HO CHI MINH CITY, Vietnam -- Le Thi Ha bent her head over the sewing machine, pressed a bare foot to the pedal and in six seconds turned out a neat armhole seam on a green nylon Pacific Trail jacket that will retail in the United States for $100, slightly more than her monthly wages.

An expert seamstress on Production Line 2 of Factory Number 4 of the state-owned garment firm Vigatexco, she is part of an industry that employs 2 million people in Vietnam, more than any other industry in the country. Garment and textile exports are valued at $4.5 billion annually -- second only to oil and gas -- and about $2.7 billion worth of these products go to the United States, which established normal trading relations with Vietnam at the end of 2001.

But after several years of rapid growth, the industry faces trouble: the rise of China as the world's largest low-cost producer and uncertainty about when Vietnam will join the World Trade Organization.

The government had counted on joining the WTO, which sets trade rules among member nations, by the end of the year. But meeting that goal will be difficult, Vietnam's trade minister, Truong Dinh Tuyen, said last week.

Vietnamese negotiators are trying to complete bilateral agreements with more than 20 WTO members, including Japan, China and the United States, one of the conditions of membership. Tuyen said that progress has been slow and that several countries that want Vietnam to open its markets to more foreign competition are not yet satisfied with Vietnam's offer. The United States, in particular, would like Vietnam to open its services sector -- banking, insurance and telecommunications.

Until Vietnam becomes a WTO member, it must continue to operate under a special quota agreement with the United States that limits exports. The restrictions effectively make Vietnam less competitive, raising the chances of massive layoffs and social unrest.

A separate global textile quota system that had helped level the playing field among apparel-producing countries expired Dec. 31 for WTO members. But because Vietnam is not part of the organization, it and a handful of other countries are still subject to quotas and have to contend not only with China, but also with other developing countries, such as Indonesia and the
Philippines, that are now quota-free.

At Vigatexco, for instance, one of the industry's larger factories, officials have laid off 300 of 1,500 employees so far this year because orders have dwindled by about 30 percent, said Nguyen Dinh Han, assistant general manager. Many of the orders are now going to WTO members, mainly China.

Chinese factories can churn out huge quantities of garments in a relatively short period. This efficiency has forced down prices for each garment by 20 to 30 percent, he said. The average price per garment at his firm is $3, he said. With orders falling by 50,000 pieces for the first quarter of this year, he said, that means about $150,000 lost to China.

"We are worried about the future of our textile and garment industry," said Le Quoc An, chairman of the Vietnam Textile and Apparel Association and the Vietnam National Textile and Garment Corp., a group of state-owned companies. "This year, 2005, it will be very difficult for Vietnam to compete with China and other countries that export to the United States."

China has squeezed production times with its enormous capacity and domestic cotton industry. Using fabric made at home, Chinese factories can produce garments in a quarter of the time it takes their Vietnamese counterparts.

"One of our factories in China can produce 100,000 pants in one week," said a U.S. buyer who spoke on condition of anonymity because of corporate policy. "It would take a Vietnamese factory four weeks."

Vietnam is trying to build a cotton industry, but that is years away, officials said. For now, it takes an average of 15 days to import material or to have clients ship it.

"This year we shifted a lot of the orders to Indonesia and the Philippines," said the buyer, who deals with as many as 15 factories in Vietnam.

The buyer said the other disadvantage to ordering from Vietnam is that the quotas restrict the number of garments he can move out of the country.

Some industry officials said Vietnam can survive in the short term under quotas if the government distributes them to factories that have proved they can fill orders. A scandal last fall in which senior Trade Ministry officials were accused of graft in assigning the quotas greatly disrupted the industry. The prime minister has declared a campaign against corruption, and factory officials say they believe the Trade Ministry will be forced to operate more transparently.

Vietnam cannot hope to compete directly with China in mass production of standard clothing, but it is trying to develop higher-end markets for garments that require more handwork or technical expertise, industry officials and buyers said.

Le, a single 35-year-old woman, churns out 250 items a day, which helped earn her the designation of Best Employee. "To me, it's easy," she said, pausing for a moment from her stitching and snipping. She sends one-third of her salary, which is more than what most factory
workers earn, to her parents, she said.

Han, the assistant factory manager, acknowledged the risks in the current climate but said he was confident the firm would continue to attract orders.

"We are optimistic even though we know that other countries have lost market to China," he said. "We will survive."

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