” by Nguyen Anh Tuan (2006), the author synthesized and analyzed theory of competitiveness of garments. Based on the theory and practice of competitiveness of garments, the author proposed a set of basic criteria to assess competitiveness of Vietnam’s garment products on the EU market.

The article by Vu Quoc Dung, “Vietnam Textile in the post-WTO period: Current Situation and Goals” - Journal of Corporate Finance No. 9, 2007, pp. 29-31. The article outlines the current situation for the textile industry. This raises a number of issues that the textile industry needs to address in the coming time. Regarding raw materials, the author proposed to invest in the construction of large cotton and fiber areas, and at the same time have appropriate financial policies to encourage to develop cotton, jute and ramie growing areas. However, the author has not provided specific solutions and steps to implement. Solution implementation is still in difficult [35].

In the article by Dr. Nguyen Tran The (2015), the author states that: (1) Competitiveness of a product is determined based on four criteria: competitiveness in quality and diversity of the product; Price competitiveness; The ability to enter new markets; The ability to promote and attract customers and business methods.

Recently, many authors have recognized the role of the domestic market with Vietnamese textile firms. In essence, the domestic market is not only a segment of the market, but also with a comprehensive view “the backbone and the fulcrum for the textile industry to reach out to the world” (Dang Thi Kim Thoa, 2012) [6]. The domestic market capacity for Vietnam’s textile products is quite large and the potential for growth is good. It is recognized that in the next few years, the population of Vietnam will increase rapidly and standards of living will be improved, so there will be a high demand for garments, and it is estimated that about 75% of the turnover of the firms is from the domestic market.

## 1.3. Some comments on the research gap and research direction of the thesis

As analyzed by the thesis, there are quite a few studies on competitiveness in general and competitiveness in the textile industry in particular, and they are a useful source of reference materials. However, each study has its own goal, approach and scope of research, so they cannot always satisfy the diverse needs of readers. At the same time, new issues are emerging and new research is needed, especially solutions for developing and enhancing competitiveness.

This study addresses new issues for enhancing competitiveness. Firstly, the Fourth Industrial Revolution is a new trend in the world, applying the application of automation, information technology with three components, namely the Internet of Things (IoT), Big data and Artificial Intelligence (AI). The process of automation, robot use or intelligent plants are increasingly selected by many Textile Enterprises to save costs as well as improve productivity. There is no study on the application of achievements of the fourth industrial revolution to enhancement of competitiveness of Vietnam’s textile products. Secondly, in the context of international economic integration progressing deeply with the “new generation” FTAs such as CPTPP, Vietnam-EU, opening up great prospects for trade and investment, universalization of intellectual property right (IPR) protection standards, environment and labor standards and so on, it is required to review the whole policy and legal system, study and analyze new issues in the integration process. In addition, in recent years there has been a rise in the so-called protectionism, and especially U.S.-China trade war, which has had an impact on global commercialization, including Vietnam’s textile products.

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# CHAPTER 2

# SOME THEORETICAL ISSUES

# AND PRACTICAL EXPERIENCE ON IMPROVEMENT

# COMPETITIVE CAPACITY OF TEXTILE PRODUCTS

## 2.1. Definitions

### 2.1.1. Competition

Opinions on competition are various and different. However, there is a strong connotation that countries determine competition as one of the key motivations for promoting socio-economic development.

### 2.1.2. Competitiveness

National Competitiveness: According to the World Economic Forum (WEF), “National competitiveness is the set of institutions, policies and factors that determine the level of productivity”.

Industrial Competitiveness: According to Michael E. Porter, an industry (product or service) is a group of companies that produce products or services that directly compete with one another [117].

Product competitiveness: At the product level, competitiveness refers to the ability of a product to be able to sell quickly with good prices compared to the same products on the market.

*2.1.3. International economic integration*

It is an indispensable development process, due to the social nature of labor and the relationship between people. The emergence and development of a market economy is also the driving force behind the integration process under a basic model such as Preferential Trading Agreement (PTA), Free Trade Agreement (FTA), Customs Union (CU), Economic and Monetary Union (EMU).

###   2.1.4. Perspective to improve product competitiveness

Based on the analysis of the competitive points, competitiveness, and the context of international economic integration, the author gives the view to improve the competitiveness of products as "The level of businesses improve the production and trade capacity of textile products on the fair, open market, in which it will generate factors that increase production and business efficiency and the value of that product "

**2.2.** **Characteristics related to textile product competitiveness**

**2.2.1. Characteristics of the textile industry**

### 2.2.2. Characteristics of apparel value chain

The global apparel value chain consists of five basic stages: raw materials (including natural fibers and man-made fibers); production factors (including fabric from natural fibers and fabrics from synthetic fibers) supplied by fiber companies; The manufacturing system includes garment manufacturing companies; The export system includes trade intermediaries, and garment companies with their own brands; The marketing system includes retailers and distributors to consumers.

### 2.2.3. Characteristics of textile products

* Textile products
* Fibers: Natural fibers are originated from cotton, jute, linen, silk, etc.,
* Fabrics: Fabrics are divided into two types, namely woven and knitted fabrics.
* Garments: Garments are textile products, including general garments and accessories.
* Characteristics of textile products
* Textile products are highly fashionable and subject to regular change of designs, styles, colors and materials in order to satisfy the changing, unique and impressive psychology of consumers.
* Product labels are very significant for product consumption. Consumers often rely on the label to evaluate the quality of the product.
* Seasonal factors are closely related to sales opportunities. This is especially important for exporters in the delivery of goods on time.
* Textile products are one of the well-protected items. Each country also imposes conditions on imported textiles.

## 2.3. Factors affecting competitiveness of textile products

### 2.3.1. External factors

 The deepening international economic integration helps Vietnam to actively participate in the global production chain.

Monetary policy of some countries: In 2015, devaluations of currencies such as RMB of China, Rupee of India and Indonesia, etc., caused the price of textile products to go down.

Free Trade Agreements such as CPTPP, VN-EU, Vietnam and Customs Union of Belarus – Kazakhstan – Russia, etc., open the door to the Vietnam’s textile industry with great opportunities from expanding the market with many exempted tariffs.

The wave of production shift and shift of orders from a powerful country in textile as China will continue to spread, and has opened up for Vietnam the opportunity to expand market share of production and export.

### 2.3.2. Domestic factors

Government support policies have a great impact on competitiveness of national textiles. Appropriate policies will facilitate rapid production and export of textile products.

Input costs for production have increased rapidly due to the cost of electricity and water, salaries, and social insurance, causing a considerable impact on the performance of enterprises and reduction of competitiveness of Vietnam’s textile products

Completion of the construction of important technical infrastructures on traffic, irrigation, bridges, wharves, electricity and water infrastructure and technical infrastructure of industrial parks and clusters is one of important factor to create breakthrough to the competitive advantages of textile products.

## 2.4. Criteria for evaluating competitiveness of textile products

From the analysis of the global value chain, UNIDO’s sectoral competitiveness, determinants of trade competition in the context of international integration of Michael Porter’s “Diamond” framework, and factors affecting the enhancement of competitiveness, it can be shown that there are many criteria used to assess competitiveness of textile products. In the context of international economic integration and specific conditions of Vietnam, in order to properly assess competitiveness of textile products, the following criteria can be used:

### Market share of textile products

Each type of textile product usually has its own market segments with a certain number of customers. When the product is able to ensure the internal factors such as better quality, lower price and safety, and external factors such as business opportunities, effective promotion and sale of goods, famous product brands, expanded distribution channels, etc., will increase competitiveness of the product and expand the market, forcing competitors to cede their market share.

### Quality of textile human resources

 In order to produce a product, it is necessary to go through many stages, including the stages that need to be automated, but there are also many steps that still require manual labor skills.

### Textile technology

Technology is a criterion subject to the most dynamic change in the business environment. The change of technology brings challenges and risks to firms. The technological innovation process makes the product life cycle shorter. Demand for product innovation increases, so many new products are launched to the market, hence the shorter life cycle of the product.

### Brand of textile products

The brand and reputation of textile products are a combination of product attributes such as quality, benefits, designs and services. Brand is not only a sign to recognize and distinguish the products of one firm from another firm’s products, but also a very valuable asset of a firm, that is the reputation of the firm, and expresses the trust of consumers for the product.

### Time to produce textile products

One of the most important criteria affecting the textile industry is shown most clearly through the production time. In the textile industry, with fast-changing fashion trends and rapid pattern imitation, proactive management of production time and timely delivery of orders with shorter time is a criterion clearly expressing competitiveness of the garment orders.

### Cost of textile labor

The rise in minimum wages affects the textile industry which is facing fierce competition, and it is difficult to meet the growth targets as desired by the industry and sustainable development of enterprises. Vietnam is known for attracting large foreign investment, thanks to the low level of living standards as well as low labor costs.

## 2.5. Experience of some countries in the world in enhancing competitiveness of textile products

### 2.5.1. Experience of some countries

China has taken a number of measures and policies to enhance competitiveness of textile products. The government has encouraged the development of textile factories with production capacity and scale at international level. Over time, China has implemented a policy of diversifying its products so that it can meet many segments of the market. Chinese textile enterprises have been transforming their original equipment manufacturing (OEM) model into original design manufacturing (ODM), which provides higher value added products.

The Indian government attaches great importance to the development of the textile supporting industries, especially the weaving industry. Low labor costs, highly skilled engineers and modern textile equipment have helped diversify India’s textile products. Meanwhile, the Indonesian textile industry is launching its campaign to the domestic market with the help of the government in programs of encouraging people to shop local.

In addition to the experience of the above countries, the East Asian NICs, including South Korea, Taiwan and Hong Kong, also had a strong development of the textile industry, especially the period of industrialization. These countries have continuously invested in applying modern technologies in the production of fabrics and textile products. The application of information technology to production and business has pushed up labor productivity.

### 2.5.2. Lessons for Vietnam

* Promote the domestic production of raw materials to help reduce risks such as price fluctuations, delivery time, storage, etc.
* Renovate production and business activities to create high value-added textile products, participate in the global apparel supply chain.
* Strengthen the trade promotion of textile products, intensify the renewal of the marketing system, develop the stages from production to export, and attach importance to the prestige to create new markets.
* Focus on the training of human resources, which is considered as one of the determinants of success in textile production.
* Modernize technology to improve labor productivity, enhance competitiveness in the world market, not only in the fabric industry, in order to ensure the sustainable development of downstream products that are garments.
* The role of orienting and planning the development strategy for the textile industry is very important in the investment, import and export of textile products, human resource training and the development of textile supporting industries.

**CHAPTER 3: CURRENT SITUATION OF COMPETITIVENESS OF TEXTILE PRODUCTS IN THE CONTEXT OF ECONOMIC INTEGRATION**

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## Overview of Vietnam’s textile industry in the context of international economic integration

The issue of international economic integration has been mentioned by the Party and included in the Congresses of the Communist Party of Vietnam from the 6th Congress (1986) until the 12th Congress (2016). In the history of development of Vietnam’s textile industry, it is always associated with the international economic integration that the Party and State have set. Since the opening for integration, the growth rate of Vietnam’s textile product export has always been double digit growth, surpassing GDP growth. The average growth rate of textile product export in the period of 1998 - 2016 was 17.7%/year (GDP growth was 6.05% / year in the same period).

## Analysis of competitiveness of Vietnam’s textile products in the context of international economic integration

### 3.2.1. Market share of Vietnam’s textile products

*a) Domestic market*

With domestic consumption growing at an average rate of 10-15% per year, the domestic market is targeted by enterprises. However, consumption of domestically manufactured textile products was 23% in 2010, and increased to 33% in 2017. Thus, the localization rate experiences slow increase. Meanwhile, the consumption of Chinese products remains high, accounting for over 50% of the domestic textile market in the same period.

*b) Export markets*

* Fiber products

The fiber products had a good export growth trend in the period 2010-2017. Export turnover of fiber products increased from USD 1.1 billion in 2010 to USD 3.1 billion in 2017 (a three-fold increase). However, the fiber industry still exists in contradiction that the majority of fibers in the country are exported while the textile and dyeing firms have to import fibers from abroad. Total fibers in the country in 2017 reached about 2 million tons, of which the fibers for export were 1.3 million tons, so two-thirds of the fiber output must be exported to the foreign countries.

* Woven fabric products

Over the years, the fabric products achieved a good growth in the period 2010-2017. The export turnover of fabric products doubled at USD 1.5 billion in 2017 compared with USD 0.75 billion in 2010. In terms of quantity, the industry needs about 8.9 billion meters of fabric per year, but domestic textile firms only provide about 3 billion meters of fabric each year, and export 0.39 billion m2, and the rest of fabric must be imported (importing about 65-70% of the total fabric each year). Thus, two thirds of the domestically produced fibers are exported, while the textile industry has to import 65-70% of the fabric each year.

* Garment products

The main products of the Vietnam’s textile industry are garment products, accounting for over 82% of the total textile export turnover of Vietnam in the period 2010-2017. Vietnam exports garment products mainly to the US, the EU, Japan, South Korea and Canada, with the USA accounting for the highest proportion (2015: 51%). 70% of the textile export value is from Jackets, T-shirts, pants and baby clothes. Premium products such as dresses and suits are exported in very limited quantities (about 10% of export value).

### 3.2.2. Quality of textile human resources

In the five years of the financial crisis of 2009 - 2013, the export growth of the Vietnam’s textile industry did not decrease but doubled, from USD 9.08 billion in 2009 to USD 20.09 billion in 2013. In the period 2010 - 2017, the export turnover of Vietnam’s textile industry increased nearly 3 times (Table 8). The reason is that the labor productivity and quality of Vietnam’s textile products in this period were basically improved. However, human resources for fashion design, product design and production line design which stages are bringing high value-added products have not been paid much attention. There were only approximately 4,000 undergraduate students majoring in these professions, accounting for less than 5% of the total enrollment (93,000 students) of long-term, intermediate and short-term courses in the period of 2010 - 2017.

### 3.2.3. Technology and equipment of Vietnam’s textile industry

Sewing machines used in Vietnam’s textile industry are mainly originated from China, Japan, Taiwan, etc. Textile machines and equipment tend to be automated in simple production stages such as cutting, sewing, thread selection, buttonhole making. Also, machines and equipment in the Fiber and Fabric Weaving industries are old. The stages of weaving, dyeing, printing and finishing of Vietnam are considered to be slower than those of other countries in the region. Machines and equipment need to be restored and modernized as they have been used for more than 20 years.

### 3.2.4. Brand name of Vietnam’s textile products

According to a recent survey by the Ministry of Science and Technology and Vietnam National Textile and Garment Group on the project “Strengthening the Effectiveness of the Implementation and Exploitation and Development of Intellectual Property Rights (IPRs) for Vietnam National Textile and Garment Group” by the author Nguyen Nhu Quynh - Ministry of Science and Technology as the project leader in 2017 find out that :

Firstly, intellectual property in Vietnamese textile products is low, untapped and developed in line with potential.

 Secondly, the situation of infringement of intellectual property rights for textile products, especially the counterfeiting of products bearing the trademarks of reputable enterprises in the country, has been complicated.

### 3.2.5. Production time of Vietnam’s textile products

For textile products, total production time is a major factor influencing ordering decisions of international customers. The production time is the period from the time when retailers/companies place orders with Vietnamese textile companies until the goods are ready for delivery. The average production time of Vietnam’s textile products is 60-90 days, shorter than Bangladesh and Cambodia (80-120 days) but longer than China, India, Thailand (40-90 days). .

### 3.2.6. Vietnam’s textile labor costs

China is the country paying the highest monthly minimum wage to sewing workers in Asia Pacific region, among the top 20 major exporters selected, with the highest average monthly minimum wage of USD 297 in Shanghai. This wage is about five times higher than that in Sri Lankan (66 dollars) and Bangladesh (68 dollars). In countries such as Cambodia, India, Pakistan and Vietnam, the highest minimum wage ranges from USD 119 to USD 145, which is still a half of the highest minimum wage in China. In Indonesia, Malaysia, the Philippines and Thailand, the minimum wage is higher, reaching between USD 237 and USD 269. Specifically, Vietnam’s textiles will be highly competitive because the costs of insurance, land, taxes, etc., in countries such as Myanmar, Cambodia and Bangladesh are lower than Vietnam.

### 3.2.7. State policies affecting textile products

Policies and mechanisms have been reviewed by the Government and Ministries for dealing with difficulties in textile and garment enterprises, but they need to be further adjusted and supported in order for textile and garment enterprises in general and garment products in particular to be more competitive in the context of economic integration. Some countries have recently focused on support for their textile industry such as Bangladesh (reduction of corporate income tax from 35% to 20 %, import duty on linen and spandex fibers from 10% to 5%, import tax on chemicals and dyes from 25% to 15%), Pakistan (application of tax exemption for raw materials and energy for export garment products, and exemption of import duty on machinery and equipment), and India (reduction of import tax on some types of fiber from 5% to 2.5%).

## Overall assessment of competitiveness of Vietnam’s textile products in the international economic integration

* **Strengths**
* Favorable geographical position is an opportunity for Vietnam to continue attracting international investment with the wave of shifting the textile and garment from China, USA, Japan, Hong Kong, and so on.
* Labor force is relatively plentiful, easy to train, and highly skilled. Currently, the textile industry is using over 2.5 million workers.
* Production time is short and labor costs are relatively low. Labor costs for garment workers in Vietnam are only two thirds of wages in Indonesia and Malaysia.
* Export revenue grows by the shift of garment production from China.
* Benefits due to bilateral and multilateral free trade agreements signed and negotiating by the Government of Vietnam such as CPTPP, EVFTA, ..
* **Weaknesses**
* Textile products produced using the processing models account for a high proportion: CMT method (65%)
* Incomplete apparel value chain: Textile dyeing is a break-in point for the value chain of Vietnam’s textile industry. Fiber industry has to export two-thirds of output while the garment industry must import 70% of input materials.
* Shortage of skilled human resources with management and technical experience; marketing, sales, design, product development and production management skills; The attractiveness of human resources for the textile industry is weaker than that of other industries such as electronics, energy, etc.
* Slowly innovating, applying science and technology in textile and garment production. Currently, the technology of textile and garment industry is mostly old equipment.
* Developing brand of textile products is not commensurate with potential.
* Policies to support textile product development lack flexibility
* **Causes of restrictions**
* Sewing is the stage that new countries often choose to enter first because it does not require high investment in technology and is very labor intensive. The countries participating in this stage often make re-processing for the acceding countries, which is a common feature of production in the world textile industry.
* The cause of textile products in the domestic textile industry is still poor compared to other countries such as China, India ... may stem from the following issues: Requirements on waste treatment, Lack of textile industry clusters to minimize Vietnamese production and fabric costs are still insufficient and weak in design and printing, making it difficult to participate in global value chains
* Human resources in fashion design, product design, production management, ... that bring high added value to textile products are not really focused. Design is a stage with high profit margins in the value chain and is very knowledgeable, but it only accounts for about 5% of training demand and enrollment of textile and garment schools.
* For small and medium enterprises that want to invest in weaving and dyeing, it is quite difficult because Vietnamese textile and garment enterprises have a small capital.
* Textile enterprises are less likely to build long-term brands, while the majority of businesses only have promotional activities in the short term. The highest brand-building resource user unit accounts for 4% of revenue, and the rest only uses 0.1 to 1% of annual revenue.
* The mechanisms and policies of the Government have not provided much support to textile enterprises in general and garment products in particular. Some countries have recently focused on supporting their country's textile and apparel industries such as Bangladesh to reduce corporate income tax from 35% to 20%, Pakistan applies a tax free for raw materials and energy for export textile and garment products.

# CHAPTER 4

**VIEWPOINTS, OBJECTIVES AND SOLUTIONS TO IMPROVE THE COMPETITIVENESS OF TEXTILE PRODUCTS IN THE CONTEXT OF INTERNATIONAL ECONOMIC INTEGRATION**

## 4.1. International and domestic contexts influencing the supply and demand of the textile market

### 4.1.1. International contexts

*- Online commerce is changing the face of traditional merchandise trade*

*- Which is better, free trade or protection trade?*

*- Differentiation of products satisfies needs of consumers*

# *- Lean production or flexible production?*

# *- The fourth industrial revolution - the opportunities and threads of the textile industry*

*- “Greening” of the textile chain is considered a turning point for the textile industry*

### 4.1.2. Domestic contexts

*- Policies for development of priority industries*

*- Speed up the privatization and divestment of State owned enterprises*

*- Industrial development in the added value chain*

*- Remove bottlenecks in accessing credit capital of enterprises*

*- Development of environmentally friendly products*

### 4.1.3. Forecasting the development of the textile market

*a) Domestic market*

Vietnam’s population is forecasted to be 103.21 million by 2030, with a young population accounting for a large proportion. With GDP per capita of USD 5,400 in 2030, and consumer spending in 2030 estimated at USD 1,890/year; the average cost of textile products (8-9%) shows that the volume of domestic market in Vietnam can reach USD 10.1 - 11.4 billion in 2030.

### b) Export markets

CPTPP market: 2 markets, namely Australia and Canada, have high growth, using a large amount of textiles and garments with about USD 10 billion a year, while the export market share of Vietnamese textiles and apparel is still small at about USD 500 million (World bank) [30].

BRIC market: Including emerging markets: Brazil, Russia, India, China. These countries with large populations and strong economic potentials are strongly reformed and have high economic growth rates. Accordingly, regarding the import of textiles and garments of the BRIC countries, China ranks first in terms of import turnover in this group, with total textile import in 2012 estimated at nearly USD 41 billion; reaching USD 3.2 billion in 2017, accounting for 10.4% of Vietnam’s total garment export turnover (Tradmade.org) [23].

## 4.2. Perspectives and orientations for enhancing competitiveness of Vietnam’s textile products in the context of international economic integration

### 4.2.1. Perspectives for development and enhancement of the product competitiveness

Firstly, developing textile products in the modern, effective and sustainable direction; Concentrating on producing products of supporting industries, producing raw materials and accessories, and perfecting the value chain of textile products.

Secondly, promoting multilateralization and diversification of export markets, building a stable and sustainable sales strategy, and establishing a loyal customer base and long-term cooperation.

Thirdly, training and improving the quality of human resources of garment enterprises in line with the requirements of regional and world integration, and with the needs of the country as well as the garment enterprises.

Fourthly, focusing on intensive investment and effective exploitation, application of modern technology equipment 4.0 towards sustainable development, environmentally friendly and energy saving in the production of garments.

Fifthly, building brand and protecting intellectual property rights closely linked to improving the efficiency of implementation, development and effective exploitation.

### 4.2.2. Overall objectives

Enhancing competitiveness of Vietnam’s textile products, contributing to the development of the textile industry, becoming one of the key export industries; becoming one of the world’s top three exporters of textiles, meeting the maximum demand for domestic consumption.

### 4.2.3. Specific objectives

|  |  |  |  |
| --- | --- | --- | --- |
| **Items**  | **Unit** | **2020** | **2030** |
| **1. Export turnover** | Billion USD | 36-38 | 64-67 |
| **Export rate of the whole country** | % | 13-14 | 9-10 |
| **2. Labor use** | 1.000 persons | 3.300 | 4.400 |
| **3. Main products** |  |  |
| - Cotton fiber | 1000 Tons | 15 | 30 |
| - Synthetic fiber | 1000 Tons | 700 | 1.500 |
| - Yarn (pulled from staple fibers) | 1000 Tons | 1.300 | 2.200 |
| - Fabrics of all kinds | Million m2 | 2.000 | 4.500 |
| - Garment products | Million products | 6.000 | 9.000 |
| **4. Localization rate** | % | 65 | 70 |

Source: Decision No. 3218/QD-BCT

## 4.3. Some major solutions to enhance competitiveness of Vietnam’s textile products in the context of international economic integration

### 4.3.1. Improving productivity, efficiency of production and trading of products

* Enterprises need to gradually shift from CMT processing to higher value-added production forms, achieving the target, from now to 2030, of increasing the FOB rate from 38% to about 50% and ODM from 5 % to 10%.
* Restructuring the quality and product class, increasing the ratio of medium and high-grade products from 10% now to 25%, keeping the average ratio of 30% and reducing the rate of medium quality products to below 30% by 2030.
* Developing new products with competitive advantages, high quality products (in terms of fabric, accessories and finishing), meeting international standards ISO 9000, ISO 14000 environmental protection standard, eco-friendly requirements, contributing to ensure sustainable export.

### 4.3.2. Boosting the domestic textile market

* Actively connect with customers everywhere, minimize the relationship through intermediaries. Through the Ministry of Industry and Trade, VITAS and other domestic and foreign trade associations, organize joint exhibitions and fairs to attract potential customers, introduce textile products and services to domestic and foreign customers.
* Increase domestic garment revenue by strengthening and expanding distribution network by cooperating with major retailers in Vietnam such as Saigon Coopmart, Big C, Aeon Vietnam.
* Coordinate to launch garment products on online, legitimate, high-credibility channels in the country such as Facebook, Lazada, Adayroi.com
* Encourage the promotion and diversification of the campaign “Vietnamese people give priority to using Vietnamese goods”, such as promoting the signing and implementation of mutual consumption agreements among domestic enterprises.

### 4.3.3. Strengthening trade promotion and diversifying export markets

* Make major changes in the trade, supply chain, marketing tools for garment exports through online sites in apparel export markets such as Amazon, Walmart, Alibaba, etc.
* Textile enterprises should actively, through VITAS and the Ministry of Industry and Trade, work with trade counselors in the export markets as a bridge for textile products to penetrate and develop in potential markets such as BRIC countries, CPTPP, countries of European-Asian economic cooperation, etc.
* Coordinate with logistics enterprises and seaport companies to set up bonded warehouses, raw materials supply centers in big cities such as Hai Phong, Ho Chi Minh, Da Nang.

### 4.3.4. High quality human resource training

* Textile enterprises need to identify a strategy to invest in human capital in the best way, i.e. to achieve the best quality of human capital in the context of limited financial resources.
* Build a model of medium-sized enterprises in garment human resource training schools and centers. This is a model of training associated with production which has many advantages, especially for highly practical technical fields such as textile industry.
* Improve the quality of human resources for the textile industry through the cooperation program with international experts and organizations between the Ministry of Industry and Trade of Vietnam, the Vietnam Textile and Apparel Association (VITAS), and Textile and Apparel Associations in the world.

### 4.3.5. Sustainable development of Vietnam’s textile supporting industries

* Make plans of upstream material development for cotton production in localities with favorable natural conditions for cotton in the direction of production on large areas of thousands of hectares to promote the goods production efficiency such as Gia Lai, Dak Lak, Dac Nong, Quang Nam, Ninh Thuan, Binh Thuan.
* Apply scientific and technical advances to the cotton production process in accordance with the weather and soil conditions in Vietnam. Because the rainy season lasts six to seven months, Israel’s drip irrigation method should be used for cotton production.
* Strengthen the relationship among the state, garment manufacturers and upstream producers through contracts with cotton farmers and mulberry farmers.
* Invest in infrastructure to set up specialized industrial zones for yarns, weaving, dyeing and sewing. Replicate the model of Pho Noi Textile Industrial Zone – Hung Yen of Vietnam National Textile & Garment Group.

### 4.3.6. Intelligent production with digital technology 4.0

* Fiber Technology: Application of advanced technology equipment in the fiber industry, automation equipment, automatic spinning equipment, automatic transfer of coarse fiber bobbins to ring spinning machine, automatic transfer of small fiber bobbins to bobbin spooling machine, automatic pour of bobbins on the bobbin spooling machine have reduced the number of workers standing machines, improved the quality of the fiber, and also reduced subjective factors due to human intervention in machines.
* Fabric weaving technology: Applying technology to produce fabrics of light weight, anti-shrinkage fabrics, yarn dyed fabric, fabric from denatured fiber which is absorbent, anti-bacterial, anti-UV, etc., to create high-value and eco-friendly products. 3D weaving technology: Knitting machines directly produce products from computer designs without sewing (no seam) or 3D printing technology: printing sewing products by 3D printers, using self-adhesive materials.
* Sewing technology: Apply Lean, 5S, TQM production methods, rationalize, save space, materials, labor, optimize operation, and create a spacious and scientific working environment. CAD/CAM is computer software that controls the output and traceability of products being used by European textile and apparel companies. South Korea has also used CAD to help improve the management efficiency of textile products by cutting unnecessary machine operation and labor costs.

### 4.3.7. Development of brand for Vietnam’s textile products

* Strengthen human and financial resources and technology for brand development. According to experience in the fashion industry in the world, generally, the resources to promote the building and development of brand must account for at least 10% of revenue.
* Promote the exploitation of IPRs through activities such as the transfer of license, transfer of ownership rights, franchising, capital contribution by IPRs, etc., for Vietnam’s textile enterprises.
* Establish subsidiaries, branches and agents in foreign countries: In the initial stage of market penetration, enterprises may apply the method of signing exclusive distribution contracts with a local distributor.

### 4.3.8. Completion of state management and administration policies

* The Government should strengthen the thorough implementation of the Prime Minister’s Directive No. 38/CT-TTg dated October 19, 2017 on strengthening the effective implementation and use of effective FTAs.
* The Government should adjust the development plan of Vietnam’s textile industry in the period of 2017-2025 with a vision to 2035 to suit the new situation and conditions.
* The Government should unify the planning and licensing of large textile industrial zones in the North, Central and South of Vietnam to call for and attract domestic and foreign investment in the field of yarn, weaving, dyeing and finishing, and avoid overlapping, and support the investment in wastewater treatment in these industrial zones.
* The Government should consider adjusting the insurance contribution rate to a reasonable level so that enterprises can gather their resources, improve their competitiveness and expand their production and employment in rural and mountainous areas.
* The Government supports the training of human resources in line with the Fourth Industrial Revolution in the spirit of the Prime Minister’s Directive No. 16/CT-TTg dated May 04, 2017 on strengthening the access to the 4th industrial revolution. Industrial network 4.0. It is necessary to establish Faculties of Textile and Garment at major universities in the country.
* To reform administrative institutions, minimize the procedures related to investment licensing, tax, customs, especially textile inspection procedures in the spirit of Resolution 19/NQ-CP dated March 12, 2015 and Resolution No. 35/NQ-CP dated May 16, 2016 of the Government.
* The Ministry of Information and Communication advises the Government to amend Decree No. 60/2014/ND-CP stipulating the conditions for licensing the import of printers for printing on export textile products as “the enterprise owner must have a college or university degree in printing or a certificate of professional competence in print management by the Ministry of Information and Communication”.
* The Ministry of Finance should study measures in order that enterprises using domestic fabrics to manufacture export goods do not have to pay VAT to encourage the use of locally produced fabrics in order to be equal with imported fabrics for export processing, as according to Law on Import and Export Tax, effective from September 01, 2016, imported materials for export production will be exempted from tax instead of tax refund as before.
* The State Bank of Vietnam continues to allow enterprises to borrow foreign currencies for business and production purposes since January 01, 2018, because under Circular No. 31/2016/TT-NHNN dated November 15, 2016 amending Circular No. 24/2015/TT-NHNN dated December 08, 2015, export enterprises are entitled to foreign currency loans until 2017.

**CONCLUSIONS**

The thesis “Enhancement of competitiveness of Vietnam’s textile products in the context of international economic integration” has achieved the research objectives through the analysis, evaluation and answering of the research questions posed, contributing to solving the problems of development of the sustainable textile industry associated with social security, promoting the process of industrialization and modernization in the context of Vietnam’s international integration.

*Firstly*, the thesis presented an overview of theories of competition, competitiveness, international economic integration and global apparel value chain to analyze competitiveness of Vietnam’s textile products. The thesis also pointed out competitiveness of textile products is improved by 6 criteria: Market share of textile products, Quality of textile human resources, Textile technology , Brand of textile products, Textile labor costs and Production time of textile products. These are the basic and important criteria in the apparel value chain from input materials to the production and distribution of textile products to consumers in the context of international economic integration. All of these criteria are influenced by by State policies. The experience of enhancing competitiveness of powerful countries in textiles like China, India and other countries in the world has helped Vietnam draw valuable lessons.

*Secondly,* the analysis of the current situation of competitiveness of Vietnam’s textile products in accordance with the set of criteria has identified the position of Vietnam’s textile products in the global value chain and the context of economic integration, and linkages of textile products. From that, the thesis has pointed out successes, limitations and causes to overcome. In addition, strengths, weaknesses, opportunities as well as threads by the fourth industrial revolution with reference to Vietnam’s textile products in the country and the international market have been clearly illustrated. Analyzes of the rules of country of origin for textiles for tariff benefits under FTAs such as yarn with CPTPP, fabrics with VN-EU FTA, have opened up the direction for enhancing competitiveness of textile products in the context of international economic integration. These are new trends that Vietnam’s textile industry needs to capture and take full advantage of opportunities for strong and sustainable growth.

*Thirdly,* the thesis presented systematically and scientifically the solutions for enhancing competitiveness of Vietnam’s textile products in the context of international economic integration through the identification of domestic and international objectives and orientations which may affect Vietnam’s textile industry in the coming period. In particular, the solution of application of modern technology 4.0 and automation will support and create fast and sustainable development for Vietnam’s textile products. Similarly, the construction of garment workshops in the textile training institutions, especially the training of human resources for product design will bring high efficiency in the coming time. The above solutions to improve competitiveness have scientific and practical significance in the improvement of the value chain of textile products.

In order to effectively apply and implement solutions to enhance competitiveness of Vietnam’s textile products, the Party and the Government should develop a suitable motive force and make real reforms to improve the business environment (including administrative processes and procedures), access resources (skilled labor, capital and business space), and promote legal frameworks, and favorable conditions and mechanisms for textile enterprises to participate in economic integration. The Vietnam Textile and Garment Association, with nearly 1,000 members that are enterprises, domestic and foreign partners, should play a role as a bridge among textile enterprises, the state and professional associations. Textile enterprises should enhance their competitiveness with the motto of strict management, investment acceleration, market development and increase in human resources on the basis of the conditions and context of the Vietnam’s economy.

Although the author has tried to explore and collect information on the textile industry, there are still some certain drawbacks such as further analysis of the impact of the new trend of product trade production and trade war in the world. This may be the direction of research for the next scientific works. The author would like to receive comments from critics, teachers and readers to further improve this study. The author sincerely thanks for your valuable comments.