REPORT LAUNCHING

"VIETNAM TEXTILE AND GARMENT:

THE IMPACT OF COVID-19 AND BEYOND"

KHÁCH SẠN SHERATON, 11 XUÂN DIỆU, TÂY HỒ, HÀ NỘI

1. Situation of Vietnam textile and garment industry

2. COVID-19 and its impact on the textile industry

3. Identifying perspectives and policy recommendations

1. CONTENT OF THE REPORT

Situation of Vietnam textile and garment industry

§ **Number and structure of textile and garment enterprises**

§ Fluctuation of textile and garment enterprises Scale by ownership

§ Technology qualification of textile and garment enterprises

§ Production and business efficiency of Vietnamese textile and garment enterprises

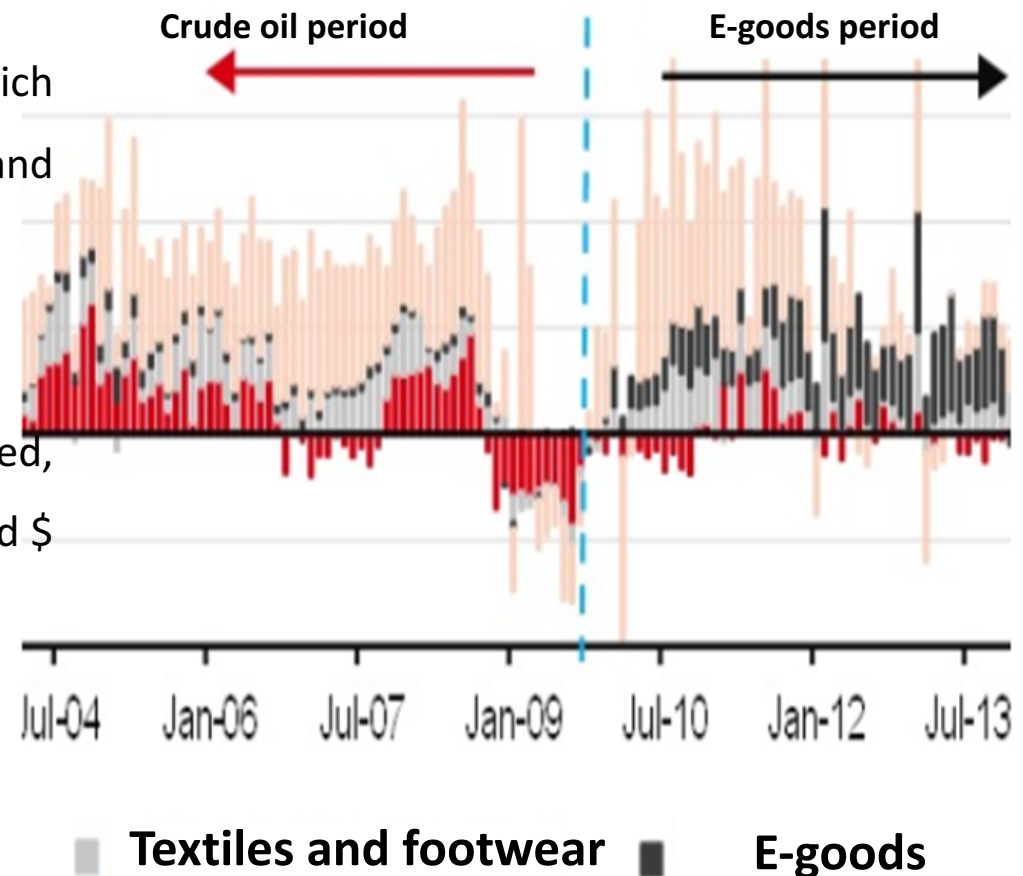§ Supply chains and value chains of textile and garment enterprises

MCSS
QUALITY · INSPIRATION · IMPACT

Number and structure of textile and garment enterprises

§ Hosting 2.6 million workers which accounted for 5% of total employees and 12.4% of total export turn over (2019).

§ In 1999, export value is $ 2 billion,

By 2009, the industry's export value tripled, reaching $ 9 billion, and by 2019, it reached $ 33 billion.

Figure 1. Contribution to export growth (Unit: percentage points)

Source: Joseph Incalcaterra (2019)

Crude oil period E-goods period

Jul-04 Jan-06 Jul-07 Jan-09 Jul-10 Jan-12 Jul-13

■ **Textiles and footwear** ■ **E-goods**

Number and structure of textile and garment enterprises – Total number

§ From 2011 to 2018, the number of textile and garment enterprises increased nearly twice from 6,898 in 2011 to 11,959 in 2018.

§ The number of textile enterprises accounted for 37%

§ The number of garment enterprises accounted for 63% of total enterprises.

Figure 2. Number and growth of Vietnamese textile and garment enterprises (2011-2018)
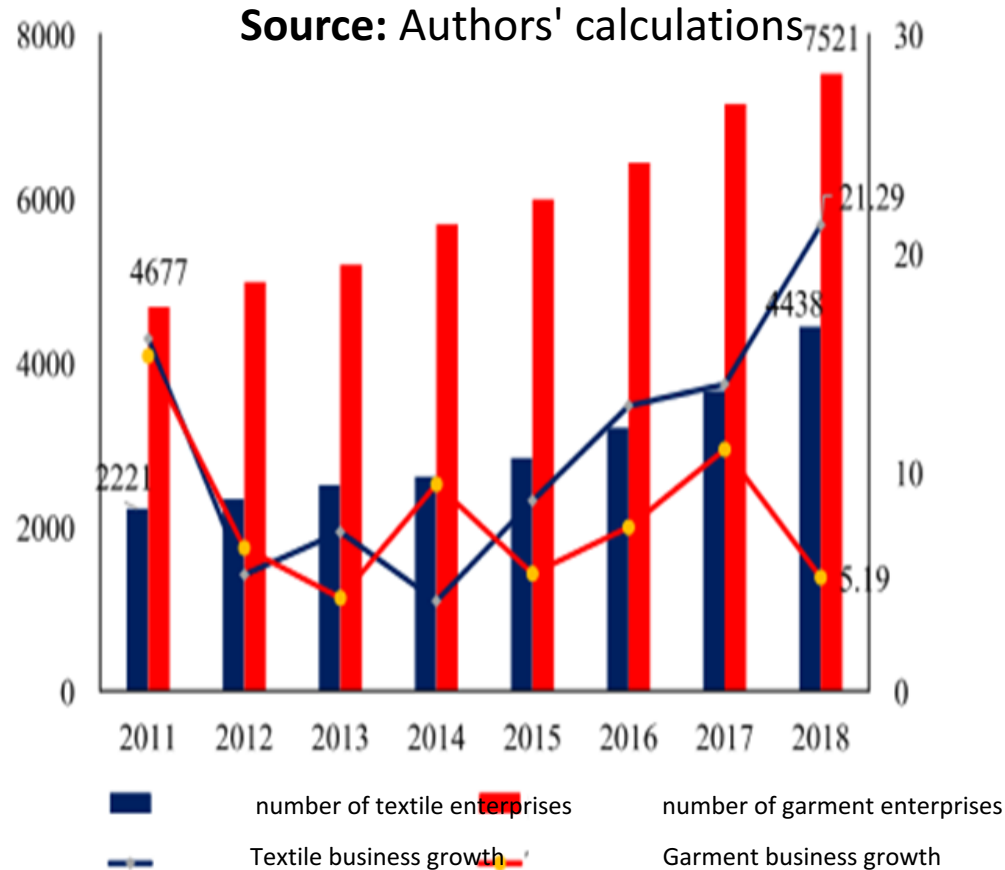

Source: Authors' calculations

number of textile enterprises number of garment enterprises

Textile business growth Garment business growth

Number and structure of textile and garment enterprises - by ownership

Table: Number of Textile and garment enterprises by ownership

Source: Research team's calculations

§ In 2011, the number of domestic enterprises of Vietnam is 5,915 accounting for 85.8% of the total number of enterprises in the whole industry and by 2018 this number was 88.3% with 10,565 enterprises. Most of the domestic enterprises are privately owned.

§ The number of FDI textile and garment enterprises only accounts for 11.7% of total enterprises (in 2018)

Criteria	Ownership	2011	
Quantity	Domestic	5.915	10.565
	State	62	36
	Private	5.853	10.529
	FDI	983	1.394
		6898	11.959
Proportion	Domestic	85.8	88.3
	State	0.9	0.3
	Private	84.9	88.0
	FDI	14.3	11.7

MCSS
QUALITY · INSPIRATION · IMPACT

Number and structure of textile and garment enterprises - by ownership

Figure: The number of enterprises by ownership and labor scale (Unit: %)
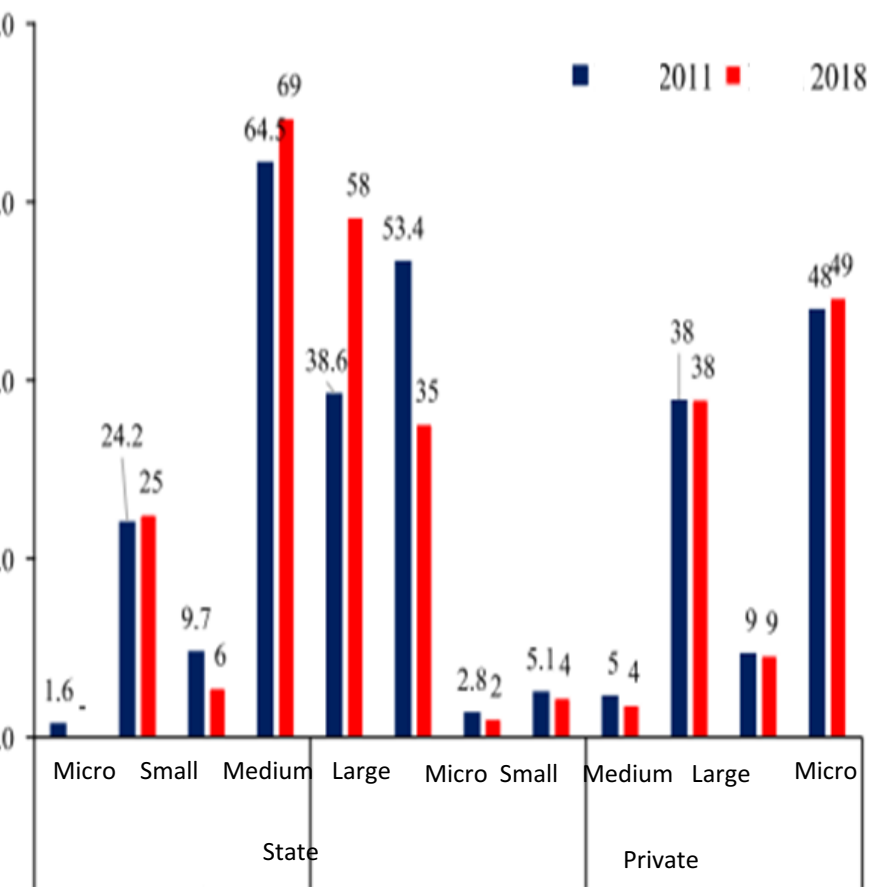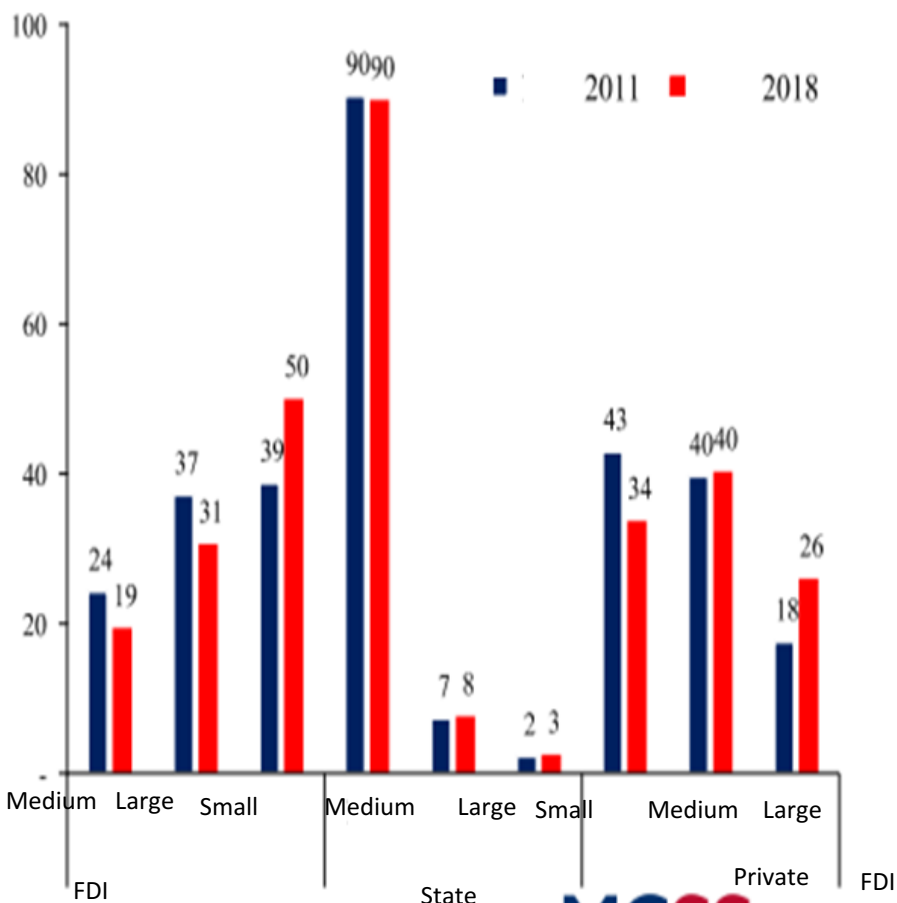
Figure: The number of enterprises by ownership and capital sources scale (Unit: %)

Source: Research team's calculations

Number and structure of textile enterprises - by locality

§ 56% of textile enterprises are concentrated in the Southeast region.
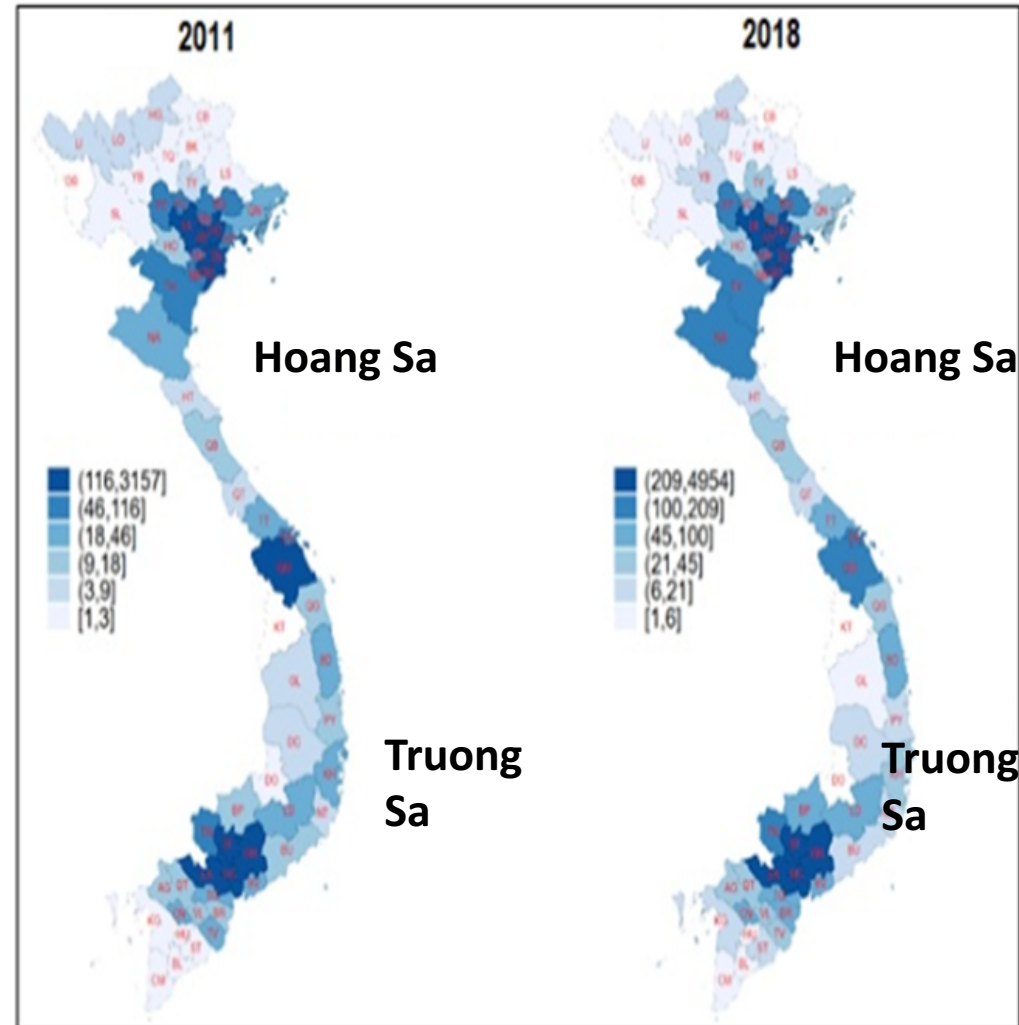
§ 29% of textile enterprises are concentrated in the Red River Delta.

§ 85% of enterprises are concentrated in these two areas

§ There are 6,226 Southern enterprises, 80% of which located in Ho Chi Minh City, 10% in Binh Duong and 7% in Dong Nai.

Figure: The number of enterprises by Provinces
Source: Research team's calculations

2011

2018

Hoang Sa

Hoang Sa

(116,3157]
(46,116]
(18,46]
(9,18]
(3,9]
[1,3]

(209,4954]
(100,209]
(45,100]
(21,45]
(6,21]
[1,6]

Truong Sa

Truong Sa

MCSS
QUALITY · INSPIRATION · IMPACT

Situation of Vietnam textile and garment industry

§ Number and structure of textile and garment enterprises

§ Fluctuation of textile and garment enterprises scale by ownership

§ Technology qualification of textile and garment enterprises

§ Production and business efficiency of Vietnamese textile and garment enterprises

§ Supply chains and value chains of textile and garment enterprises

Fluctuation of textile and garment enterprises scale by ownership-laborer scale

Figure. Average laborers by sub-industries (Unit: Person)

Source:
Research team's calculations

§ The number of average employees of textile industry in the period 2011 - 2018 is from 70 to 90 employees / enterprise while that number of the garment industry is from 200 - 220 laborers / enterprise
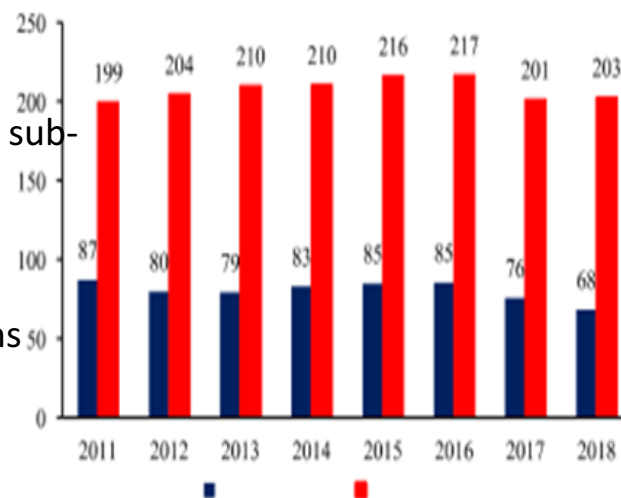
Figure. Average laborers by ownership (Unit: Person)

Source:
Research team's calculations

§ The gap between FDI and domestic average employees/ enterprise is about 10 times
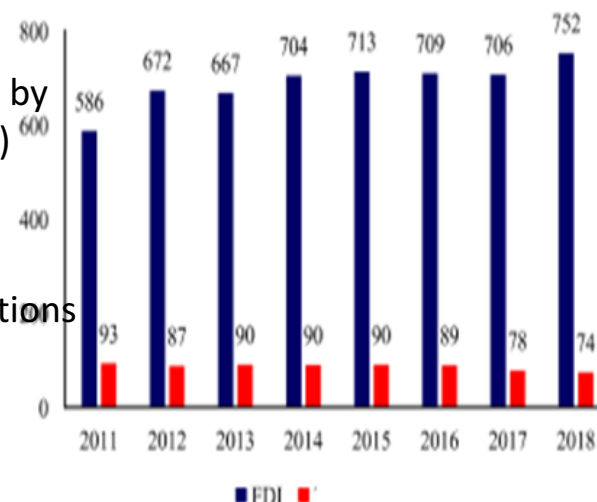
Fluctuation of textile and garment enterprises scale by ownership-capital scale

§ The textile industry requires a large amount of investment capital, high technology and complexity; therefore the average capital of a textile enterprise is often twice as much as that of the garment enterprise.

§ Investment for a garment worker is $ 3,000, for a textile worker is $ 200,000 (nearly 70 times)

§ 11.7% of FDI enterprises contributes up to 63% of the total capital of the industry

Figure. Average capital by sub-industries (Unit: Billion VND)
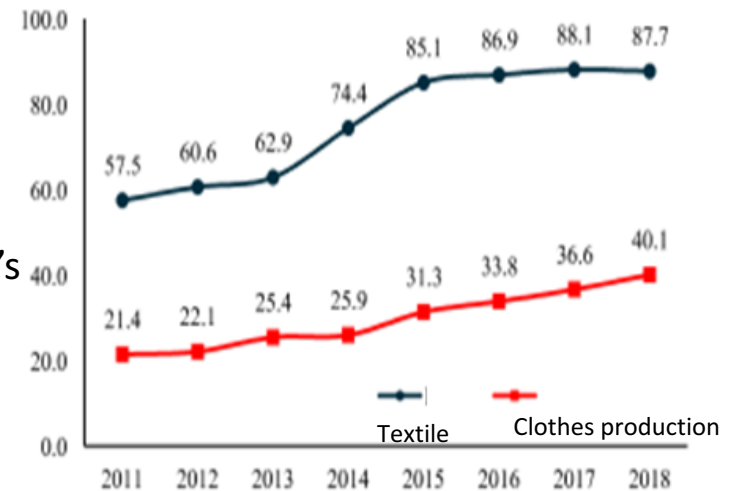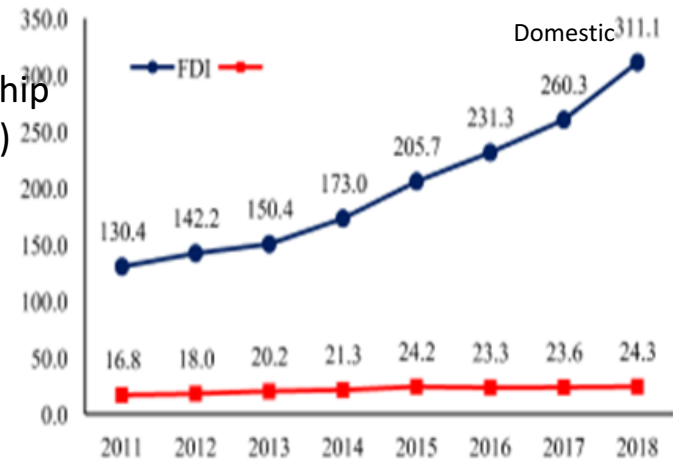
Source: Research team's calculations

Figure. Average capital by ownership (Unit: Billion VND)

**Source:** Research team's calculations

Correlation between capital scale and laborers of textile and garment enterprises

Figure: Correlation between laborer and capital scale of textile and garment enterprises by ownership

Correlation between capital and laborers of domestic textile and garment enterprises

Correlation between capital and laborers of FDI textile and garment enterprises
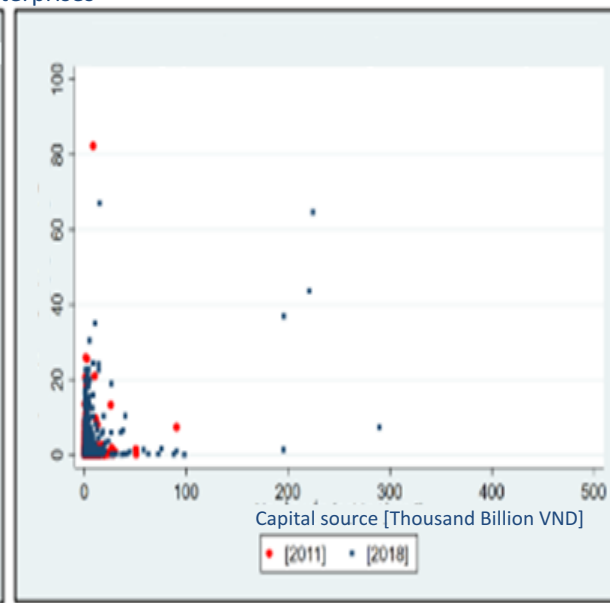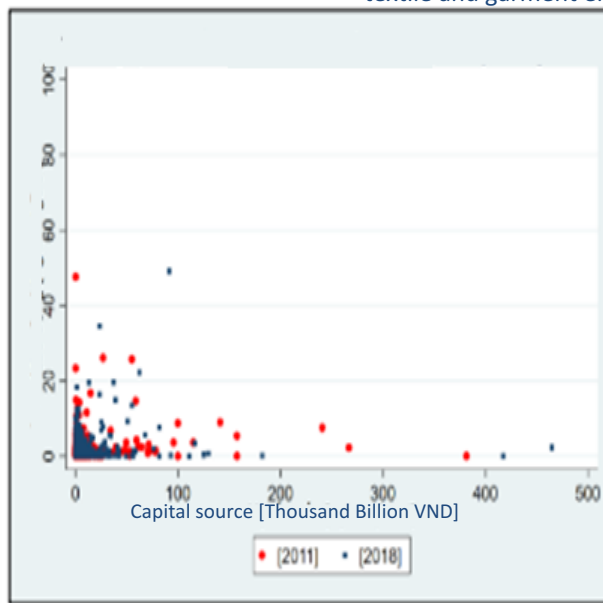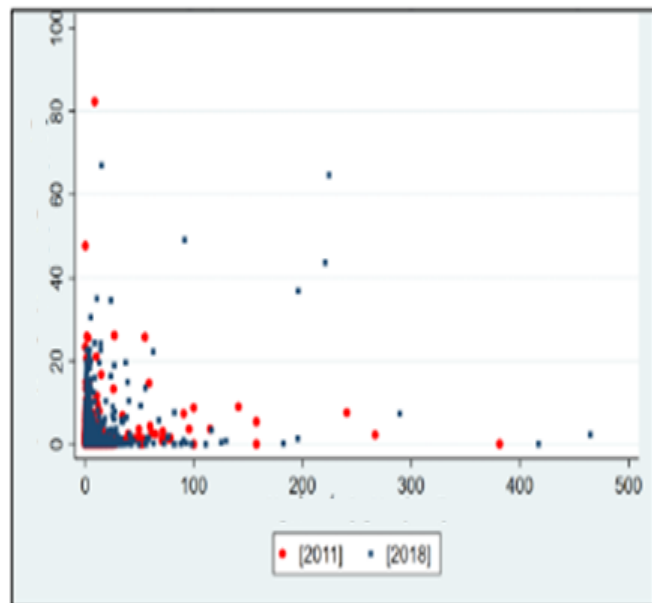
§ In 2011, the correlation between the two enterprises groups is quite similar when the labor scale is large and the capital scale is restricted relatively (concentrated at a low level).
§ In 2018, the labor scale of Vietnamese enterprises grows faster than capital scale while for foreign enterprises, capital scale grows faster.

Fluctuation of textile and garment enterprises scale by ownership- Concentration by industry

Assessing the impact of enterprises, the research team conducted calculations on the Concentration of businesses
§ Classified by top 10, 50, 100 and 500
§ Classified by ownership
§ In each textile and garment sub-industry
§ Three criteria (i) laborer, (ii) revenue and (iii) export value

Textile industry in 2013
§ Top 10 FDI enterprises account for 14.3% of laborers, 33.2% of turnover and 45.3% of exports in the whole industry
§ Top 10 Domestic enterprises only contribute 2.3% of laborers, 1.6% of revenue, and 1.0% of export value.

Garment industry in 2018
§ Top 100 FDI enterprises account for 26.0% of laborers, 30.4% of turnover, and 35.0% of exports
§ Top 10 Domestic enterprises contribute only 10.3% of labor, 17.7% of turnover, 31.1% of export value.

Figure: Comparing the change in contribution of domestic and FDI enterprises for the whole textile industry, top 10 (Unit: %)
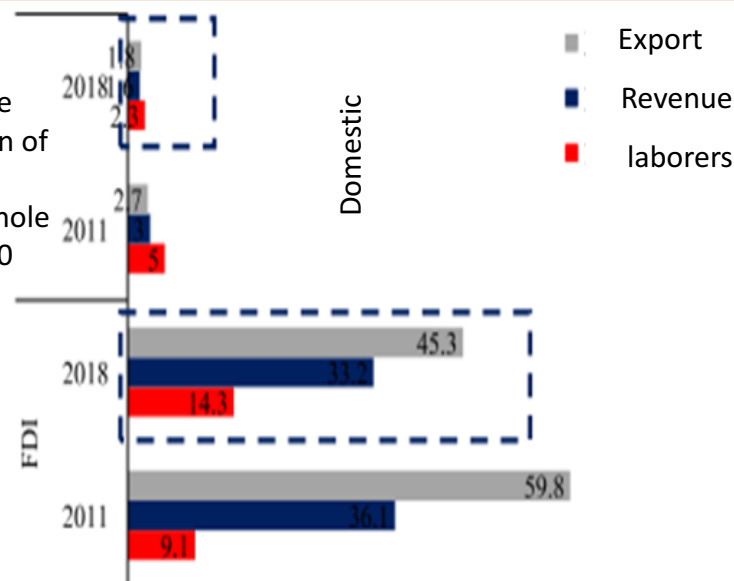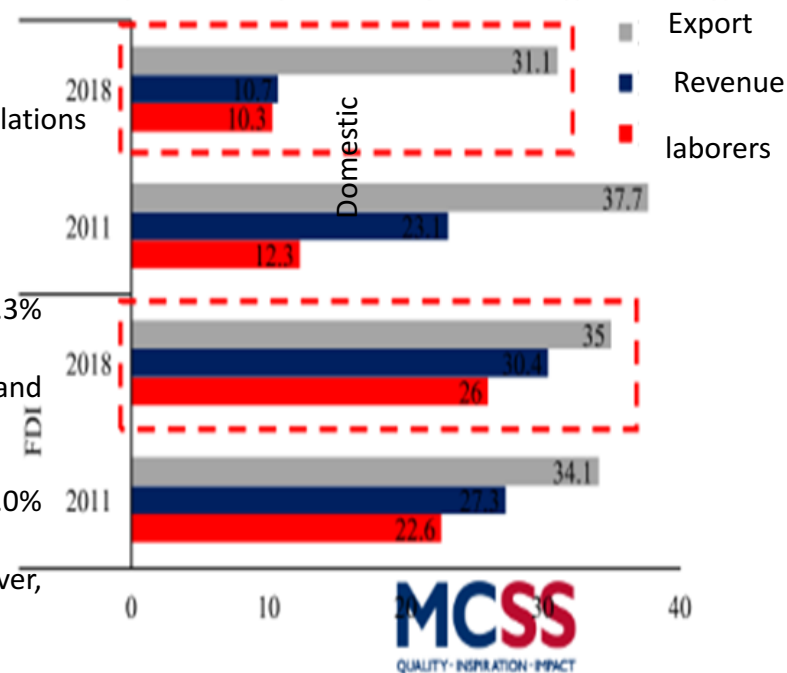
Figure: Comparing the contribution of top 100 Garment enterprises (Unit: %)

Source: Authors' calculations

Fluctuation of textile and garment enterprises scale by ownership- Concentration by industry

Regarding laborers

§ Textile industry: clear Concentration, top 10 enterprises account for 16.6% (2018).

§ Garment industry: top 10 enterprises only contribute 8.7% of laborers (2018).

Textile

Domestic rate — FDI rate — Proportion

Garment

Domestic rate — FDI rate — Proportion

Fluctuation of textile and garment enterprises scale by ownership- Concentration by industry

Regarding revenue

§ Textile industry: 100 leading enterprises solve 50% of laborer and create 70% of industry revenue.

§ Garment industry: 100 leading enterprises only generates nearly 50% of industry revenue

§ Many new satellite enterprises bring about benefits in outsourcing.

§ Both laborer and revenue of top 100 FDI garment enterprises are twice as large as the domestic ones
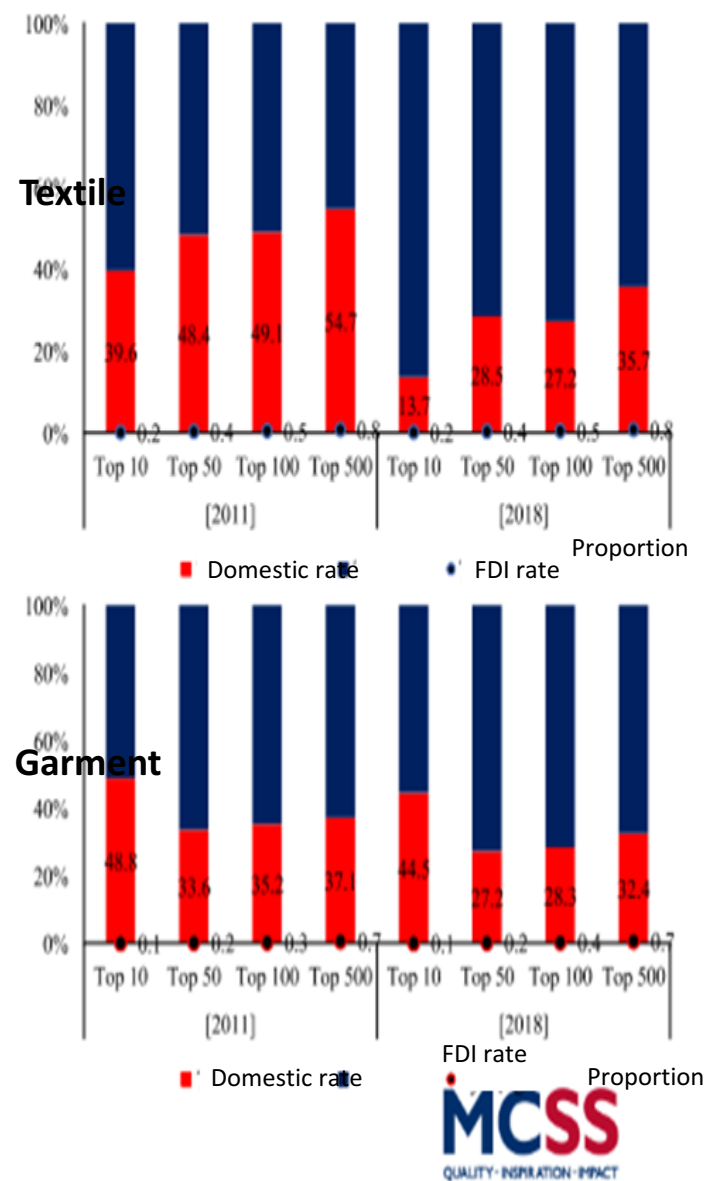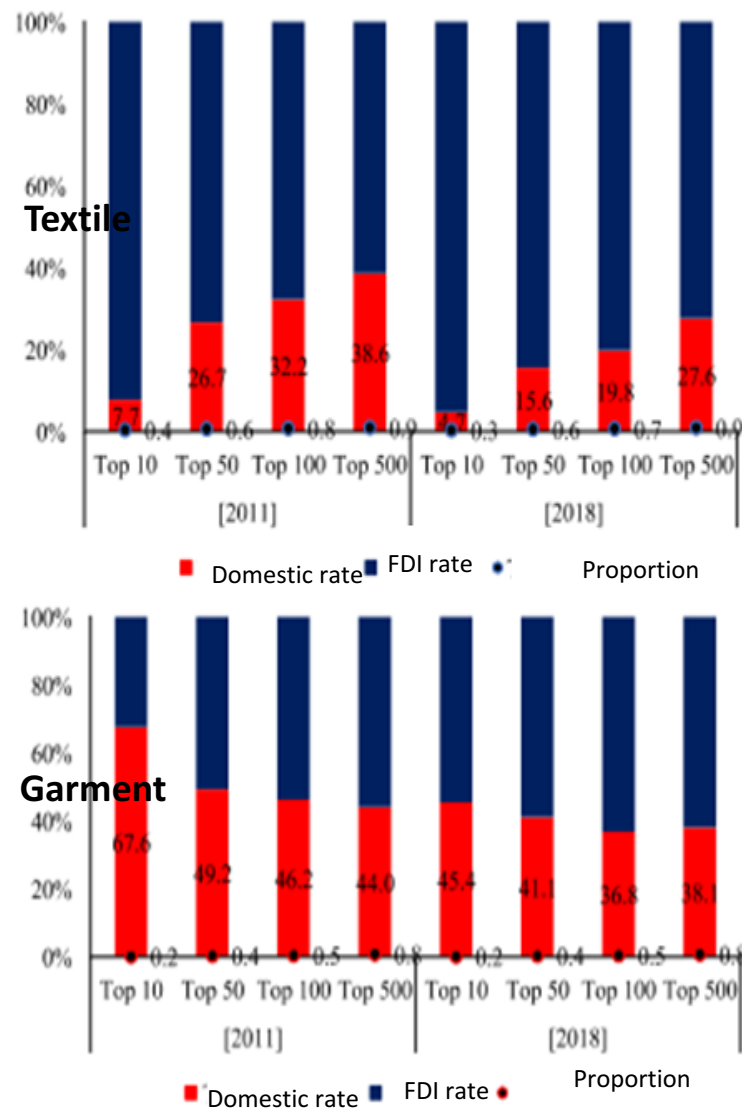
Figure: The Concentration of the industry according to revenue (Unit: %)

Source: Research team's calculations

Fluctuation of textile and garment enterprises Scale by ownership- Concentration by industry

Regarding export

§ Textile industry: In 2011, the export proportion of the top 10 leading enterprises decreased from 62.5% (2011) to 47.1% (2010). Enterprises in the following group have gained more exported market share.

§ Garment industry: The 10 largest enterprises account for about 32% of the total export value of the whole industry, much lower than that of the textile industry (17 percentage points)

Figure: The Concentration of the industry under export criteria (Unit: %

Source: : Research team's calculations

Textile

Domestic rate   FDI rate   Proportion

Garment

Domestic rate   FDI rate   Proportio

MCSS
QUALITY · INSPIRATION · IMPACT
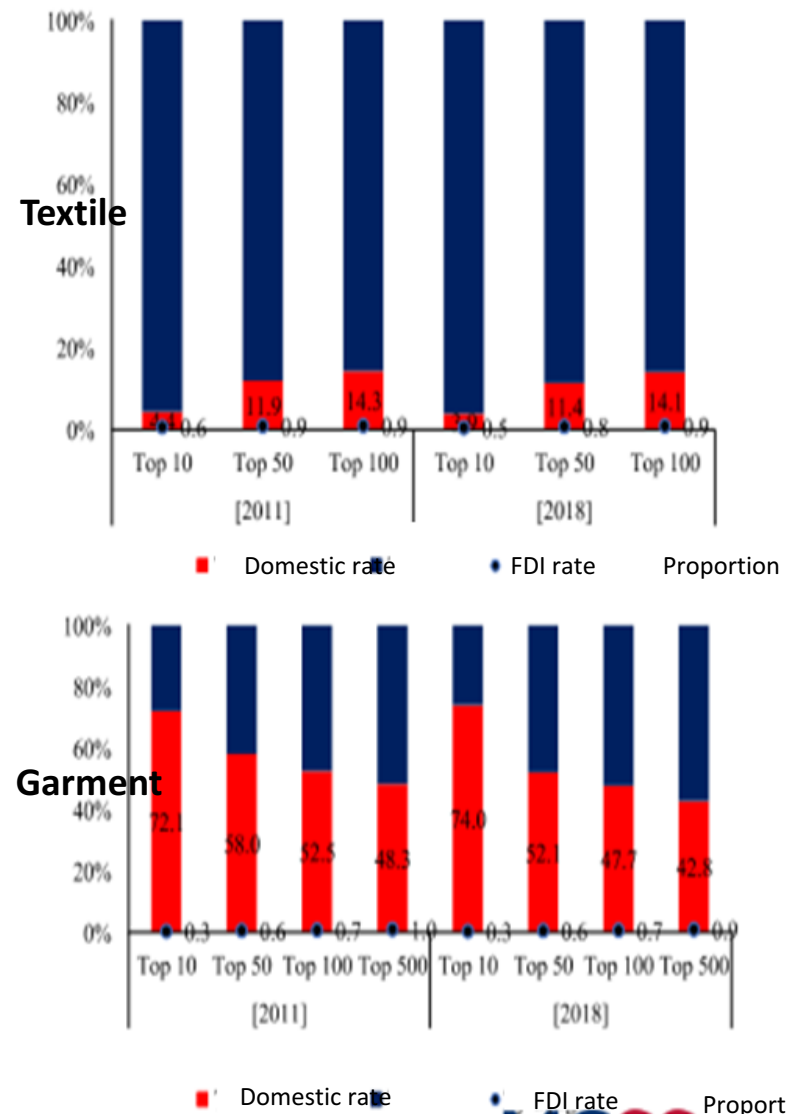
Fluctuation of textile and garment enterprises scale by ownership - Specialization by region

"Regional similarity" (LQ)

§ "LQ based on labor criteria" is calculated as the rate of local labor to total employment of the industry divided by the proportion of local labor to the total labor force of the country.

§ "LQ by revenue expenditure" is calculated as the rate of revenue of a local industry to the total enterprise revenue in the industry divided by the proportion of local business revenue to total revenue by local enterprises. businesses across the country.

§ "LQ by export criteria" is calculated as the rate of the export value of a local industry enterprise to the total export value of the industry divided by the rate of the local export value to the total value. exports of the whole country.

General formula

$$LQ_{ij}^{C} = \frac{x_{ij}/x_{i*}}{x_{*j}/x_{**}} \quad j = [1, J]$$

In which

X_{ij}: measurement criteria evaluates "i" industry at "j" region

X_{i*} : measurement criteria evaluates "i" industry of the whole country

X_{*j}: measurement criteria evaluates the whole economic operatens of "j" region

X_{**}: measurement criteria evaluates the whole economic operatens of the whole country

Evaluations:

LQ> 1: the region has higher Concentration level (under measurement criteria) than that of the national average.

LQ <1: the region has lower Concentration level (under measurement criteria) than that of the national average.

Specialization by region in textile and garment industry- in labor criteria

Provinces on the horizontal axis with a value greater than 1 are those with a greater specialization in the textile and garment production of the provinces than the national average of specialization for that industry.

Provinces in the upper-right quadrant are those increased their specialization in the province's textile and garment industry in 2018 in comparison with 2011.

The circle size represents the actual number of laborers in 2018.

§ Thai Binh and Nam Dinh have the highest levels of specialization in textiles but the specialization decreases over time,

§ Thua Thien - Hue has a relatively large specialization and the specialization is now higher than in 2011.

§ Binh Duong has greater textile specialization than the national average and the largest number of labor scale but the industry specialization in the province is decreasing over time.

Figure: Regional similarity index of the textile and garment industry by laborer

Source: Research team's calculations
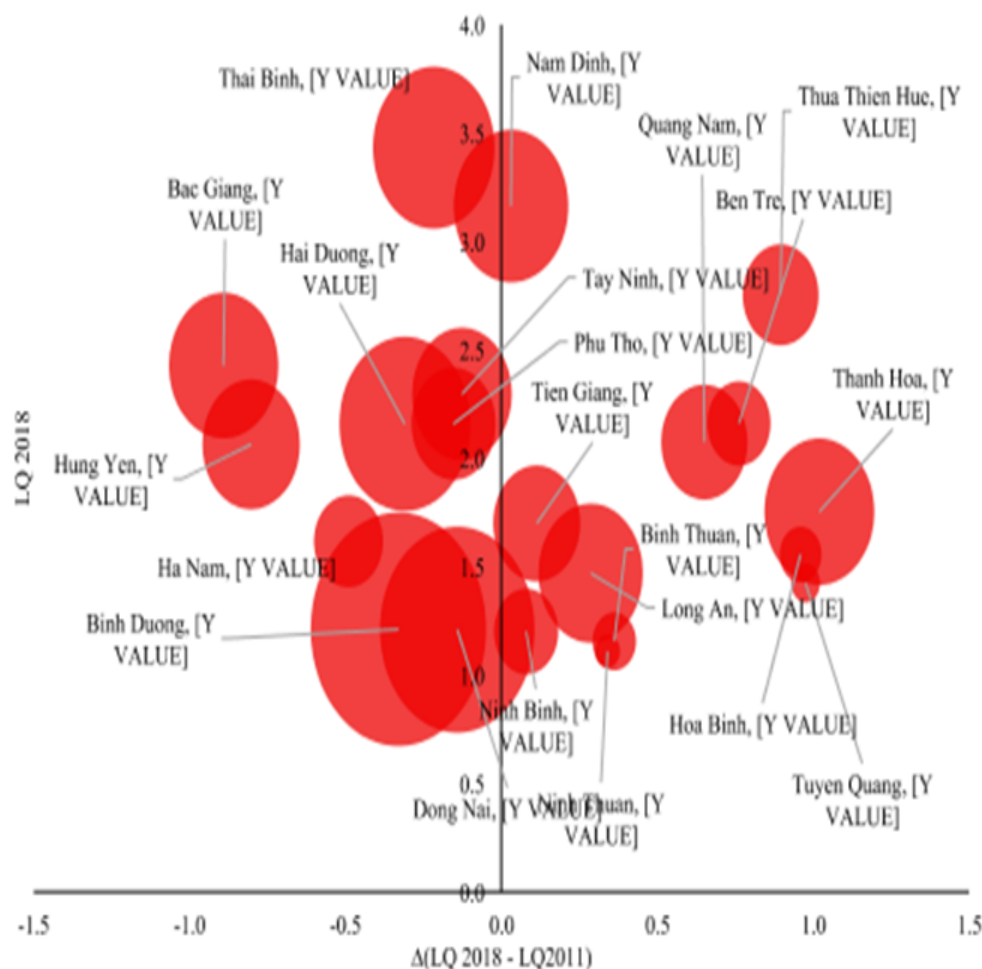
Specialization by region in textile and garment industry- in revenue criteria

Thua Thien Hue and Nam Dinh are the two leading provinces in terms of the industry specialization. This means that textiles and garments are in an important position to contribute revenue to the locality. Textile industry also gives Tay Ninh a greater level of specialization, in which, the specialization situations of Tay Ninh and Thua Thien Hue improved over time.

Figure: Regional similarity index of the textile and garment industry by revenue

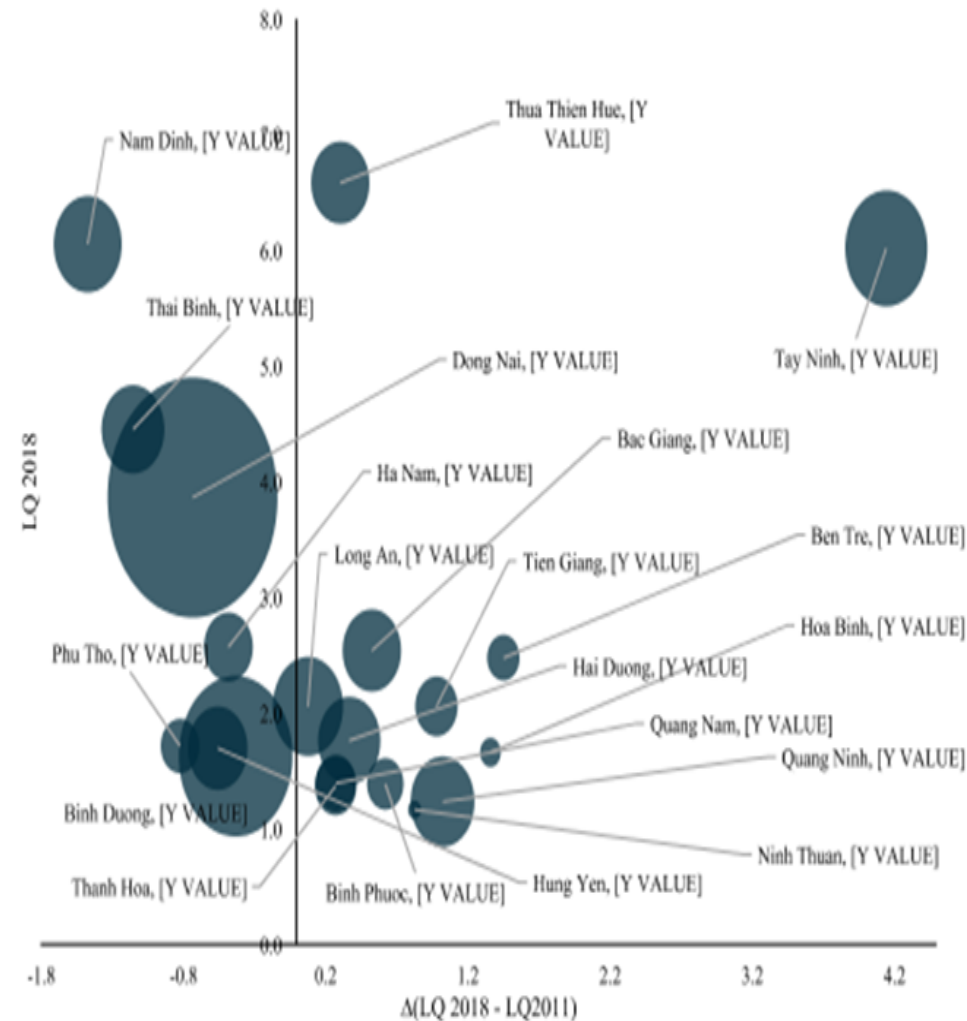**Source:** : Research team's calculations

Figure: Regional similarity index of
the textile and garment industry under export criteria

Source: : Research team's calculations

Specialization by region in textile and garment industry- under export criteria

Most of the provinces participating in the textile and garment value chain have a clear export orientation - represented by the position of textile exports in the total export of the localities is greater than 1. Nam Dinh, Thai Binh and Thua Thien Hue is the province with the highest industry specialization in terms of export. Meanwhile, the southern provinces still showed the advantage of export value.
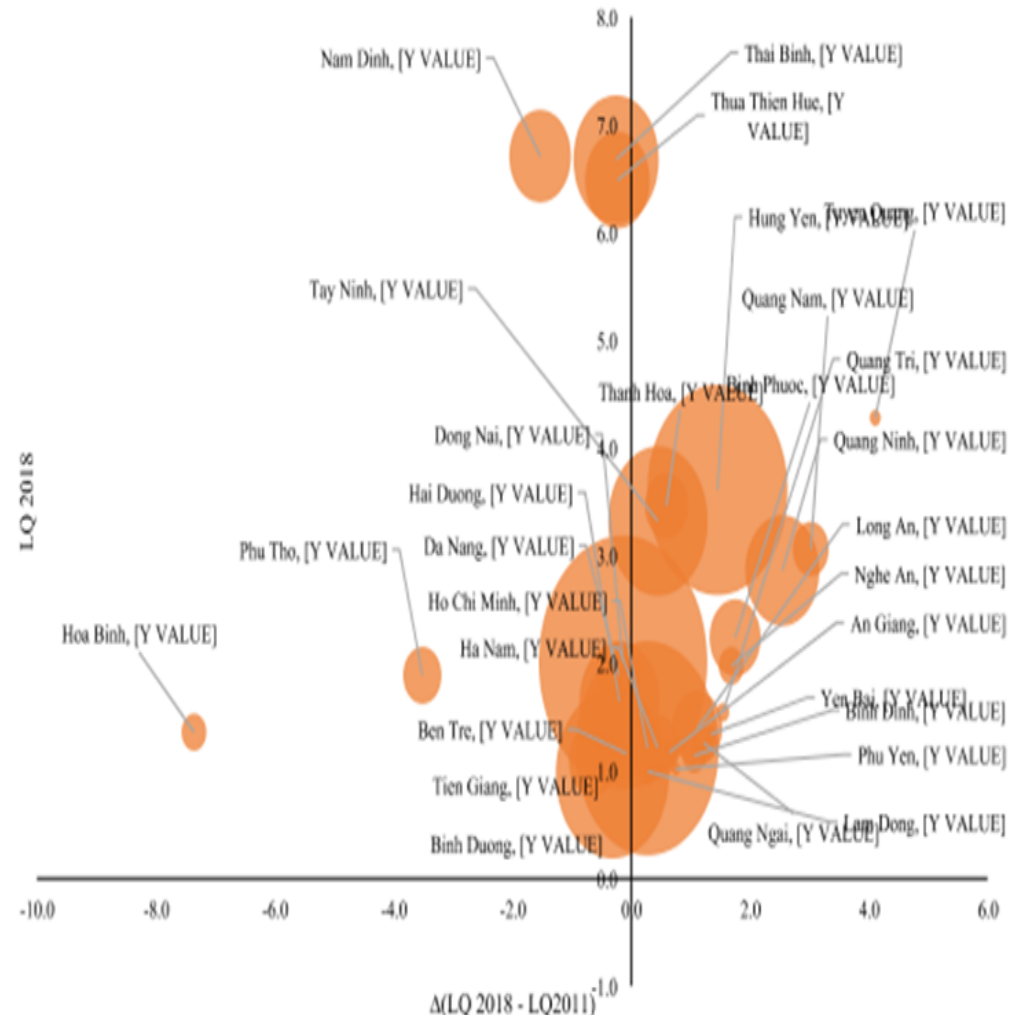
Situation of Vietnam textile and garment industry

§ Number and structure of textile and garment enterprises

§ Fluctuation of textile and garment enterprises scale by ownership

§ **Technology qualification of textile and garment enterprises**

§ Production and business efficiency of Vietnamese textile and garment enterprises

§ Supply chains and value chains of textile and garment enterprises

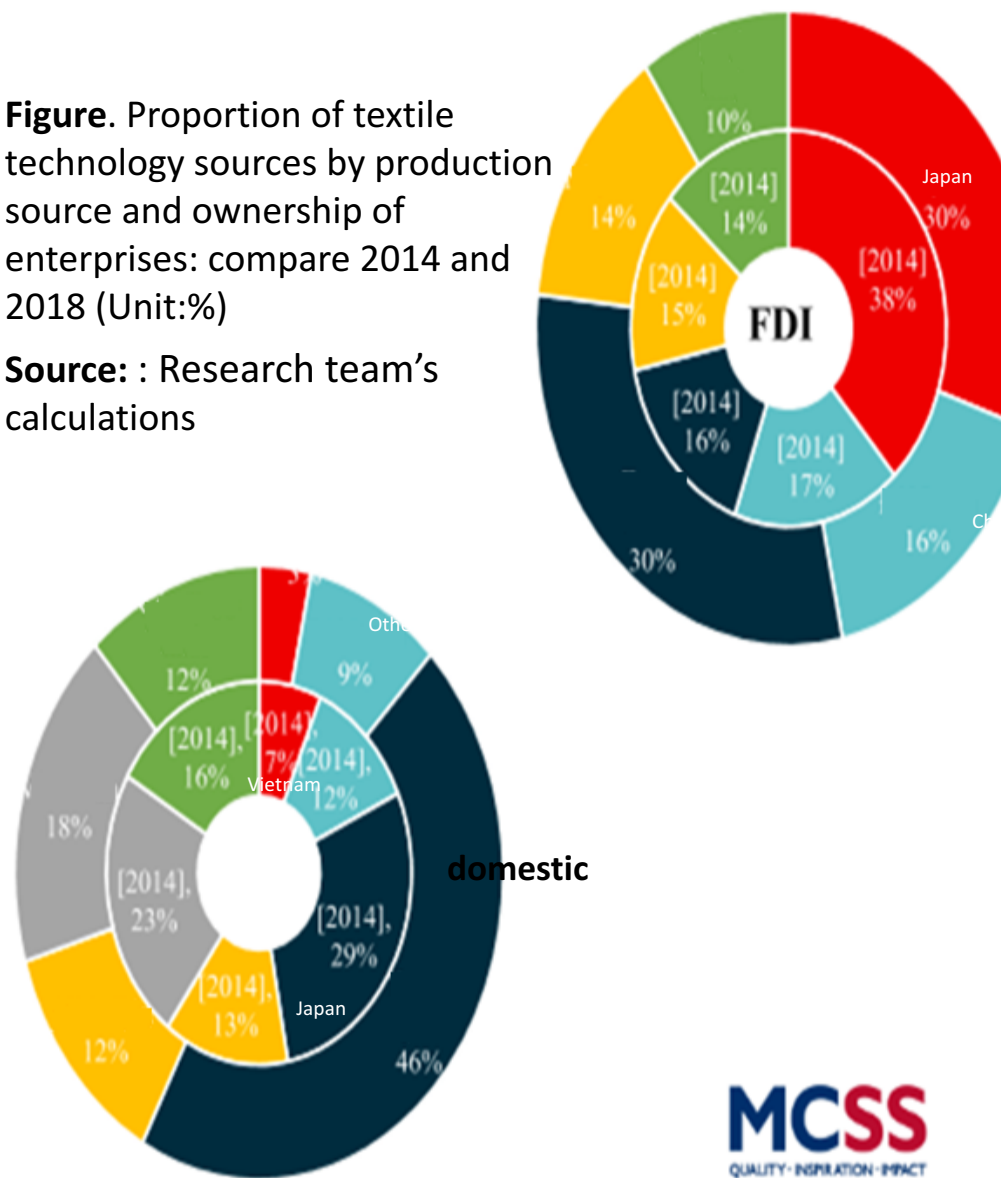# Classification of technology by import origin - Textile industry

§ In textile industry, both domestic and FDI enterprises are increasingly using Chinese technology. Proportion of FDI enterprises
using Chinese technology has doubled from 16% (as of 2014) to 30% (in 2018) while that is near a half of domestic textile enterprises used Chinese technology in 2018.
§ Domestic textile enterprises relatively favored Vietnam technology (proportion of nearly 20%).

Figure. Proportion of textile technology sources by production source and ownership of enterprises: compare 2014 and 2018 (Unit:%)

Source: : Research team's calculations

Classification of technology by import origin – Vietnam Garment industry

§ The majority of Vietnamese garment enterprises use Chinese, Japanese, Taiwanese and Korean technologies. However, there is a shift in the use of technology between these sources. In 2014, Japanese technology was the most popular: followed by Chinese, Korean and Taiwanese technologies ranked fourth. But by 2018. China has taken the lead and pushed Japan to second place

§ Domestic enterprises mostly use Japanese or Chinese technology with a stable proportion of approximately 40% of enterprises using Chinese technology and 35% using Japanese technology. Meanwhile, FDI garment enterprises use technology from Japan, Korea and China with similar rates to the downward trend of Japanese technology and increase the use of Chinese technology.
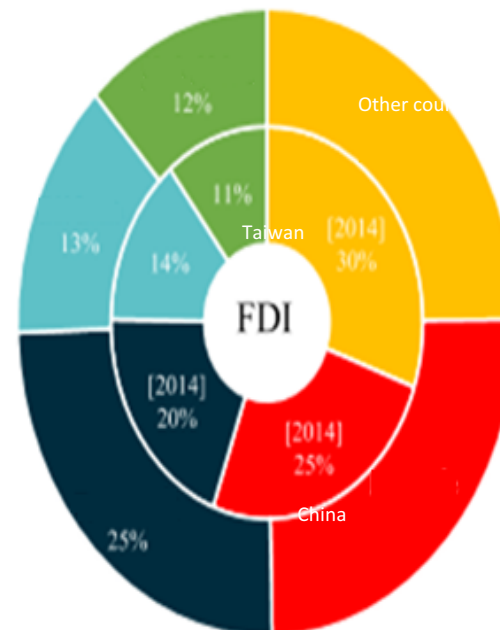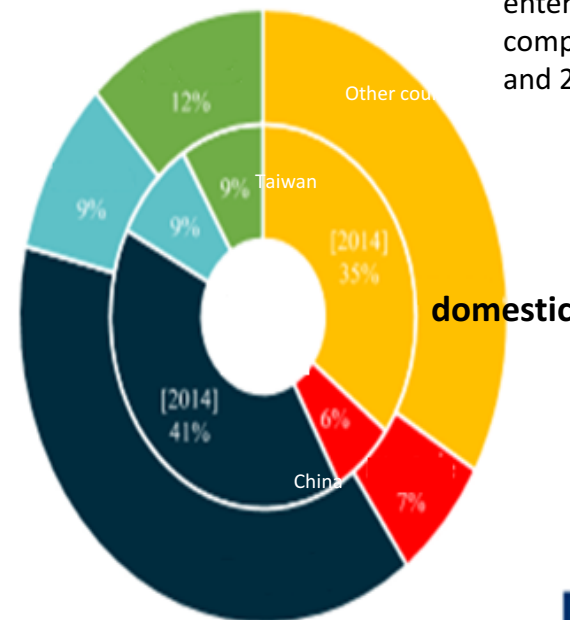

Figure. Proportion of garment technology sources by production source and ownership of enterprises: compare 2014 and 2018 (Unit:%)

Source: : Research team's calculation

Sensitivity in access and use of technology

§ FDI enterprises update technology much faster than domestic enterprises.

§ By 2018, the technology convergence of these two business groups is almost equal

§ Domestic enterprises are better because the proportion of enterprises using production technology before 2000 is much lower than that of FDI enterprises.

Figure: Sensitivity in accessing and using technology of the Textile and Garment enterprise

Source: : Research team's calculations
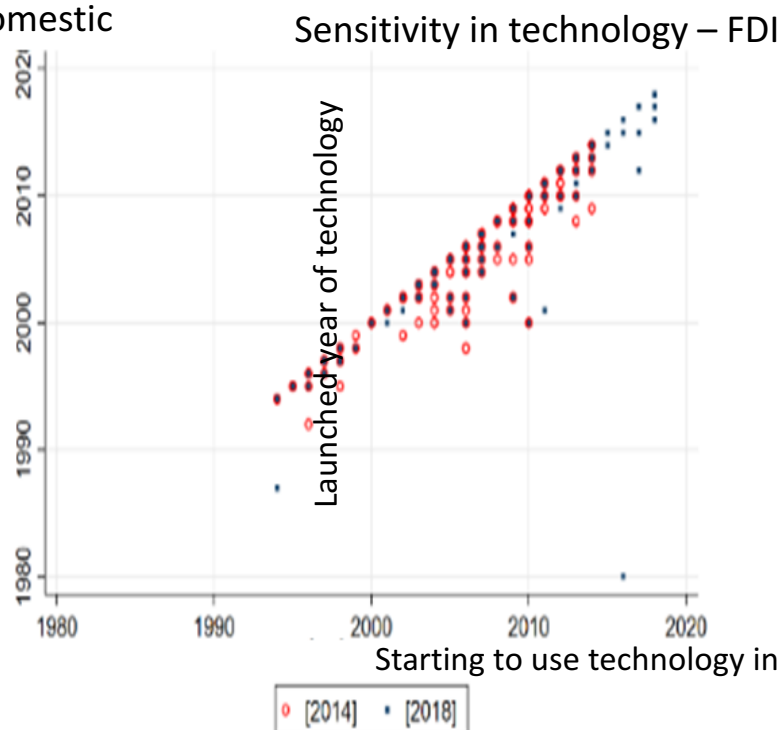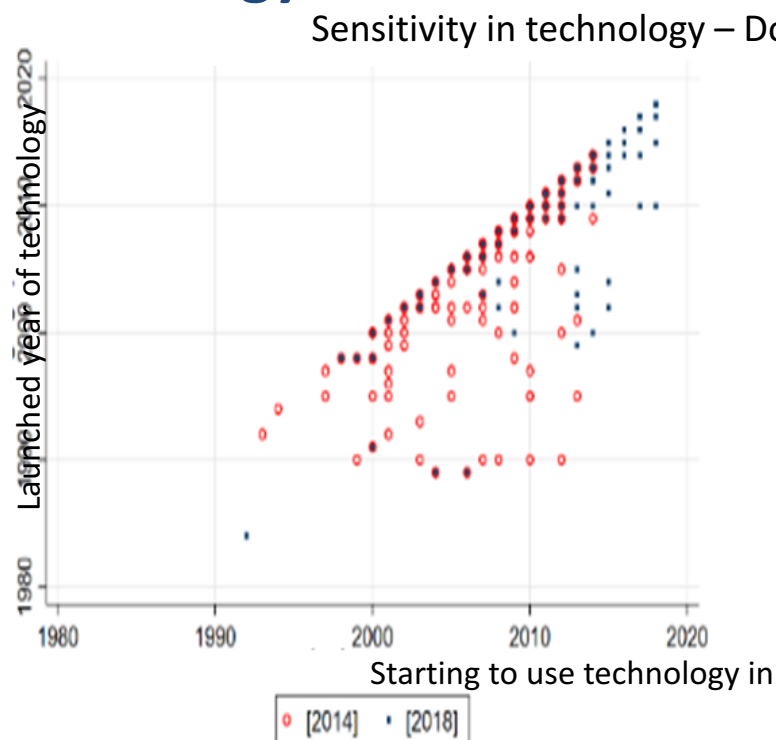
Sensitivity in technology – Domestic

Sensitivity in technology – FDI

Situation of Vietnam textile and garment industry

§ Number and structure of textile and garment enterprises

§ Fluctuation of textile and garment enterprises scale by ownership

§ Technology qualification of textile and garment enterprises

§ Production and business efficiency of Vietnamese textile and garment enterprises

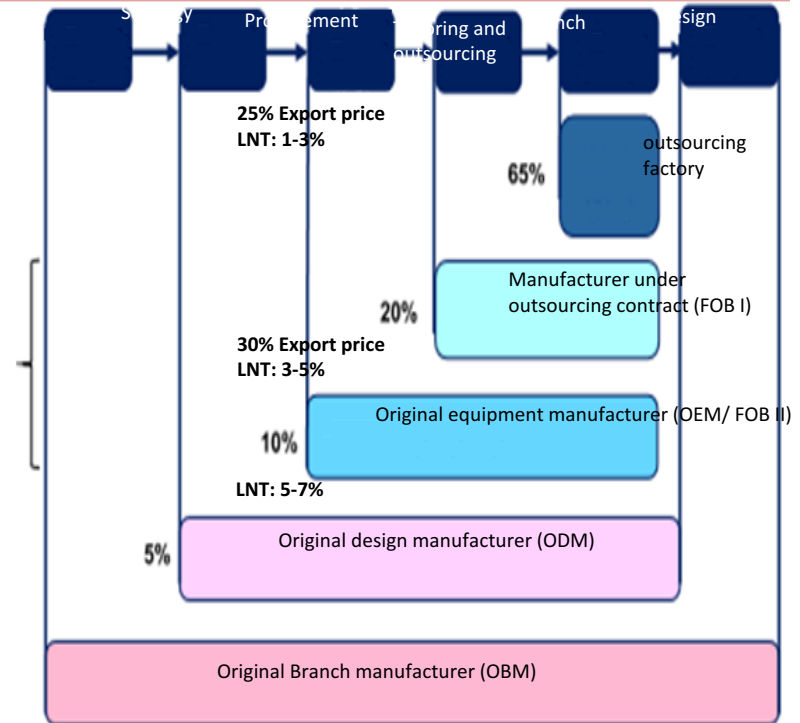§ Supply chains and value chains of textile and garment enterprises

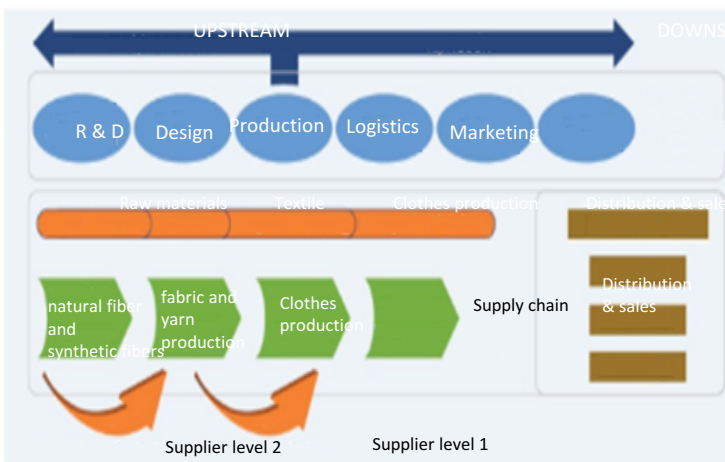# Supply chain and value chain of textile enterprises

§ The supply chain only includes input - output links of production activities of the product chain.
§ The value chain includes a full range of value-added activities in the supply chain and complementary services.

Table. Characteristics of types of textile enterprises along the value chain
Source: Pham Minh Duc and Associates (2013b)

Supply | Procurement | Tailoring and outsourcing | Branch | Design

25% Export price
LNT: 1-3%

65%   outsourcing factory

20%   Manufacturer under outsourcing contract (FOB I)

30% Export price
LNT: 3-5%

10%   Original equipment manufacturer (OEM/ FOB II)

LNT: 5-7%

5%   Original design manufacturer (ODM)

Original Branch manufacturer (OBM)

UPSTREAM — DOWNSTREAM

R & D | Design | Production | Logistics | Marketing

Raw materials | Textile | Clothes production | Distribution & sales

natural fiber and synthetic fibers → fabric and yarn production → Clothes production → Supply chain | Distribution & sales

Supplier level 2 | Supplier level 1

|	Added value	Business risk
outsourcing factory	Only provides laborer	None
Manufacturer under contract (FOB I)	Difference between supply orders and input costs	If the supplier delivers the goods at the FOB price, advance capital to buy raw materials
Original equipment manufacturer (OEM/ FOB II)	Reducing input costs but having little chance of procure from large suppliers due to small scale	Delay in production process
Original design manufacturer (ODM)	Reduce costs, add value from the design	Need to be approved by Buyers

Supply chain and value chain of textile enterprises

Most of the products and home-made goods are of low quality and are only used for domestic production of garments. The proportion of domestic input materials is on the rise but is not stable. Since 2005, the proportion of imported inputs in exported textile products is 70%, this figure has decreased to 55% in 2011 but increased to approximately 70% in 2019.

Figure: describes the supply chain of Vietnam's garment industry
Source: Pham Minh Duc and Associates
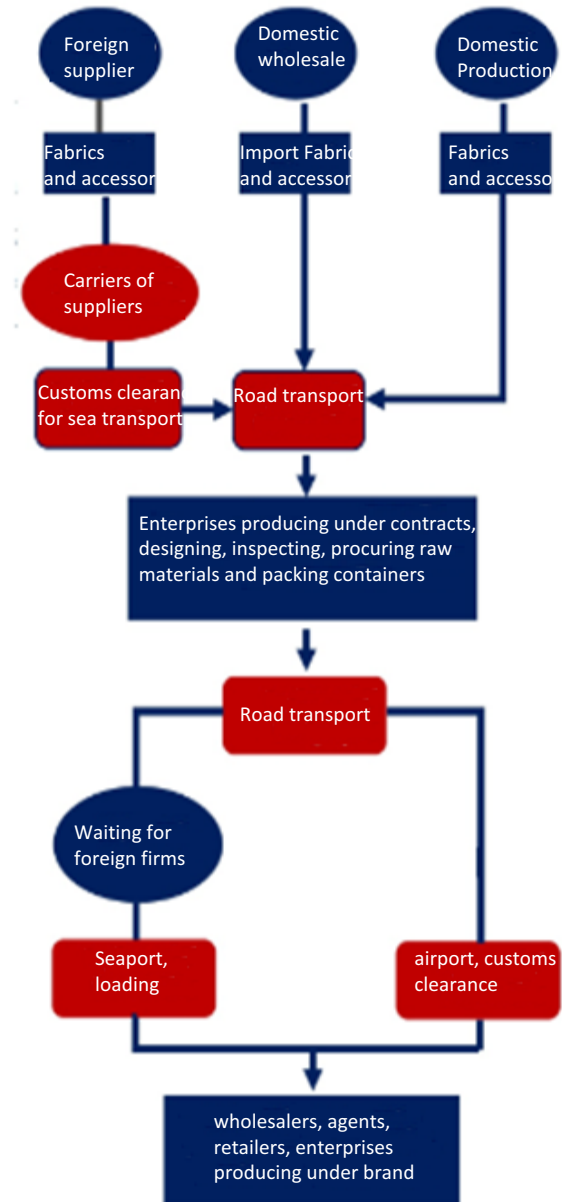
Situation of Vietnam textile and garment industry

§ Number and structure of textile and garment enterprises

§ Fluctuation of textile and garment enterprises Scale by ownership

§ Technology qualification of textile and garment enterprises

§ Production and business efficiency of Vietnamese textile and garment enterprises

§ **Supply chains and value chains of textile and garment enterprises**

Export and import growth of textile and garment industry

§ The Export growth of Vietnam's textile and Garment after 2006 shows the benefits of taking part in the World Trade Organization (WTO) to the booming export of this industry in Vietnam.

§ In 2019, the export value of the garment industry will be approximately $ 34 billion, increased more than twice compared to that of 2011 and more than 15 times compared to that of 2001 with an average growth rate of 17% in the period from 2000 to 2018.

Figure: Textile industry export-import growth from 2000 to 2018 (Unit: %)
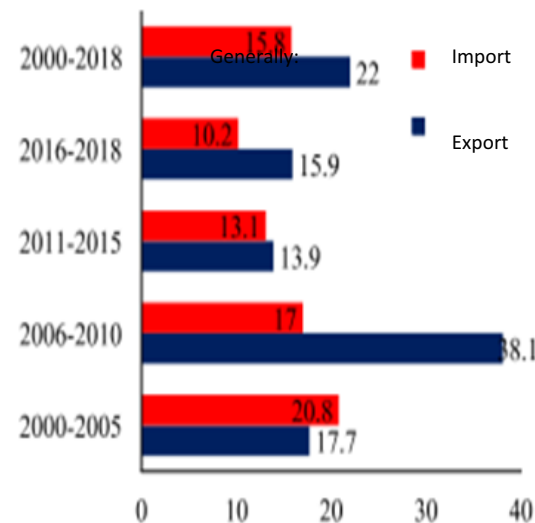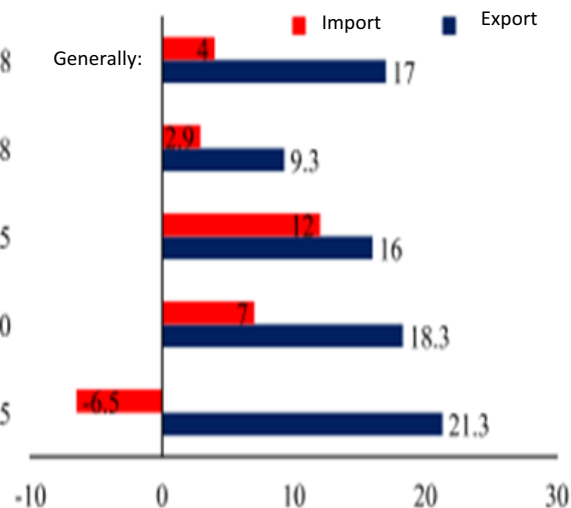**Source:** calculated based on UN COMTRADE data (years)

Figure: Garment industry export-import growth from 2000 to 2018 (Unit: %)
Source: calculated based on UN COMTRADE data (years)

MCSS
QUALITY · INSPIRATION · IMPACT

Key markets of the textile industry

§ 10 main exported markets of Vietnam's textile and garment products in 2010, 2015 and 2018.

§ From 2005, China has consistently been in the top position, followed by South Korea, the third and fourth positions witnessed the exchange of United States and Japan. The dominance of the Chinese market is shown by the fact that the export value to this market is approximately equal to the total of the remaining 9 countries in the top 10 combined. And the Chinese market alone in 2018 accounted for over 38% of the total export value of Vietnam's textile industry.

Figure: Key imported market proportion of the textile industry (unit:%)
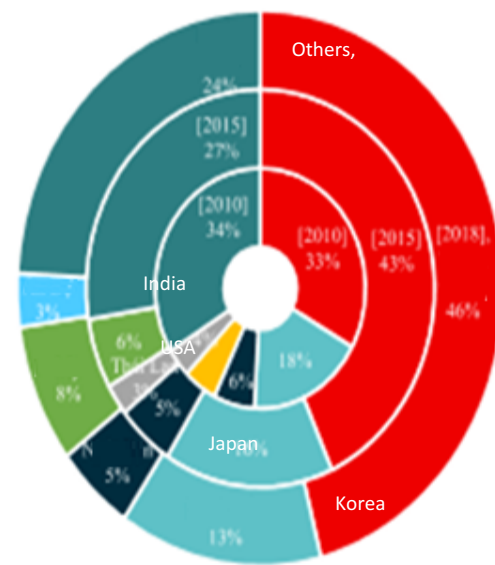**Source**: according to data of the General Department of Customs and UN COMTRADE

Figure: Key exported market proportion of the textile industry (unit:%)
Source: according to data of the General Department of Customs and UN COMTRADE

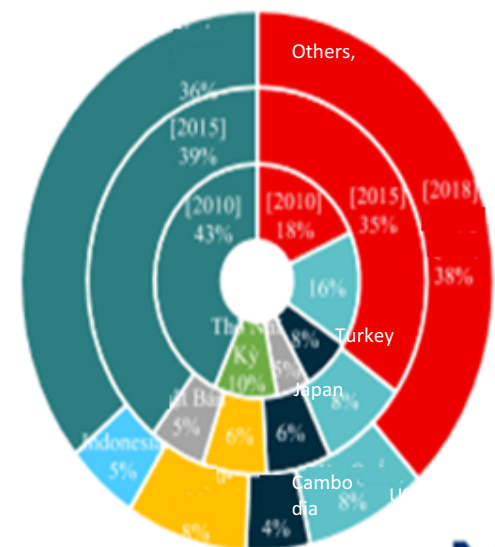# Key markets of the garment industry

§ The US is the most stable and important partner, contributing nearly 50% of the export value of this industry.

§ Because the US withdrawn from the TPP, the average tax rate of Vietnamese textiles and garments on the US market is 17.5%. If this tax rate is reduced, Vietnam's textile and garment market share will continue to increase in the US.

§ 27 countries of EU markets (EU-27) and Japan are the second and third largest exported markets for Vietnam's textile and garment products, with a share of 14% and 13% respectively.

§ Vietnam's exported garments have a very high level of concentration by market, only three large markets account for 70-75% of the total export value of the industry.

Figure: Key exported market proportion of the garment industry (unit:%)
Source: according to data of the General Department of Customs and UN COMTRADE

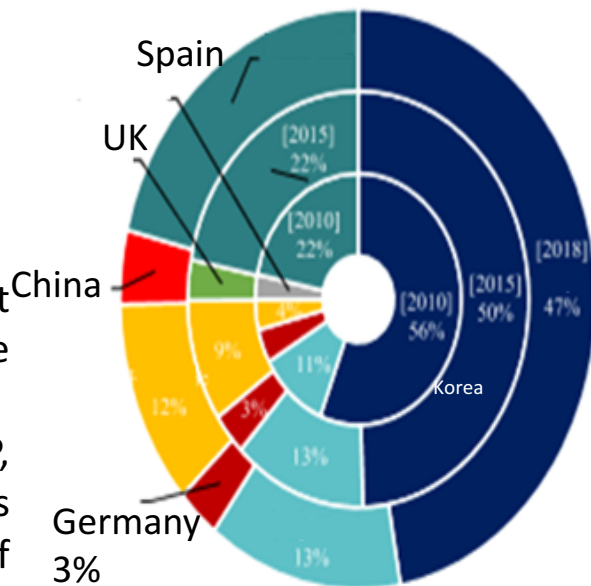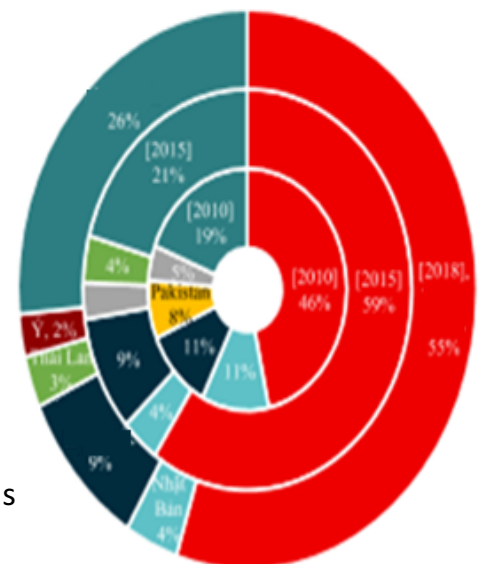**Figure**: Key imported market proportion of the garment industry (unit:%)
Source: according to data of the General Department of Customs and UN COMTRADE

The criteria to assess the effects of business – profit of the industry

Figure: Business situation by sub-industry (unit:% of total number of enterprises)

Figure: Profitable business situation (unit:% of total number of enterprises)

- Rate of profitable Enterprises
- Interest rate for 3 consecutive years

- Profitable business rate
- Interest rate for 3 consecutive years
- Linear (Profitable business rate)
- Linear (Interest rate for 3 consecutive years)
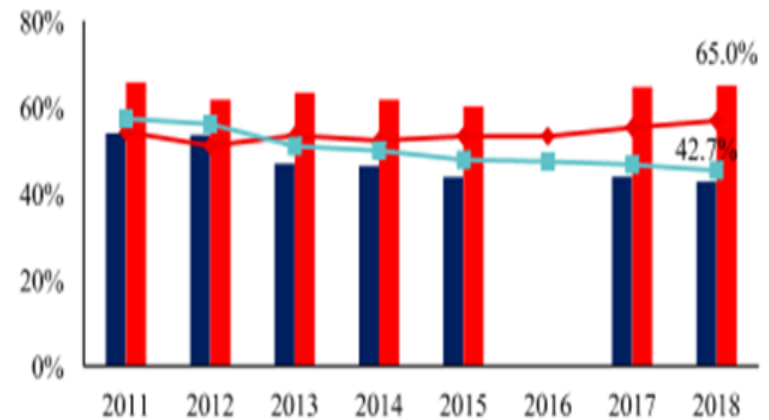
- Non im – export
- Export
- Domestic

Other criteria assessing business performance - net profit of manufacturer and retailers

Figure: Net profit of textile and garment industry under the value chain

Source: Calculations of Research team and FPTS

§ Suppose that the price of a clothing sample on the market is 100 USD

profit of outsourcing party is 2.6% (FOB is 2.2% and CMT is 0.4%)

§ The company's profit is 5.7%

§ The retailer's profit is 1.7%

□ CMT's profit is 7% of Company's profit and 23% of retailer's profit

Manufacturers

Retailers

Retail

MCSS
QUALITY · INSPIRATION · IMPACT

Return on assets (ROA), return on equity (ROE) criteria

Figure: ROA of the top 5 industry groups in Vietnam in 2019

Source: Authors' calculations

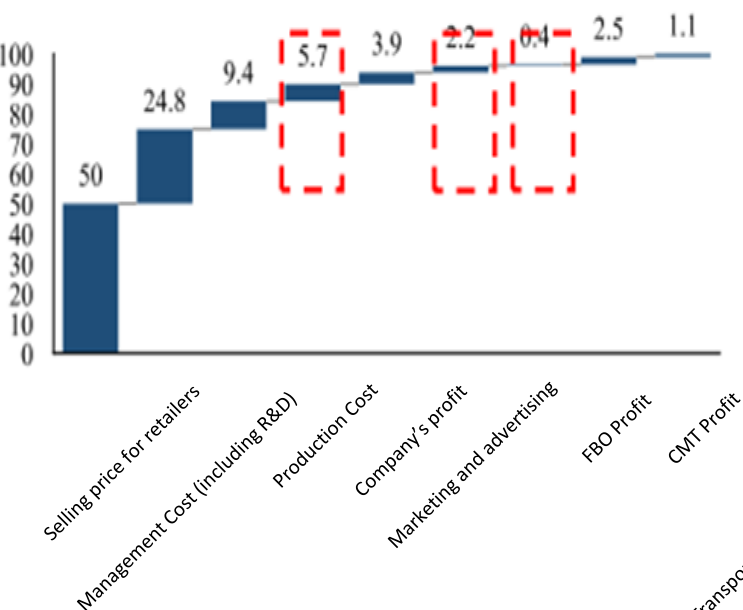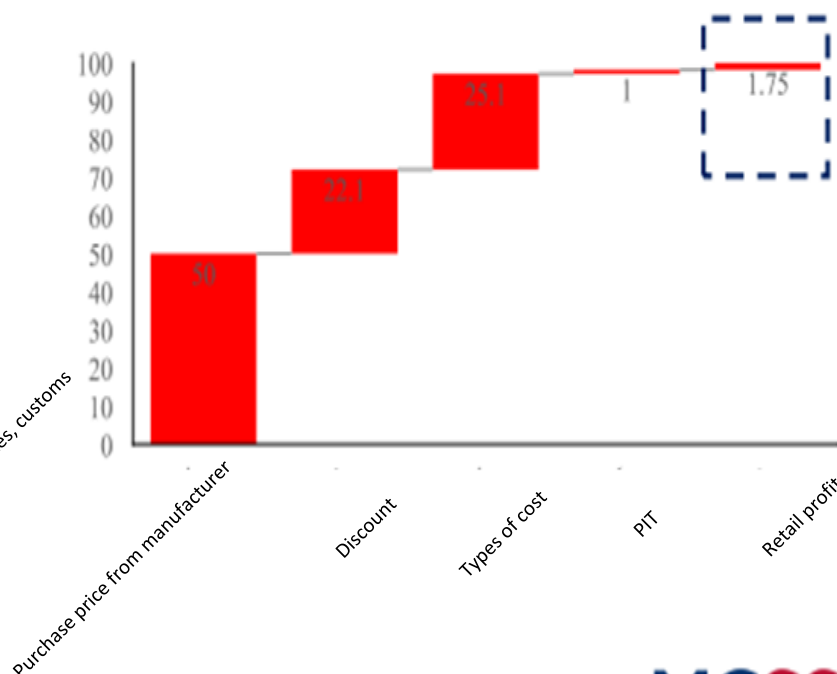§ Considering the Profit500 Rankings in 2019 of the top 500 enterprises in Vietnam, it can be seen that the average ROA of Profit500 enterprises is about 11.9%, increased slightly showing the improvement in asset utilization efficiency.

§ Regarding the asset utilization efficiency, textile and garment enterprises are at a very low level compared to that of other industry.

§ Textile and garment industry's ROA is only 50% (6.3% over 11.8%) compared to the average of the top 500 enterprises in the economy. Currently, every 10 dongs of total assets only profit the Textile and garment industry 0.6 dongs.

§ Comparing to the top 5 industries in 2019, the average ROA of these 5 industries is 15.5%, so the asset efficiency of textiles and garments only accounts for 40% of the leading industries.

§ However, textile and garment industry owns a very high level of capital utilization efficiency, ranking in the top 5 industries with the highest ROE in 2019, approximately 30%, which means that every 10 dongs of capital spent on the textile and garment industry profits about 3 dongs.

Figure: ROA and ROE of Textile and garment enterprises
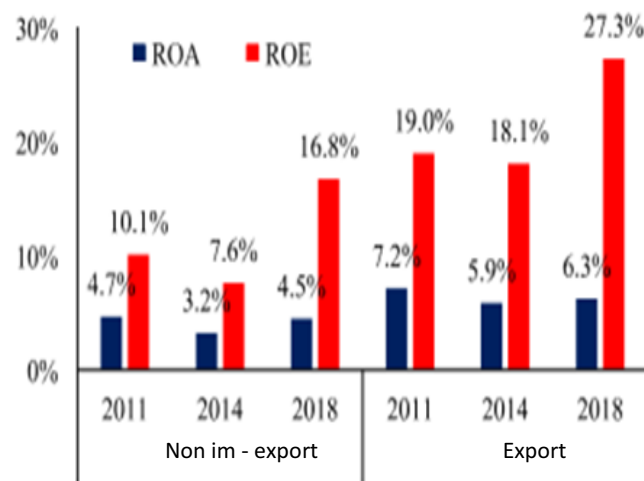
Utilization efficiency of capital and laborers

§ In the period of 2011-2018, the textile and garment enterprise's capital utilization efficiency is divided into two phases. The first phase lasted from 2011-2014 with the main decreasing trend in capital utilization efficiency. However, since 2014, the capital utilization efficiency of textile and garment enterprises tends to increase rapidly.

§ From 2011 to 2018, the added value on the number of laborers shows that the productivity of textile and garment laborers tends to increase.

§ The value added index on labor costs tends to decrease, it means that the labor costs of the textile and garment industry increase faster than the added value of laborer.

Figures: Capital utilization efficiency of textile enterprises from 2011 to 2018

Source: Authors' calculations

Figures: Labor utilization efficiency of textile enterprises from 2011 to 2018

Source: Research team's calculations
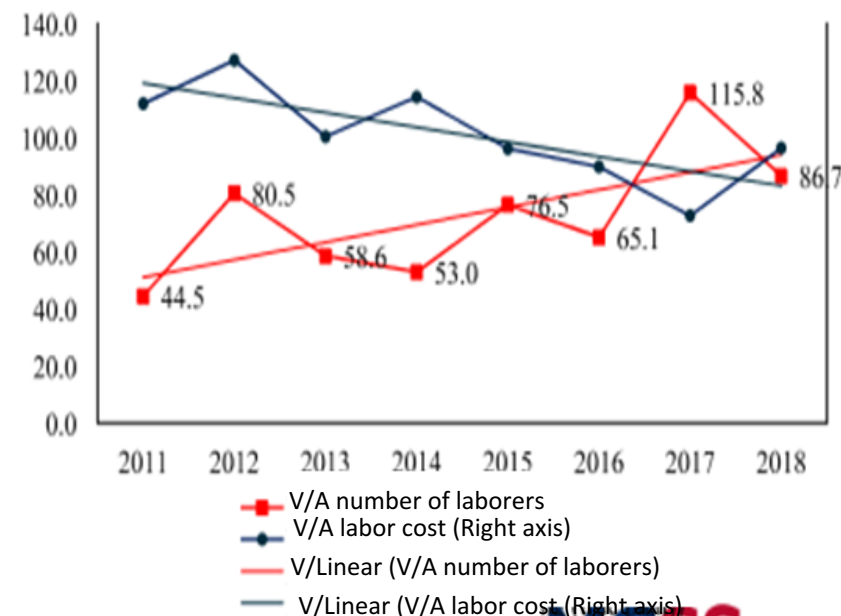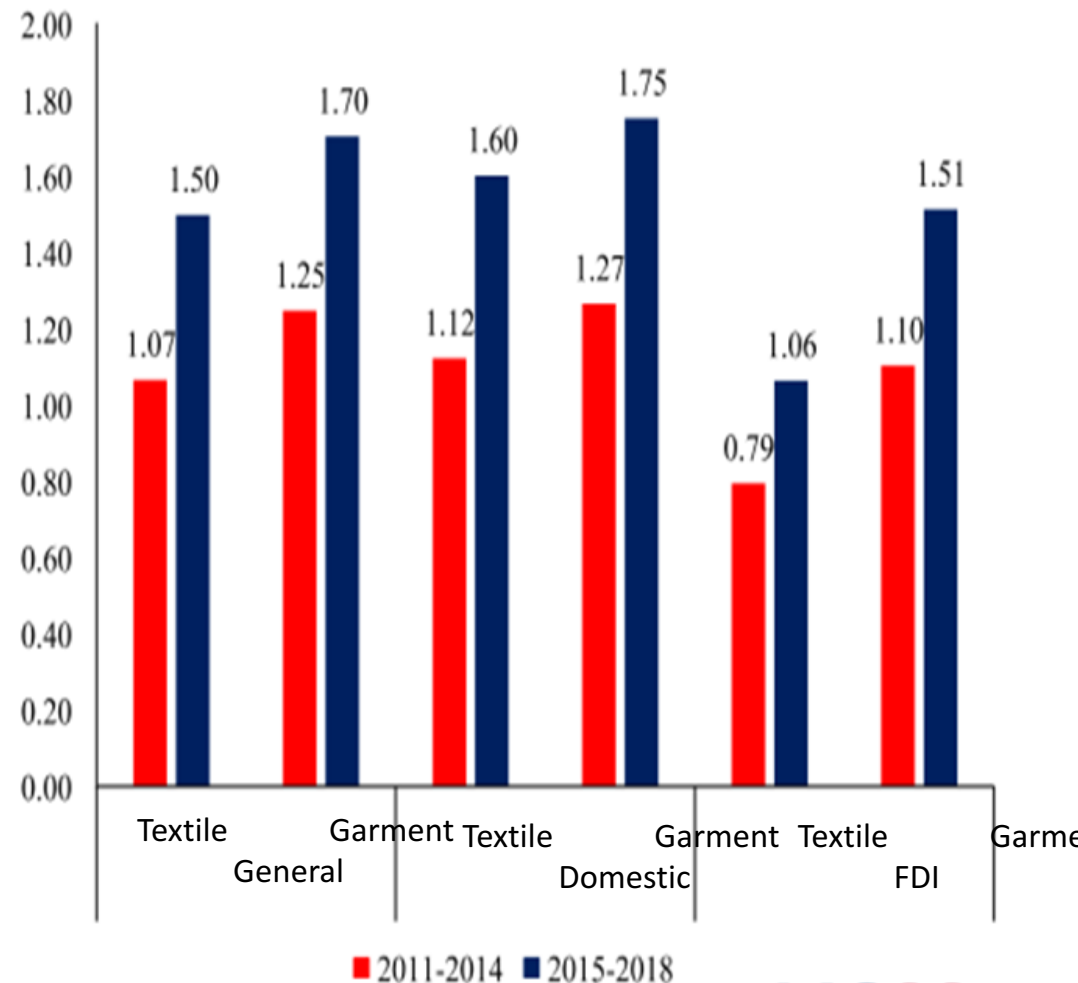
Total factor productivity (TFP)

§ Vietnam's textile and garment industry has significantly improved total factor productivity in both textile and garment sub-industries.

Source: Research team's calculations

COVID-19 impacts on the textile and garment industry

§ COVID-19 situation and some impacts on

Vietnam's economy

§ COVID-19 impacts on Vietnam's textile and garment industry

§ Government Support policies

§ Assessing the effectiveness of support policies

The COVID-19 situation and some impacts

on Vietnam's economy
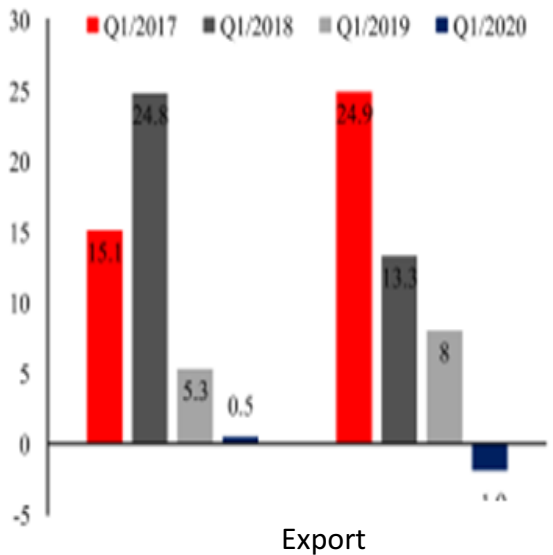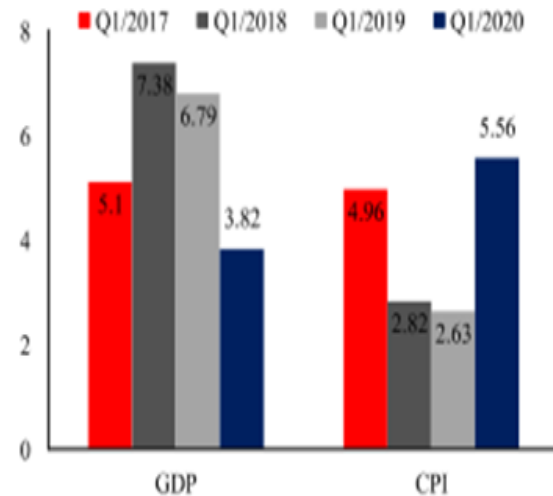
Figure: Vietnam's key export products (Unit: billion USD)
Source: according to data provided by the
General Department of Customs in 2020
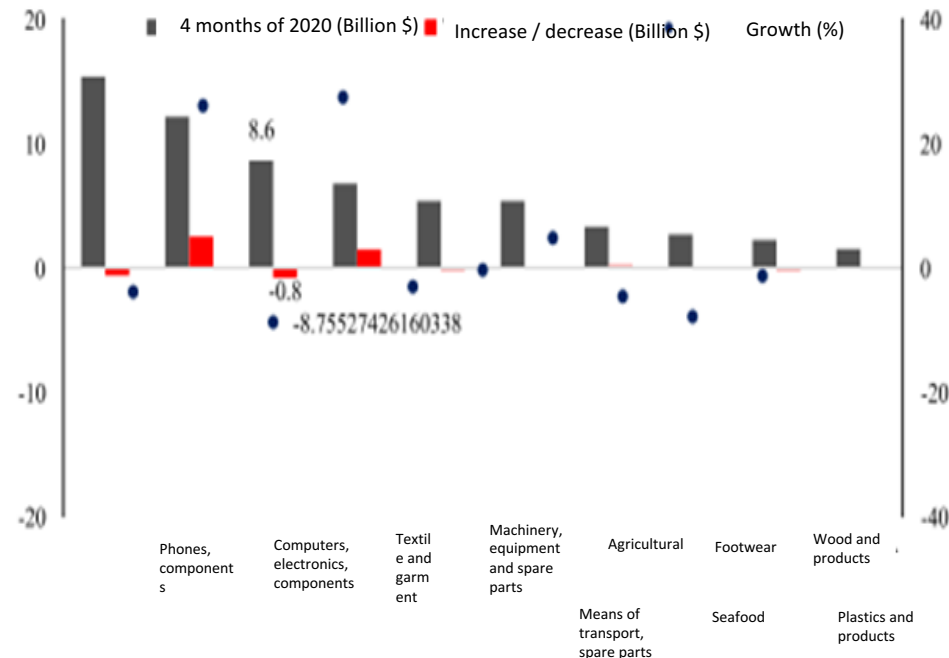
COVID-19 impacts on the textile and garment industry

§ COVID-19 situation and some impacts on

Vietnam's economy

§ **COVID-19 impacts on Vietnam's textile and garment industry**

§ Government Support policies

§ Assess the effectiveness of support policies

COVID-19 situation and some impacts on Vietnam's Economic

§ Export and consumption (87% and 13%)
§ Three key exporting nations

Figure: Major market Structure of Vietnam's textile and garment industry (Unit: %)
Source: According to data of the General Department of Customs in 2019
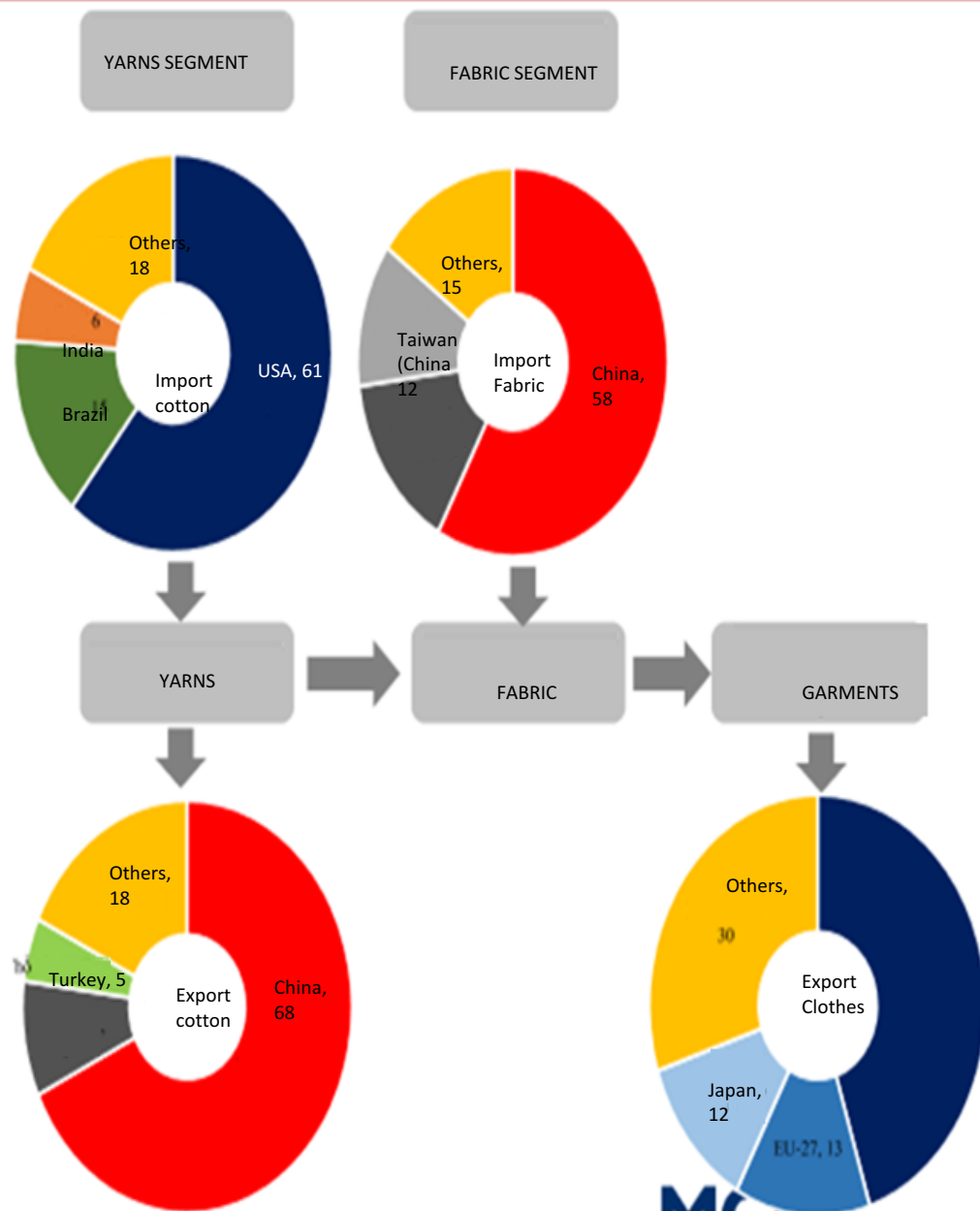
COVID-19 impacts on Vietnam's textile and garment industry

|	Pandemic broke out in China	
1/2020 2/2020	Chinese factories stopped operating; 14 important cities and provinces in the industrial production chain blockaded; stop trading through the borders	Yarn enterprises cannot export, garment enterprises worry about shortage supply of fabric and accessories.
3/2020	The epidemic has spread to Northeast Asian countries (South Korea) and Southeast Asia	Supplies from South Korea declined, supplies from China remained congested, garment export declined sharply in Northeast Asia and Europe.
17/3/2020	Pandemic spread to Europe, America, customers informed of reducing the number of/ canceling orders	Enterprises was lacked of orders in April and May 2020, garment enterprises have coped with unemployment , some small enterprises started to lack liquidity.
4/2020	Epidemics peaked in Europe, economies were "closed", orders in April were canceled	Lack of employment and stopped all exports
5/2020 6/2020	Epidemic broke out in the US on a large scale	Strong decline in export - import in all industries
	Epidemic has not signs of being under control by key economies, outbreaking again in Beijing (China)	The first half of 2020: no production contracts, the second half of 2020: underperform

COVID-19 impacts on Vietnam's textile and garment industry

Figure: Vietnam Textile and garment export in the first quarter
Source: Data provided by The Ministry of Industry and Trade (2020)

Figure: Garment import growth in the first quarter of 2020 of major economies (unit:%)
Source: Data provided by The Ministry of Industry and Trade (2020)
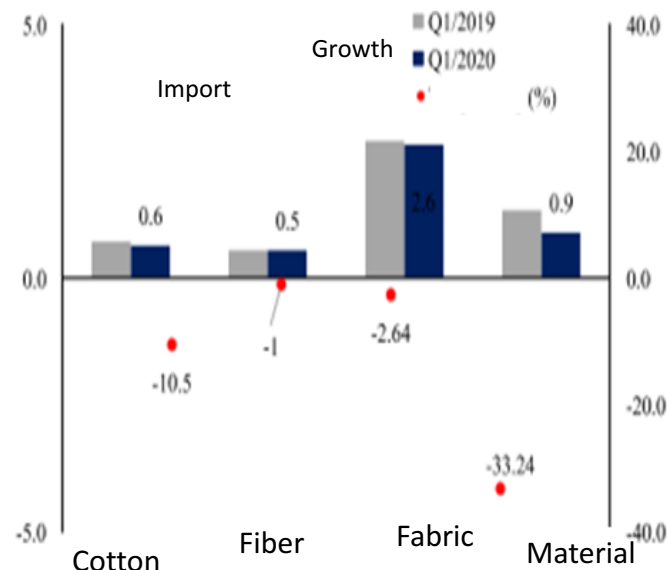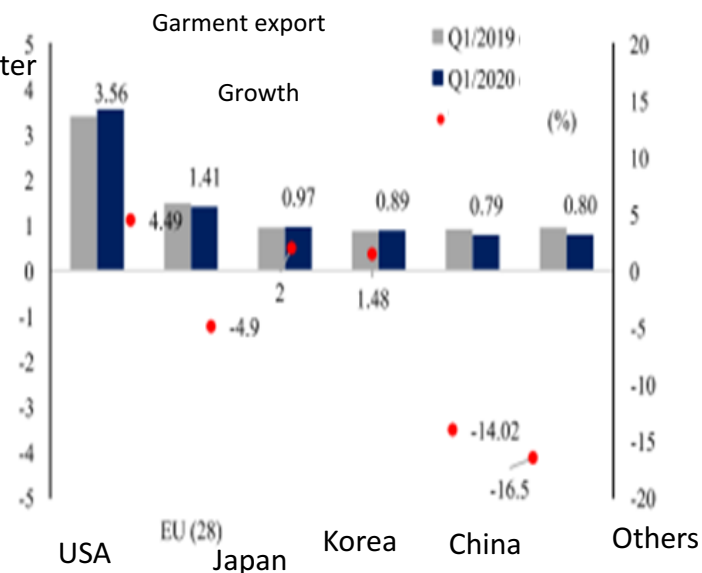
The difficulties that businesses face
§ There are 3143 garment and textile enterprises

§ 3143 garment and textile enterprises participated in answering this survey question, focusing on three contents (i) capital, (ii) lack of input supply and (iii) consumption market shrunk.

Figure: Capital shortage situation of enterprises by ownership and size of the enterprise (unit:%)
Source: According to GSO data (2020)
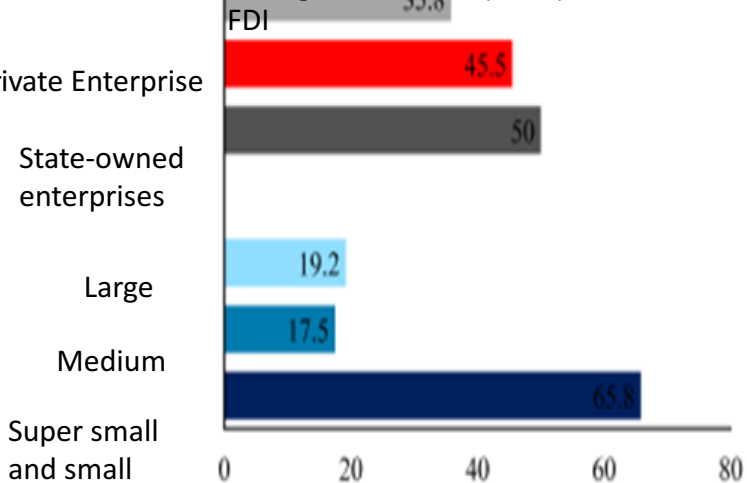
Figure: Consumption of the market has declined (unit:%)
Source: According to GSO data (2020)

Figure: Shortage situation of supply (unit:%)
Source: According to GSO data (2020)

COVID-19 impacts on the textile and garment industry

§ COVID-19 situation and some impacts on

Vietnam's economy

§ COVID-19 impacts on Vietnam's textile and garment industry

§ **Government Support policies**

§ Assess the effectiveness of support policies

Support policies of Government

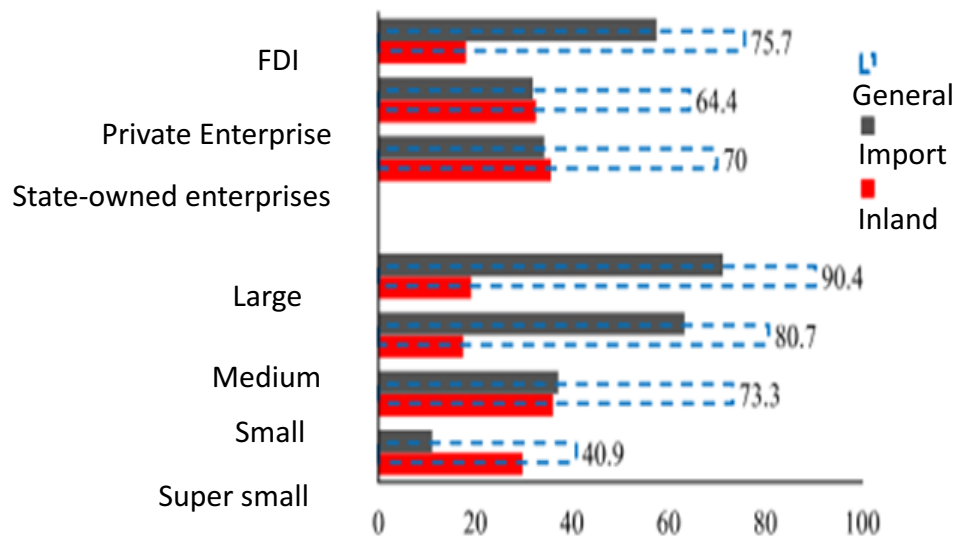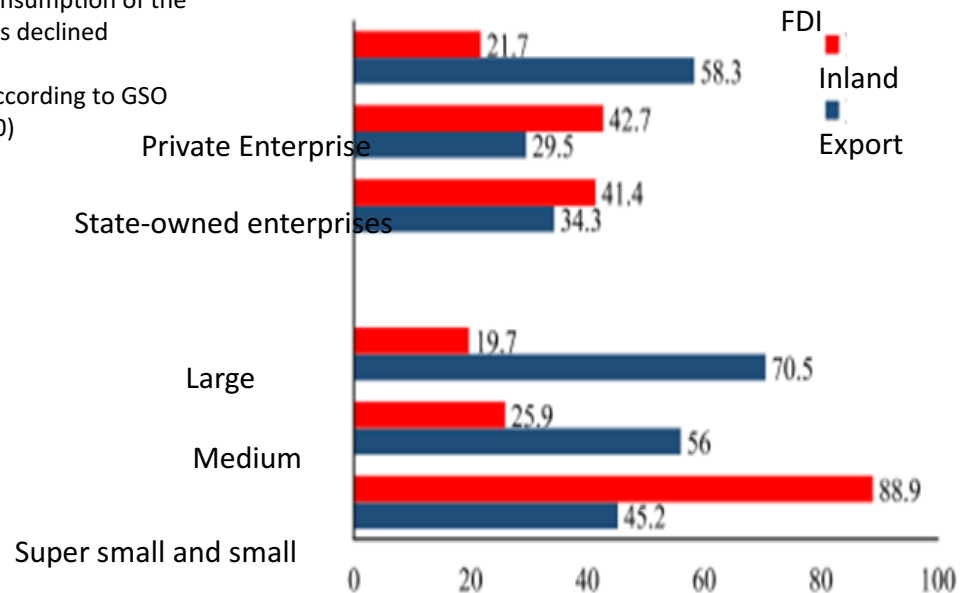|	Fiscal policies		Monetary policy
General policies		§ Directive No. 11 / CT-TTg issued on March 4th, 2020 regulating urgent tasks and solutions to solve difficulties for production and business, ensure social security in response to the covid-19 epidemic	§ The State Bank announced a credit package of VND 285 trillion for lending at lower interest rates than commercial banks. Currently, about 30 commercial banks are committed to participate with interest rates lower than 0.5 to 1% compared to the average
Supporting people, workers, business households		§ Support people in difficulty under the Resolution No. 42 / NQ-CP issued on April 9th, 2020 by Government	§ Decision No. 15/2020/QĐ-TTg issued on April 24th, 2020 about a support package of VND 62 trillion in which laborers worked under labor contract are suspended from performing labor contracts, taking leave without payment for 1 month and more because enterprises have coped with covid-19 pandemic without turnover or financial source to pay salaries, shall be supported with VND 1,800,000 / person / month. The support level must not exceed 3 months from April 1st, 2020
Supporting enterprises and customers affected by COVID-19		§ Extension of the due date for payment of tax, land rent fee according to the Decree No. 41/2020 / ND-CP issued on April 8th, 2020 by the Government Solving difficulties for enterprises and promoting disbursement of public investment capital as shown in the Resolution No. 84/NQ-CP issued on May 29th, 2020 by The Government Exemption of export tax and import tax under the Decision No. 155 issued on February 07th, 2020 by the Ministry of Finance Standing Committee of the National Assembly approves the increase or decrease of PIT deduction, increase the reduction for the taxpayer from VND 9 million/ month to 11 million/ month, for dependents from VND 3.6 million/ month to VND 4.4 million/month	§ Circular No. 01/2020/TT-NHNN issued on March 13th, 2020 regulating credit institutions and bank branches to restructure loan repayment, exempt or reduce interest rates, and maintain the debt group. Decisions (No. 418, 419, 420, 421, 422, 423) issued on March 16th, 2020 adjusting the operating interest rates Directive No. 02/CT-NHNN issued on March 31st, 2020 on urgent solutions of the banking industry to strengthen prevention, control and overcome difficulties caused by the impact of covid-19 epidemic. Circular No. 04/2020/TT-NHNN issued on March 31st, 2020, reducing 50% of inter-bank payment transaction fee through inter-bank Electronic payment system, effective from April 1st to December 31st, 2020 From March 17th, 2020, the State Bank of Vietnam will continue to adjust the operating interest rates from 0.5 to 1%, and reduce 0.5% short-term lending interest rate cap for priority areas. Credit institutions restructured the repayment term for over 250 thousand customers with outstanding loans of VND 130 trillion, exempted, reduced and reduced interest rates for 260 thousand customers, for 182,000 borrowers with preferential interest rates and cumulative sales is VND 630 trillion.

Government Support policies for Textile and Garment Industry

		Fields
Regarding operation cost of enterprises	Import-Export tax	The Ministry of Finance submitted to the Government for amendment of the Decree No. 122/2016//ND-CP, Decree No. 125/2016/ND-CP and Decree No. 134/2017/ND-CP on import and export taxes. It is expected that these Decrees will increase the ability to recall investment capital of about VND 6 trillion for enterprises.
Regarding the laborers	Social policies for laborers	Decision No. 15/2020/QD-TTg issued on April 24th, 2020 provides VND 1,800,000/ person/month for unemployed laborers. The support level must not exceed 3 months from April 1st, 2020 The Ministry of Labor, War Invalids and Social Affairs proposes to suspend payment of social insurance premiums Exemptions from full unemployment insurance pay attention to (i) laborers who are stopped work or laid off and (ii) enterprises with more than 50% of their laborer's being stopped work or laid off.
Support to Enterprises	Supporting textile and garment enterprises to finance solutions, international payment fee, social insurance, trade union fees to take advantage of opportunities from new generation of FTAs (EVFTA, CPTPP) and attract production investment of raw materials	In March 2020, the Ministry of Industry and Trade proposed: To extend the deadline for payment of corporate income tax for 2019, 2020 To delay payment of value added tax until the end of the third quarter of 2020 To extend, exempt and reduce of land rent, industrial park infrastructure fee, waste water treatment fee during the time plants stopped operation due to epidemics To propose the government directing the banking system to have solutions to reduce the deposit rate, reduce international payment fees for businesses that import raw materials To support extending working capital for loans up to 11 months, including the borrowing due to late receipt of materials and customers' delayed payment, delaying delivery progress. To propose allowing exemption of social insurance premiums for the whole enterprise from the first 3 to 6 months of 2020, does not control the percentage of laborers who have to quit their jobs. After June 2020, it may be considered to continue To propose the Vietnam General Confederation of Labor allowing enterprises to exempt trade union fees for the whole 2020, withholding all exempted union fees to support workers. To propose considering the reduction of fees, especially those related to transportation, transport and other fees in the cost structure of products. To consider coordinating with the State Bank of Vietnam to develop and implement stimulus solutions for specific industries that have a great impact on people's lives as well as employing a lot of productive labor such as textiles, footwear. To prepare scenarios and plans to boost export production to the EU market right after the end of the epidemic, taking into account the utilization of EVFTA to boost exports and restore markets. To propose the promulgation of policies encouraging and creating favorable conditions to attract investment from domestic and FDI enterprises in the production of raw materials and accessories through incentives in new generation of FTA (CPTPP, EVFTA)

COVID-19 impacts on the textile and garment industry

§ COVID-19 situation and some impacts on

Vietnam's economy

§ COVID-19 impacts on Vietnam's textile and garment industry

§ Government Support policies

§ **Assessing the effectiveness of support policies**

Policies satisfaction

	The whole economy	Textile	Garment
Reforming administrative procedures, shortening the time to review loan records	1.62	1.69	1.66
Rescheduling debt repayments and debts	1.61	1.62	1.65
Exempting interest rates for bank loans, bank service fees	1.48	1.47	1.51
Exempting electronic payment service fees	1.75	1.77	1.79
Extending tax payment and land rental	1.54	1.53	1.53
Temporarily stop paying social insurance and trade union fees	1.8	1.77	1.65
Reducing administrative procedures and logistics costs	1.89	1.91	1.82
Not adjust to increase prices in the first and second quarters of 2020 for goods that are inputs to production under state control	1.47	1.41	1.43
Diversifying import and export markets as well as finding new markets	1.85	1.64	1.63

MCSS
QUALITY · INSPIRATION · IMPACT

Too few textile and garment enterprises benefit from supporting solutions

Figure: Rate of textile and garment enterprises knew and benefited from support policies (Unit: %)
Source: According to GSO data (2020)
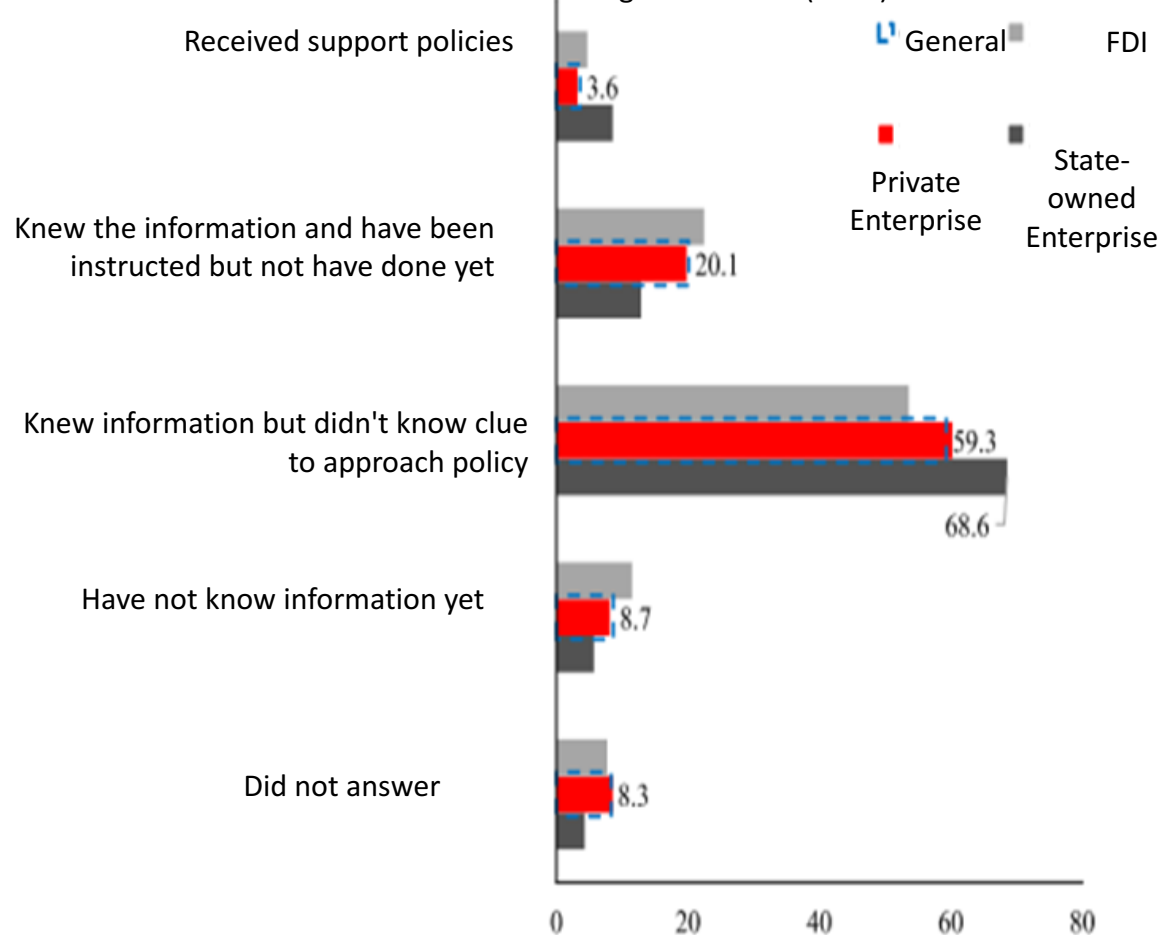
- Received support policies — 3.6
- Knew the information and have been instructed but not have done yet — 20.1
- Knew information but didn't know clue to approach policy — 59.3 / 68.6
- Have not know information yet — 8.7
- Did not answer — 8.3

Legend: General, FDI, Private Enterprise, State-owned Enterprise

Identifying Perspectives And Policy Recommendations

§ Identifying difficulties and advantages for textile and garment industry
§ Policy recommendations

Identifying difficulties and advantages for textile and garment industry

§ Difficulties and opportunities related to COVID-19
§ Advantages and disadvantages related to FTAs
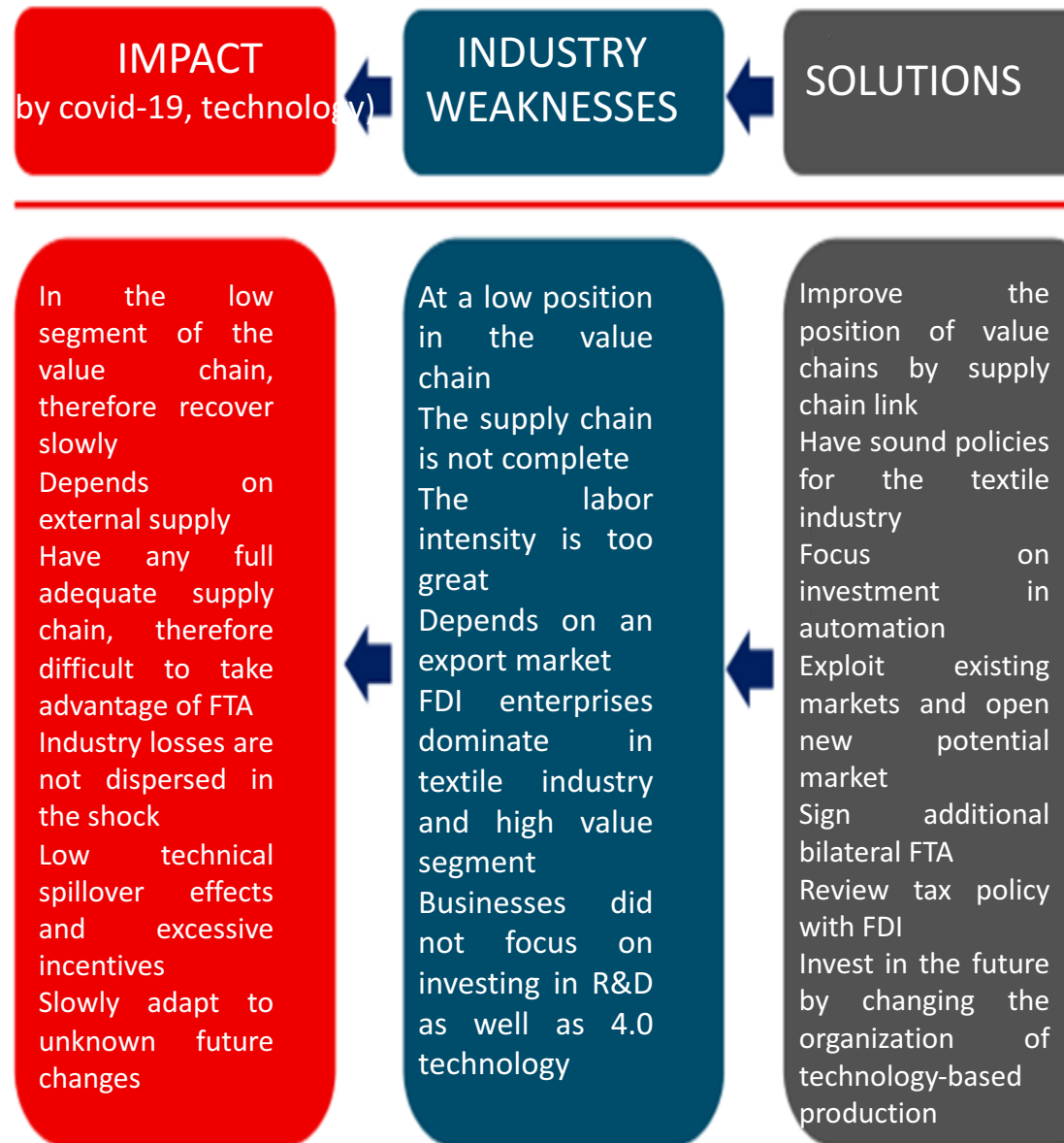§ Advantages and difficulties related to future trends

IMPACT (by covid-19, technology)	INDUSTRY WEAKNESSES	SOLUTIONS
In the low segment of the value chain, therefore recover slowly	At a low position in the value chain	Improve the position of value chains by supply chain link
Depends on external supply	The supply chain is not complete	Have sound policies for the textile industry
Have any full adequate supply chain, therefore difficult to take advantage of FTA	The labor intensity is too great	Focus on investment in automation
Industry losses are not dispersed in the shock	Depends on an export market	Exploit existing markets and open new potential market
Low technical spillover effects and excessive incentives	FDI enterprises dominate in textile industry and high value segment	Sign additional bilateral FTA
Slowly adapt to unknown future changes	Businesses did not focus on investing in R&D as well as 4.0 technology	Review tax policy with FDI
		Invest in the future by changing the organization of technology-based production

MCSS

Identifying Perspectives And Policy Recommendations

§ Identifying difficulties and advantages for textile and garment industry
§ Policy recommendations

Policy Recommendations

A. Policy recommendations on dealing with COVID-19

§ **A1 Policy recommendation** : Textile enterprises should actively study and find the ways to produce and export medical protective clothing.

§ **A2 Policy recommendation**: Corporate income taxes, land rents that businesses have paid in 2019 should be deducted from fees to pay such as social insurance, unemployment insurance, trade union fees in 2020 instead of taxes payable.

§ **A3 Policy recommendation**: Allow exemption of social insurance premiums for all businesses from the first 3 to 6 months of 2020 without limiting the percentage of laborers having to leave their jobs.

§ **A4 policy recommendation**: The government needs to quickly issue Decrees, Circulars and guiding documents for EVFTA implementation

Policy Recommendations

B. The policy recommendations on making effective use of FTAs

§ **B1 Policy recommendation** : Take advantage of FTAs to boost exports and attract FDI shifting into raw material production to meet the requirements of rules of origin.

§ **B2 policy recommendation**: Signing bilateral FTA with Canada, In order for CPTPP to bring more benefits to Vietnamese textile and garment enterprises, it is necessary to sign a bilateral FTA with Canada because this is a potential garment export market in a large scale.

§ **B3 Policy recommendation**: Promoting bilateral FTA signing with the US

Policy Recommendations

C. Policy recommendations on innovation and creation

§ **C1 Policy recommendation**: Improve the position of value chains by supply chain link

§ **C2 Policy recommendation**: Have sound policies for the textile industry

§ **C3 Policy recommendation**: Focus on investment in automation

§ **C4 Policy recommendation**: Exploit existing markets and open new potential market

§ **C5 Policy Recommendation**: Invest in the future by changing the organization of technology-based production

Sincerely thank you for watching!

Please send your contribution opinions to address:

Mekong - China Strategic Studies Program (MCSS)

Center for Agricultural Innovation, Vietnam National University of Agriculture (VNUA)

Trau Quy, Gia Lam, Hanoi

Email: psthanh@vnua.edu.vn

Tel: +84.914.809799

MCSS
QUALITY · INSPIRATION · IMPACT