

VIETRADE –Vietnam's textile and garment companies are encouraged to tap the Armenia's market potential which is still underdeveloped but promises positive outlook, especially after Vietnam and Eurasian Economic Union (EAEU) signed a free trade agreement (FTA).

The Vietnam-EAEU FTA, involving Vietnam, Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, was signed in May 2015 and took effect in October last year.

The Vietnam National Textile and Garment Group (Vinatex) late in August sent a business delegation to Armenia to learn about the market and seek investment opportunity here.

Vinatex's delegation met Armenia's Deputy Minister of Foreign Affairs, Minister of Economy and The United Nations Industrial Development Organization (UNIDO). They also visited some big companies in the textile industry, including Alex Textile Company and Tashir Group.

Through identifying major advantages in terms of market and tariff preferences, Vinatex will study feasibility on business and production cooperation with large companies in Armenia. At the beginning time, Vinatex will contribute mainly machinery and production management.

Nearly 90% of tariff lines have been cut and reduced, with 59% eliminated immediately as the Vietnam-EAEU FTA took effect on October 5, 2016. Vietnam has comparative advantage when exporting to this region, especially textile and garment products.

During the exchanges, the Armenia's government expressed its desire to cooperate with Vietnamese companies with extensive production and management experience with the aim of reviving the light industry as well as boost export growth in this country.

At the same time, representative of Armenia's government also emphasized the country has policies to encourage and facilitate foreign investment, creating favorable conditions for foreign investors to do business in Armenia.

It said Armenia will issue special mechanism for Vietnamese investors such as cooperation policy, multilateral and bilateral cooperation agreement, as well as preferential regimes and visa facilitation for Vietnamese workers.

Small market but positive outlook

The apparel and textile industry is one of the most labor intensive industries in Armenia, consisting of about 90 per cent of female employees. It was a major branch of Armenia's economy in the Soviet era with total employees of 115,000 people at the peak period, equivalent to 25-30% of the country's labour force.

This industry has nearly been disintegrated after the collapse of the Soviet Union in early 1990s. Up to now, about 94 businesses are operating in this light industry with a total of 3,200 employees, mainly working in eight large enterprises.

Armenia's export value is modest with a turnover of just US\$50 million in 2014 while it imported US\$170 million worth of apparel goods. However, the country is a good gate to enter Russia and EU. It enjoys tariff preferences with Russia, EU countries, as well as Russian Commonwealth states, at a more attractive tariff rate than that for Vietnam's exports.

Vinatex has also showed its interest in cooperation with big Armenian companies who have big distribution networks in Russia and EU.

In addition, Armenia has the advantage of low wages and electricity price (about 90 per cent of Vietnam's prices). Armenian companies also have rich experience in cooperating with large world fashion houses from the United States, Canada, Italy and Germany such as La Perla, Montcler, Armani, Yves Martin and Amerex.

Textile industry is among the 11 strategic export-oriented sectors identified by the Armenia's government to launch strategic development plan.