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## Why You May Soon See More Goods Labeled ‘Made in Vietnam’

Vietnam’s production of goods like clothing and footwear are likely to grow if the U.S. and other countries ratify the TPP



The Trans-Pacific Partnership would mostly benefit developing nations such as Vietnam, whose growth depends heavily on exports. *Photo: luong thai linh/European Pressphoto Agency*

By Kathy Chu

LONG AN, Vietnam— This rural expanse of pineapple fields and mango trees south of Ho Chi Minh City is a good place to see how the winds of global trade are shifting.

Already, massive factories have sprung up here to make goods for Western companies such as sportswear maker Nike Inc., taking advantage of Vietnam’s young workforce and wages that are roughly half those in China.

This largely agricultural province, located near Vietnam’s most populous city, now has more than a dozen industrial parks, and is playing host to an increasing amount of manufacturing. By May, it had attracted pledges of \$3.67 billion for foreign investment, about 40% of it for the garment and textile industry.

Economists say this growth could accelerate if the U.S. and 11 other Pacific Rim nations ratify the Trans-Pacific Partnership agreement, a landmark trade deal concluded earlier this month. The

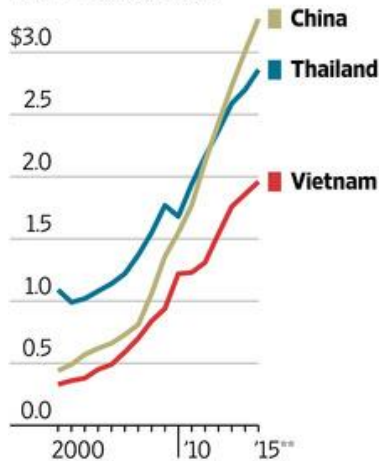
deal would eliminate certain tariffs between members, mostly benefiting developing nations such as Vietnam and Malaysia, whose growth depends heavily on exports.

The trade agreement would be “fantastic if it happened,” says Frank Smigelski, a vice president at Avery Dennison Corp., one of the world’s biggest makers of clothing labels and tags. In July, the company, which is based in Glendale, Calif., opened a 300,000-square-foot facility in Long An. Inside, sewing-machine-like contraptions print tags for Japanese clothing brand Uniqlo, while workers pour red ink into giant machines that print the labels sewn into North Face outdoor-sports clothes.

## Tiger Rising

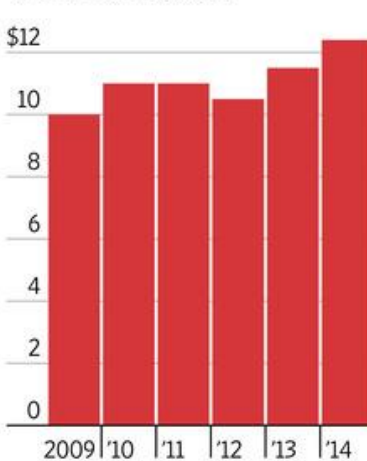
Labor costs in Vietnam are lower than much of the rest of Asia...

**Manufacturing labor costs per hour in U.S. dollars\***



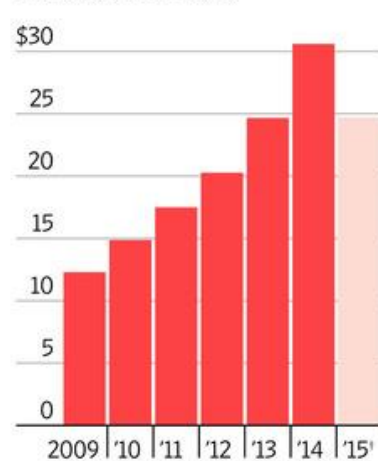
... attracting foreign investment into the country...

**FDI inflows to Vietnam, in billions of dollars**



...and boosting imports of Vietnamese goods.

**U.S. imports from Vietnam, in billions of dollars**



\*Includes wages and non-wage labor costs such as employers' social contributions \*\*Estimate †Through August  
 Source: Economist Intelligence Unit (labor costs per hour); General Statistics Office of Vietnam (FDI); U.S. Census Bureau (imports)

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The TPP “would encourage more garment manufacturers to push volume here,” says Mr. Smigelski. “The more they come, the more we’d benefit.”

Skyrocketing wages and a growing labor shortage in China are heightening Vietnam’s appeal. The country’s growth has waxed and waned since the 1980s, when its leaders ushered in an era of market-oriented reforms.

Last year, foreign direct investment into Vietnam totaled \$12.4 billion, up nearly a quarter from 2009. One of the biggest investors is South Korea’s Samsung Electronics which plans to nearly double its current \$4.5 billion investment in manufacturing electronics in the country.

If the trade deal goes through, Vietnam’s economy would be the single largest beneficiary, because it would gain much greater access to large consumer markets, according to the Peterson Institute for International Economics, a Washington-based think tank.

The pact “gives those inside privileged access to the U.S. and Japan,” said Chris Clague, a senior consultant at the Economist Intelligence Unit.

The Vietnamese government estimates that TPP could boost Vietnam's economy by \$33.5 billion during the next decade, roughly a fifth of the country's current gross domestic product. Exports from its key garment and footwear industry, one of the biggest TPP beneficiaries, could jump 46% to \$165 billion by 2025 as tariffs gradually fall to zero, the Peterson Institute says.

Money pouring into the Southeast Asian economy could make Vietnam one of the world's two fastest-growing large economies between now and 2050, along with Nigeria, if overall trade restrictions continue to lift, according to consulting firm PricewaterhouseCoopers.

In Long An province, Avery Dennison's gleaming three-story factory, located in an industrial park dominated by Japanese and Korean investors, is preparing for a surge in orders for garment-care tags, labels and price tags.

Down the street, dozens of concrete homes for factory workers are sprouting among the tall weeds that still cover parts of the area, a sign that other manufacturers are coming here too.

The Long An facility should give Avery Dennison room to grow through 2020, but the company will consider expanding if apparel production surges because of the trade deal, Mr. Smigelski says.

How much Avery Dennison and others in Vietnam's apparel industry benefit from the trade deal will depend on the final details.

Many analysts expect the deal to require that everything from yarn to the final garment itself come from member countries in order to qualify for the elimination of tariffs, a stipulation favored by U.S. yarn and textile producers.

Such a rule could leave manufacturers scrambling to comply since Vietnam imports most yarn and fabrics from China and other countries that aren't part of the pact. In the long term though, a strict local-content rule could push even more apparel-making business to Vietnam if yarn and fabric weavers are forced to set up in the country, Mr. Smigelski says.

Avery Dennison has begun to do more sophisticated manufacturing in Vietnam, using giant looms to produce Nike's lightweight shoe uppers. A machine with yellow and green harnesses holding spools of yarn makes a deafening click-clack sound as it rapidly imprints a silhouette of a leaping Michael Jordan on the high-end shoes, which retail for about \$200 a pair.

The skills of Vietnamese workers are increasing exponentially every year, and the country is able to accommodate ever more complex production, according to Avery Dennison.

“What took 30 years in China is taking 10 years in Vietnam to happen,” said Mr. Smigelski. That is why “more and more companies are making bets on Vietnam.”

• Vu Trong Khanh in Hanoi contributed to this article