

Southeast Asia strategic sourcing review – a focus on Cambodia, Vietnam and Myanmar

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Southeast Asia strategic sourcing review - a focus on Cambodia, Vietnam and Myanmar

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About the author

Rupa has over 15 years' experience across various aspects of the textiles and clothing value chain. Her interest in apparel trade and economics led her to intern at the World Trade Organization (WTO) in 2002, where she participated and assisted in the trade negotiations for the second major review of the Multifibre Agreement.

In 2003, she was involved in setting up the first-ever benchmarking software tool for clothing manufacturers, as a project consultant to the United Nations agency, The International Trade Centre (ITC). She went on to serve as the ITC's advisor for textiles and clothing. In addition to facilitating public private partnerships, she also advised, designed and implemented integrated textiles and clothing sector programmes across South, Central and South East Asia, Africa, Latin America and Eastern Europe.

She is currently the managing director of Clothing Connect B.V. (www.clothing-connect.com), a specialised consulting company offering services in research, value chain analysis, market connectivity and export competitiveness programmes with development agencies worldwide.

Led by her strong belief in the empowerment of women entrepreneurs and professionals, she founded the non-profit organisation – 'SPINNA Circle' www.spinna.org with a focus on getting more women in the textiles and clothing value chain to move up the ladder. As a result, she is a signatory to several international projects.

She is a graduate of economics from St. Xavier's College, Mumbai, holds a post-graduation in textile design and development from the National Institute of Fashion Technology New Delhi, a Masters in textile management from the University of Leeds, UK, a certificate in fashion buying and merchandising from the London College of Fashion and has a certificate in international law from The London School of Economics (LSE).

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METHODOLOGY AND OBJECTIVES OF THIS REPORT

Methodology and objectives of this report

This report is aimed as a tool for both buyers and suppliers to assess and compare the advantages and challenges of sourcing and manufacturing apparel in the Southeast Asian countries of Cambodia, Vietnam and Myanmar. just-style has chosen to focus on these three countries as we believe they are the most strategically important and interesting countries across the region.

Cambodia's garment industry has a huge impact on its population and makes up 80% of its exports. This is one of the most important sectors for the country as it's viewed as a low cost destination in Southeast Asia. Will it be able to retain its advantage with the rising competition from its neighbouring countries?

Vietnam is one of the top exporters of apparel globally and has currently become more interesting since signing the TPP agreement with the US and after having concluded trade negotiations with the EU on the EU-Vietnam Free Trade Agreement (EVFTA). How will this impact trade patterns and exports from Vietnam?

With increasing investments and strategic trade agreements, **Myanmar** has only recently opened to international trade (since 2013) and has attracted the attention of several international brands as well as governments. What makes Myanmar so attractive and how will Myanmar impact trade patterns in the next five years?

These are some of the key questions discussed in this strategic sourcing review.

Part 1: Background research into the three countries. Introducing the value chain approach that just-style's author has taken to develop the 15-point sourcing criteria.

Part 2: An overview of each country and comparison of its competitiveness based on buyer preferences and perceptions across the 15-point sourcing criteria.

Part 3: Analysis of the countries from buyer and supplier perspectives, based on costs and comparisons at the manufacturing and investor level.

Part 4: Current and future sourcing scenarios based on each country's vendor categorisation.

PART 1: THE VALUE CHAIN APPROACH TO SOURCING CRITERIA

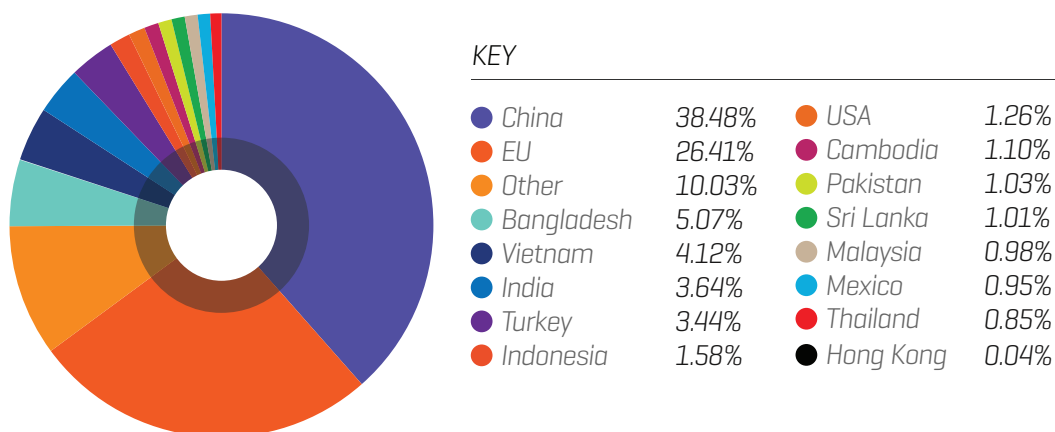
The value chain approach to sourcing criteria

Sourcing today: where, what and with whom to produce?

These are key questions being asked constantly in the sourcing departments of the majority of brands and retailers across the world.

Everyone is trying to get it right, to get the best value. Whether that means the lowest price, the best fit or to source the right level of intricate hand finishing, it all depends on the right match for each individual company. So who are the key producers and which countries are the biggest exporters? Almost 90% of 2014's garment exports came from just 15 countries. Of these 15 countries, 11 are in Asia. Figure 1 shows the breakdown and share of global trade between these top 15 countries in 2014.

Figure 1: Top 15 garment exporters in 2014 (% share of global trade value)



Source: just-style analysis based on 2014 WTO statistics

With clothing exports on the rise over the last five years, the total global value of clothing exports was recorded at approximately US\$485bn in 2014. In our background research for this report, we asked several buyers which countries they were currently sourcing from and which of these were on their sourcing radar for the next five years. Their responses unsurprisingly matched the trade statistics quite closely.

PART 2: PROFILING VIETNAM

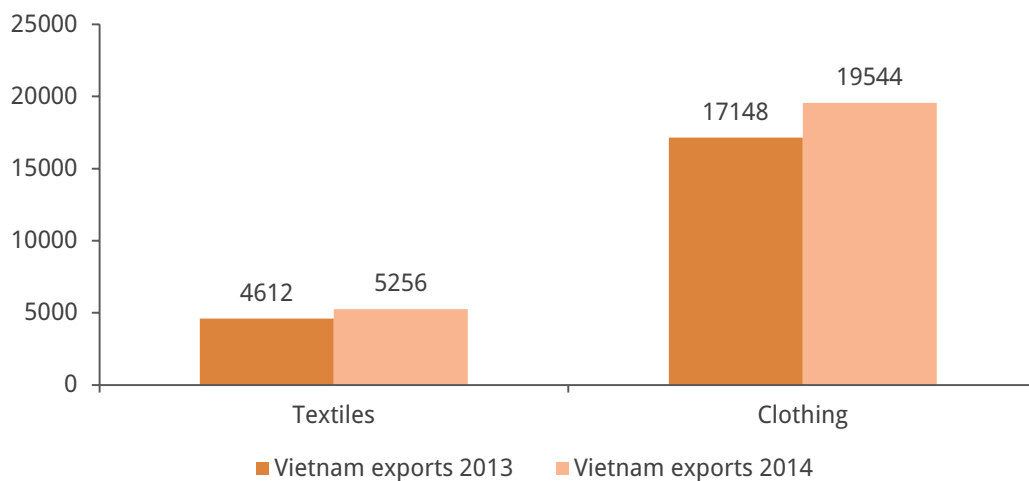
Profiling Vietnam

Background

“Vietnam cannot compete only on cost... we have to compete on skills and more high-end quality, better FOB prices. Over the next five years, we must support the implementation of the FTAs (Free Trade Agreements), work on providing solutions for our environmental concerns with stringent waste water treatment regulations and work on social issues together with our labour operators.”

Mr. Nguyen Hong Giang, Secretary General of VCOSA (Vietnam Cotton and Spinning Association)

Figure 8: Vietnam's textiles and garment exports, 2013-2014 (US\$m)



Source: WTO

- Vietnam is one of the largest exporters of garments in the world and ranks 4th globally (by value)
- There are still bottlenecks that need to be ironed out, but as a sourcing destination, Vietnam is being touted as one of the top destinations in Asia and will undoubtedly see an increase in orders over the next five years
- Buyers see Vietnam as a country with political stability and reliability
- Most of the orders are FOB, and several even ODM/OEM which are carried out by big