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All signs point to growth in Vietnam and South Korea textile garment trade

By Jens Kastner 24 September 2018

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South Korea's textile exports to Vietnam and the Vietnamese garment exports to South Korea are forecast to register continued robust growth on the back of a range of free-trade agreements linking the two countries.

Data compiled by the department of fashion and apparel studies at the University of Delaware, in the USA, has stressed how South Korea has for a long time been a leading supplier of textiles for Vietnam, accounting last year for 17.8% of Vietnam's total textile imports in value terms; whereas Vietnam is quickly becoming the second-largest garment supplier to South Korea after China, with 30.9% of all imports in 2017 in value terms, up significantly from just 1.7% in 2007.

"The Vietnam-South Korea Free Trade Agreement [VKFTA], which took effect on December 20, 2015, has played an important role in expanding the trade flows between the two countries," says Sheng Lu, associate professor from the department of fashion and apparel studies at the University of Delaware.

He told WTIN.com: "Both Vietnam and South Korea are also members of the Regional Comprehensive Economic Partnership [RCEP, a planned regional trade deal], and the reaching and implementation of RCEP this year or next will help build hopefully an even more integrated Asia-based textile and apparel supply chain involving Vietnam and South Korea."

According to Saponti Baroowa, associate director of business intelligence at Dezan Shira & Associates, in Ho Chi Minh City, as labour costs in China continue to rise amidst the escalating trade war with the US, South Korean investors will increasingly consider options for moving their production lines from riskier China to lower-cost Vietnam.

In addition, Vietnam's attractiveness as an alternative production hub for South Korean garment investors will increase even further once the EU-Vietnam Free Trade Agreement comes into effect.

"South Korea's own FTA with the EU might in turn become a source for boosting South Korean textile exports to Vietnam, as the EVFTA's Rules of Origin criteria would require Vietnamese garment exports to use fabric that is either made locally, in order for them to enjoy the EU's preferential tariffs, or imported from other countries the EU has free-trade agreements with, including South Korea," says Baroowa.

But not all is rosy in the Vietnam-South Korea textile-garment connection. The beginning of 2018 saw several protests by Vietnamese textile and garment workers in South Korean-invested factories in southern Vietnam, over delayed payment of wages.

In February, Korean language online daily www.hankyung.com (http://www.hankyung.com) cited unnamed Vietnamese textile association officials as saying that there are many South Korean small and medium sized textile companies suffering from chronic operating deficits in Vietnam, due to excessive competition.

"With the spread of fast fashion, middle and low-end brand makers are offering concept clothes that can be worn in the middle of the year," the official said, explaining that OEMs (original equipment manufacturers) now have more deadlines to meet.

"Many OEMs in Vietnam failed to meet delivery deadlines last year, and those who have not secured sufficient volume are competing against each other," he added.

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