



**Asia-Pacific  
Economic Cooperation**

**CTI 10-2014, Workshop on Facilitating Global  
Apparel Value Chains in the APEC Region**

**Ha Noi, Viet Nam  
July 02nd – 03rd, 2015**

**Summary Report**

***APEC Committee on trade and Investment***

APEC Project: CTI 10/2014

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# **Workshop on Facilitating Global Apparel Value Chains in the APEC Region**

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## **Summary Report**

### **I. Introduction**

On July 02<sup>nd</sup> and 03<sup>rd</sup>, 2015, the *Workshop on Facilitating Global Apparel Value Chains in the APEC Region*, initiated by Viet Nam and co-sponsored by Indonesia, Malaysia and China, was held in Ha Noi, Viet Nam. Speakers and participants came from eight APEC member economies (Australia, Chile, China, Indonesia, the Philippines, Singapore, Thailand, and Viet Nam) and Italia. Most of the Workshop participants were from the public sector, academic institutions or the private sector in the textile and apparel industry.

The Workshop sought to raise awareness of the importance of the global apparel value chain, especially its role in poverty reduction in developing economies in the APEC region. It aimed also at providing the opportunities for policy makers and representatives of business sector and international organizations to share advantages, disadvantages, obstacles and recommendations on facilitating and promoting the global apparel value chain. Last but not least, the Workshop was expected to explore potential cooperation opportunities among APEC member economies in promoting the global apparel value chain.

### **II. Background**

This project is in line with instructions of APEC Economic Leaders in their Declaration of 2012 in which APEC Leaders reaffirmed their “commitment to trade and investment liberalization and facilitation in the Asia-Pacific region”. In addition, this project is designed to implement APEC Leaders’ instructions in 2013 to “develop a capacity-building plan to assist economies, particularly developing economies, in overcoming specific obstacles they face in enhancing supply chain performance”. APEC Leaders in 2012 also reaffirmed “our commitment to achieving an APEC-wide target of a ten percent improvement in supply-chain performance by 2015, in terms of reduction of time, cost, and uncertainty of moving goods and services through the Asia-Pacific region, taking into consideration individual economy's circumstances” and welcomed “the adoption of a more systematic approach to addressing existing chokepoints in supply chains through targeted capacity-building and concrete steps towards making supply chains more reliable, resilient, safe, efficient, transparent, diversified and intelligent.”

Second, this project also conforms to the 2013 Joint Statement of the Annual Ministerial meeting, it is clearly stated that “We underscored the importance of enhancing value chain resilience, advancing work to establish more interconnected and resilient APEC region” and “We will explore further work in 2014 on the benefit of

the development of global value chains, including on the interconnection of supply chains and value chains”.

Last but not least, the project is expected to contribute directly to the commitments of APEC Leaders and Ministers to trade and investment liberalization and facilitation in the Asia-Pacific region by adding value to the performance of the global apparel value chain.

Themes covered during the two-day event included: (i) *Overview on Global Apparel Value Chains in APEC and Worldwide*; (ii) *Government’s Strategies and Policies to Facilitate Global Apparel Value Chains in the APEC Region*; (iii) *Facilitating Global Apparel Value Chains in APEC Region – Perspectives from the Private Sector*; (iv) *Assisting Small- and Medium-sized Enterprises to Participate in Global Apparel Value Chains*; and (v) *Case Studies of Facilitating Global Apparel Value Chains in APEC Member Economies*.

### **III. Discussion**

#### **Outcomes**

The *Workshop on Facilitating Global Apparel Value Chains in the APEC Region* included two days for presentations and discussions on current state-of-play, development and trends of global apparel value chains (including impediments). The last session (recommendations for future activities) provided an opportunity to share what participants can take away from the Workshop as well as to suggest potential APEC capacity-building activities to most benefit APEC member economies. Overall, the Workshop achieved its main objectives as described in the project proposal. Moreover, all participants considered that it afforded many chances for valuable networking among representatives from the policy community, academics and private-sector actors from within and outside the APEC region.

#### **Key Issues Discussed**

##### *Opening remarks*

In her opening remarks, **Ms Pham Quynh Mai (Senior Official of Viet Nam to APEC and Deputy Director General, Multilateral Trade Policy Department, Ministry of Industry and Trade, Viet Nam)**, stressed the importance of the Workshop in the context that enhancing efficiency and quality of global value chains (GVCs) in international trade has been attached greater importance to, and implemented by regional organizations and economies, taking into account the significant role of GVCs for the growth of the production chain, supply chain connectivity, and sustainable links between regional and international trade. Ms Pham stated that apparel is a sector which shows the increase of value in a chain most evidently at each stage of a product. It could be considered that the global apparel value chains are formed through 6 main stages: (i) *Provide raw products, including natural and man-made fibers*; (ii) *Produce inputs such as thread, yarn, and fabric by weaving companies*; (iii) *Design product samples*; (iv) *Develop products by apparel companies*; (v) *Export products by intermediates*; and (vi) *Marketing and distribute products to consumers*

For Viet Nam, apparel was a key sector in the socio-economic development strategy. For the past years, apparel products of Viet Nam had constantly been growing in quantity, types, and turnover value, becoming a major export commodity and holding a high position in national economy. Overall, in the global value chains, Vietnamese enterprises were mainly engaged in developing final products, which is considered to generate lowest added value. On the other hand, the inputs for production depended heavily on a small number of partners in the region.

The Senior Official expressed hope that with the active participation of scholars, policy makers, representatives from organizations and businesses in the Asia Pacific region, the Workshop participants would be able to identify and to propose many useful and feasible initiatives, aiming to help boost GVCs in general and the global apparel value chains in particular.

#### *Workshop's sessions*

Experts provided presentations on the following topics:

1/ During Session 1 on “*Overview on Global Apparel Value Chains in APEC and Worldwide*”, **Professor Sergio Arzeni (University of Essex, UK and former Director, OECD Centre for Entrepreneurship, SMEs and Local Development)** gave a comprehensive presentation. He first highlighted top apparel exports and importers world-wide and in the region. Professor Arzeni emphasized that textile and apparel GVC is driven by “global buyers” and changes in the fashion industry are frequent, challenging the ability of manufacturers to meet buyers demands. Furthermore, he went into details on 5 sets of key “GVC actors” in the textile and apparel GVC: (i) Raw material suppliers, (ii) Textile producers, (iii) Garment assemblers, (iv) “Intermediary” trading companies, and (v) Retailers and branded merchandisers. Professor Arzeni then introduced on upgrading in the supply base, shifting locations of production, obstacles in participating in textile and apparel GVCs. In his conclusion, he reiterated international policy and regulation impact on GVC, such as the liberalization of trade, WTO Agreement on Textile and Clothing, regional and preferential trade agreements, investment in management, technical and operator skills etc.

2/ During Session 2 on “*Government's Strategies and Policies to Facilitate Global Apparel Value Chains in the APEC Region*”, there were two speakers: **Ms Maria Teresita Jocson-Agoncillo, Executive Director, Confederation of Garment Exporters of the Philippines and Ms Dang Phuong Dzung, Vice Chairwoman, Viet Nam Textile and Apparel Association.**

- **Ms Maria Teresita Jocson-Agoncillo** started her presentation by providing an overview on the Philippine apparel and textile industry with detailed information on employment in garments and textile industry, world exports of garments, Philippine garments and textile export, comparative analysis of business costs etc. Ms Jocson-Agoncillo observed that the growth of the Philippines garments and textile industry is largely hindered by market access issues. She stressed that maximizing benefits made available by FTAs to the

Philippines' exporters should be the first core market strategy and the Philippines needed to undertake substantive preparations to enable it to join the Trans-Pacific Partnership. Ms Jocson-Agoncillo then provided participants with information on industry transformation framework: (i) market access programs (TPP, EFTA, EU GSP, ASEAN, Japan, on-going FTAs), (ii) industry development and regulatory programs (SME Developmental Program; training centers; industry accreditation labor/ social compliance program; textile development) and (iii) export and investment promotion programs (create new markets in ASEAN and China; textile investment promotion).

- The presentation of **Ms Dang Phuong Dzung** was outlined into four parts: (i) overview of global apparel value chains, (ii) government policies, (iii) barriers in regulation and (iv) solutions. She emphasized factors impact to changing global apparel value chains, including the development of contribution system, lean sale system, IT development, government policies, quota system, FTAs. In addition, Ms Dang highlighted movement trends in production structure changing and production shifting from China to ASEAN economies. In terms of general challenges, she listed differences in culture, languages, levels of development, possible increase in expenses, comparative advantage and protectionism etc. For Viet Nam, Ms Dang was of the view that regulatory barriers remain high, especially in rules of origin, technical barriers to trade, SPS, anti-dumping, subsidies, different rules and regulations of FTA partners, administrative procedures, poor infrastructure etc. In her summing up, Ms Dang suggested several recommendations: Steady and firmly expand international market; Well manage and exploit intra-APEC market; Maximize exploiting TPP and FTAs and focus on more added value; Focus on labour allocation in APEC. In the case of Viet Nam, she shared three action plans to develop textile and apparel industry: (i) link to textile and garment global supply chain, (ii) explore global market and (iii) produce fabric and trimming (supporting industry).

2/ During Session 3 on “*Facilitating Global Apparel Value Chains in APEC Region – Perspectives from the Private Sector*”, there were four speakers: **Mr Chris Koh, The Honorary President of The Textile and Fashion Federation of Singapore (TaFf) and Chairman of TaFf Training Centre, Singapore; Ms. Do Hong Hanh, Director, Business Development (Overseas), Esquel Group, Viet Nam; Ms Eunjeoung Lee, CEO, Saeil Embo Co., Korea and Mr Yusuv Suhyar, Chairman, Permanent Committee on Trading, Foreign Relationship, and Investment at West Java Chamber of Commerce and Industry, Indonesia.**

- The presentation of Mr Chris Koh was divided into five parts: (i) Overview of global clothing industry, (ii) Value proposition, (iii) Strategy for progress, (iv) Government's role and (v) global agencies' role. Mr Koh presented that the clothing export industry grew from USD 40 billion in 1980 to USD 460 billion in 2013 with no major changes in main importing economies. In terms of value proposition to buyers, he highlighted product innovation and transfer of cost.

Moreover, regarding value proposition to manufacturers, Mr Koh insisted on geographical location, infrastructure, political climate and cost. To him, Governments played an important role in developing infrastructure, reviewing labor law, liberalizing financial market, developing target markets, facilitating trade, providing FDI incentives and developing capabilities, developing industry training schools. In addition, global agencies' would play a role in feasibility studies, FDI recruitment, capabilities development, market trends and technical update, market development, risk sharing and investment protection.

- **Ms Do Hong Hanh** started her presentation by reiterating that PAEC was the hub of global garment trade and APEC member economies accounted for almost 65% of the global garment trade. In order to shape the global apparel value chain, it was essential to strengthen the linkage between the FDI and the domestic sector, to upgrade the manpower quality, to provide total supply chain solutions to customers, and to assess impacts of Free Trade Agreements. In the views of Ms Do Hong Hanh, tax and investment incentives alone were not sufficient. A more holistic approach to cluster policy was required to build a strong global apparel value chain. Elements to clusters are: investment incentives, business linkages, market information and disclosure, specialized physical infrastructure, education and workforce training, science and technology infrastructure, setting standards, environmental stewardship and natural resource protection.
- The presentation of **Ms Eunjeoung Lee** focused on challenges in the global apparel value chains and recommendations on the way forward. Ms Lee explained four major impediments in the global apparel value chains: (i) lack of skilled manpower (including at management level), (ii) high investment and management costs, (iii) vulnerable component and raw material industry, and (iv) complicated administrative procedures and different cultures. She raised three recommendations to tackle with such challenges: Corporate social responsibility (companies to collaborate with Governments to help solve social problems and develop human resources); Import-export facilitation and simplification; and innovation and upgrading technology, especially in fiber technology.
- **Mr Yusuv Suhyar** first approached the issue by highlighting opportunities of apparel product in APEC economies' market. In his presentation, Mr Suhyar named three main barriers for apparel products in the APEC region market: (i) Legal certainty, (ii) market access and (iii) product competitiveness. He then observed that these barriers might be removed by making business-friendly export rules, further discussions with export destinations, intensifying market intelligence, holding promotional activities, holding training on design and improvement of quality, or assistance programs to increase production capacity etc. In order to increase value chain, Mr Suhyar was of the view that it was

essential to increase market export destination, improve product quality and apparel diversity and improve export facilitation of apparel products. In his conclusion, Mr Suhyar stressed that synergy between the private sector and the Government should be further enhanced as well as the needs of realizing an FTAAP.

4/ During Session 4 on “*Assisting Small- and Medium-sized Enterprises to Participate in Global Apparel Value Chains*”, there were two speakers: **Professor Sergio Arzeni and Mrs Doan Thuy Nga, Enterprise Development Foundation, Viet Nam’s Chamber of Commerce and Industry** (on behalf of Dr Pham Thi Thu Hang, Secretary General, Viet Nam’s Chamber of Commerce and Industry).

- **Professor Sergio Arzeni** provided an in-depth presentation on “SMEs and GVCs”. He emphasized that globalization of value chains brought opportunities for SMEs such as access to global markets at lower costs, expanding business and gaining stability, access to inputs at lower costs and diversifying provisioning, benefits in terms of information flow, technology transfer, learning opportunities. Professor Arzeni added that opportunities for SMEs could lead to upgrading in product, process, function and chains. However, globalization of value chains also represented challenges to SMEs. Those are: internal constraints (lack of skills, managerial and financial resources, poor ability to upgrade and innovate, unable to identify competitive strengths within the value chain, poorly connected with key knowledge network, lack of working capital and funding for investment) and external constraints (obstacles in foreign regulation, issues of transparency and predictability, restrictions on entry, ownership, operations, license, language barriers, unfamiliar with administrative procedures). Last but not least, Professor Arzeni suggested several policy measures to support SMEs’ integration in GVC, including, among others, improving access to information and markets, enhancing skills development, easy accessing to finance, supporting access to knowledge networks, technology and innovation, enhancing global and bilateral cooperation, reducing entry costs to SMEs and easing access to information through infrastructure and technology, integrating the SME dimension in general trade promotion strategies, improving coordination across agencies and reducing fragmentation in SME support policies.
- The presentation of **Mrs Doan Thuy Nga** was titled “Participation of Vietnamese Enterprises in the Global Apparel Value Chain”. Mrs Doan’s presentation was outlined into five parts: (i) Overview on Viet Nam’s apparel industry, (ii) Global apparel value chain, (iii) Main barriers to Viet Nam’s apparel companies, (iv) Reasons behind limitations and weaknesses of Vietnamese enterprises in participating in the global apparel value chain and (v) Recommendations. According to Mrs Doan, main barriers to Viet Nam’s apparel companies were: input materials, small scale companies, skills of employees, equipment, limitations of supporting industries and difficulties in



accessing land and finance. She recommended the Government of Viet Nam to reform institution, issue new regulations, develop supporting industries and provide financial assistance for the private sector. On the other hand, she insisted that companies should access to global distributional networks to approach wholesale purchasers, reduce production costs, develop the production of materials, master design process, upgrade technical capacities, improve distributional network and marketing, and enhance human resource development. In her summing up, she emphasized the needs of reaping benefits from FTAs as well as of developing linkage clusters, commercial marketing and of being active in transformation of fabric.

5/ During Session 5 on “*Case Studies of Facilitating Global Apparel Value Chains in APEC Member Economies*”, there were three speakers: **Ms. Kiri Delly, CEO, Council of Textile & Fashion Industries of Australia (TFIA), Australia; Dr. Sitanon Jesdapipat, Associate Professor, Vice Dean for International Affairs, College of Social Innovation, Rangsit University, Thailand; and Ms. Venus C. Genson, Managing Director, Art n Nature Mfg. Corp, Philippines.**

- **Ms. Kiri Delly** first shared information on overview of the Australian apparel landscape and SWOT (strength, weakness, opportunity, threat) analysis of Australian apparel industry. Regarding Australian value chain, Ms Delly stated that Australian retailers lacked bargaining power due to low volumes and Australian brands generally working on connections into regional supply chains and overseas customer markets. What is more, Ms Delly gave interesting examples of what happened upstream had a major effect on conditions downstream. After introducing FTAs in force and FTAs currently in negotiations of Australia, Ms Delly explained potential opportunities within facilitation of global value chains. Those are: expand interactions beyond simple contractual relationships, opportunities for collaboration and promotion, skills improvement and promotion of workforce development, creation of strategic infrastructure and services, harmonised standards and risk assessment, increases in productivity, etc.
- **Dr. Sitanon Jesdapipat** gave a comprehensive presentation on the case of Thailand. He first introduced the evolution of the textile industry and three waves. Additionally, Dr Jesdapipat listed common challenges in Thai textile industry such as sales and marketing, production planning and control, shop floor production and information management etc. He then gave interesting examples of bags and garments from Chiangmai, a young designer in Bangkok, wholesale markets in Bangkok etc. In his conclusion, Dr Jesdapipat observed that: competitive environment changed significantly with China and technologies being two new acute drivers; quality (include environmental component) would continue to dictate competitive edge of the industry; life-cycle of products would be shortened by consumer preference, hence branding and design became imperative in new competition environment.

- **Ms. Venus C. Genson** approached the issue by stressing various ideas on large-scale textiles and clothing manufacturer and exporter, large-scale producer and supplier to an export agency, clothing producer-cum-exporter operating under law, subcontracting small-scale clothing producer etc. She recommended that FTAs in APEC must be for the progress of textiles and clothing industry and must create a preferential treatment/ environment to make impact on the industry. Furthermore, Ms Genson affirmed that FTAs within APEC members must generate significant benefits for an economy's textiles and clothing industry and it would be beneficial to sign FTAs with ASEAN and ASEAN+1 economies as these economies provide alternative markets for the final clothing products. Last but not least, she raised short-term and long-term suggestions, such as improving access to credit, encouraging production for the local market, education and training, marketing and networking, promoting foreign direct investment, technology investment and flexible production systems, international and regional standards certifications etc.

#### **IV/ Conclusions and Recommendations**

1/ The consensus view of the Workshop's speakers, moderators and participants agreed that the project achieved its intended objectives. They considered the Workshop to have evaluated to be good for APEC to continue to share and discuss in-depth and various knowledge, experience and challenges on GVC in textile and apparel from various APEC member economies. They also commented that it was interesting to learn about information on new trends and network relating to GVC in textile and apparel. Participants also said that the Workshop had provided a great opportunity for networking with experts from within and outside APEC region.

2/ The Workshop's participants suggested that future activities should be:

- SME fair for textile industry;
- Financing for SMEs;
- Study on benefits and impacts of FTAs on APEC economies and GVCs;
- Workshop/study on best practices on benchmarking in GVC in textile and apparel;
- More support for the private sector through public-private partnership;
- Consultancy services to help improve productivity;
- Enhancing awareness of SMEs on market assessment/ GVC opportunities as well as bargaining power;
- APEC to study on future workforce in textile and apparel industry;
- APEC to review/analysis of labor wage costs and to define a base and a minimum wage that is applicable for an economy;
- Sustainability assessment of textile and apparel industry;
- A workshop on technical upgrade in textile and apparel industry;
- Ways to support young designers in textile and apparel;
- Impacts of FTAs on logistic operations in the APEC region