

# Guten Morgen, Vietnam

*Why is a German garment company planning to shift its PRC manufacturing facilities to Vietnam?*

*John Crampton finds out.*

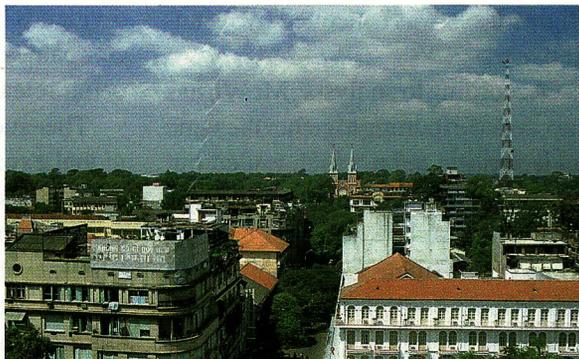
**T**hose of us unfamiliar with the garment industry may not know of Freudenberg as being the world's largest manufacturer and supplier of high quality interlining. This is the fabric lining that fashion designers and clothing technicians incorporate in the structure of a product, be it an elegant Parisian piece of haute couture or the lining in the seat of a German automobile.

Freudenberg & Vilene pioneered its non-woven business out of West Germany and currently relies on its primary manufacturing operations in the United States, Japan and West Germany. It does however maintain a manufacturing facility on all five continents, "It is important for us to have a presence wherever the major clothing manufactures are located. Our business is supplying non-woven textiles to the garment industry," says Paul Humphreys, senior clothing technologist at the company.

Freudenberg & Vilene's Asian headquarters has been based in Hongkong for the last 15 years. It also functions as a regional distribution office for a range of non-woven fabrics which it manufactures overseas. A workforce of 250 in the territory alone, the company has an annual turnover of \$HK480 million (\$US61 million), which is derived from the sale and distribution of its products to Asian based garment manufacturers. This represents the

total sales revenue from the region with Freudenberg offices in Indonesia, Macau, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and associated companies in Korea and Japan.

The volatility of the People's Republic of China both politically and economically with regards to recent past events has meant several of the large garment manufacturers are conducting studies on the feasibility of relocating their output to Vietnam. "Our clients are looking for a place where their investment and joint venture with the respective govern-



With the onslaught of foreign investment, the Skyline of Ho Chi Minh City will soon change.

*The existing policy of 'doi-moi' in Vietnam, the equivalent of the Russian perestroika, encourages private business and foreign investment*

ment is going to be secure not just in the short term but well into the nineties and beyond," says Humphreys.

"For us it is a matter of what the major players in the industry decide to do. We play a more service orientated role in Asia and follow the billion dollar manufacturers wherever they go. The existing policy of 'doi-moi' in Vietnam (the equivalent of Russian perestroika), encourages private business and foreign investment. We estimate there to be 21 million manual workers at an average labour cost factor of .008 cents per standard minute making this to be one of the cheapest labour costs in Asia. This is one of the attractions which manufacturers cannot neglect," said Humphreys when asked whether Freudenberg sees Vietnam as a future centre of Asian garment manufacturing.

The infrastructure is far from ideal however, with constant power supply failures which for a factory operator means periods of non-production resulting in more downtime. This is a very important factor in the garment trade where seasonal fluctuations in demand require deadlines to be met on time. If production comes to a halt, average daily output is reduced, which in turn puts more pressure on factory managers to meet their quota on time. He is not going to be able to rely on a fixed itinerary for a busy transcontinental traveller visiting his Asian factory on a stop over in Vietnam.

"In the garment business there can be a lot of hiccups, perhaps a piece of machinery breaks down and a replacement part has to be flown in from the US or the wrong interlining is being sewn into a garment. The question is, how quickly can we get a technician into the country to rectify the problem. The answer lies in the efficiency of air links and existing transport on the ground. Every minute of downtime costs us money."

## VIETNAM

*The Vietnamese are not ignorant to what is going on in the outside world, there are 400,000 working in the Eastern bloc and several thousand more spread throughout the northern hemisphere sending back millions of American dollars each year*



Since Vietnam's withdrawal from Cambodia, Saigon's unemployment has soared because of redundancies in the Army.

France, Aeroflot and recently by Garuda. The aircraft used by Air Vietnam are old Russian cast-offs with small, grey metal seats. Hanoi radio issues a warning: "no guarantee of air worthiness - better use an international airline where possible".

The focus of garment factories is unsurprisingly concentrated in

South Vietnam, with 50 compared to 4 in the north, with 90 percent of total production for export. "Our presence in Vietnam will initially be as a joint venture branch office, more of a testing ground than anything. We do

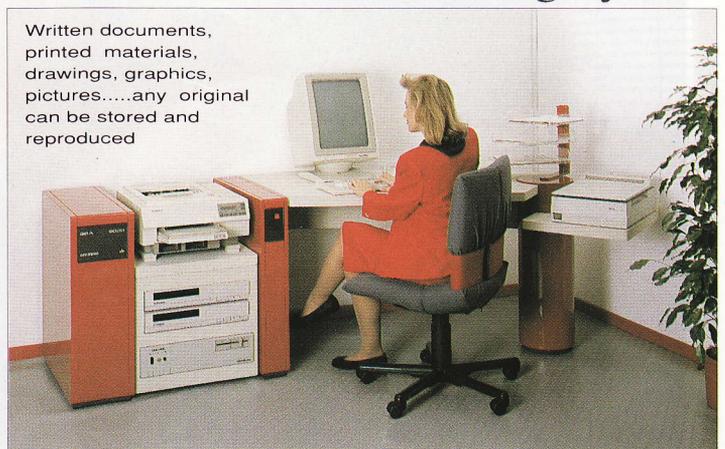
A recent analysis of Vietnam's transport structure describes it as

having a very basic airport, used only by Air Vietnam, Thai Airways, Air

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