ASSESSING THE IMPACT OF EVFTA ON VIETNAM'S TEXTILE AND GARMENT EXPORTS TO THE UK

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ARTICLE INFO	ABSTRACT
	Purpose: The study assesses the impact of the EVFTA on textile exports from Vietnam to the UK and provides some policy implications for Vietnam. **Originality/value**: The study used the data of Vietnam's textile and garment exports to the UK in the period 2010 - 2019 and the data of countries' textile exports to the UK in 2019 to propose 3 export scenarios for Vietnam. **Design/methodology/approach**: The study uses the SMART model combined with qualitative research methods to analyze and evaluate the positive and negative impacts of UKVFTA on Vietnam's textile and garment exports. **Findings**: Research has shown the positive effects and limitations of UVK on textile exports from Vietnam to the UK. Since then, several short-term and long-term measures have been proposed to develop Vietnam's textile and garment industry. Doi: https://doi.org/10.26668/businessreview/2022.v7i2.0426

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AVALIANDO O IMPACTO DO EVFTA NAS EXPORTAÇÕES TÊXTEIS E DE VESTUÁRIO DO VIETNÃ PARA O REINO UNIDO

RESUMO

Objetivo: O estudo avalia o impacto do EVFTA nas exportações têxteis do Vietnã para o Reino Unido e fornece algumas implicações políticas para o Vietnã.

Originalidade/valor: O estudo utilizou os dados das exportações têxteis e de vestuário do Vietnã para o Reino Unido no período de 2010 a 2019 e os dados das exportações têxteis dos países para o Reino Unido em 2019 para propor 3 cenários de exportação para o Vietnã.

Design/metodologia/abordagem: O estudo utiliza o modelo SMART combinado com métodos de pesquisa qualitativa para analisar e avaliar os impactos positivos e negativos do UKVFTA sobre as exportações têxteis e de vestuário do Vietnã.

Descobertas: A pesquisa mostrou os efeitos positivos e as limitações da UVK nas exportações têxteis do Vietnã para o Reino Unido. Desde então, várias medidas de curto e longo prazo foram propostas para desenvolver a indústria têxtil e de vestuário do Vietnã.

Palavras-chave: UKVFTA, Exportação, Têxteis, Impacto, Vietnã.

EVALUACIÓN DEL IMPACTO DEL EVFTA EN LAS EXPORTACIONES TEXTILES Y DE CONFECCIÓN DE VIETNAM AL REINO UNIDO

Objetivo: El estudio evalúa el impacto del EVFTA en las exportaciones textiles de Vietnam al Reino Unido y ofrece algunas implicaciones políticas para Vietnam.

Originalidad/valor: El estudio utilizó los datos de las exportaciones textiles y de prendas de vestir de Vietnam al Reino Unido en el período 2010 - 2019 y los datos de las exportaciones textiles de los países al Reino Unido en 2019 para proponer 3 escenarios de exportación para Vietnam.

Diseño/metodología/enfoque: El estudio utiliza el modelo SMART combinado con métodos de investigación cualitativa para analizar y evaluar los impactos positivos y negativos del UKVFTA en las exportaciones textiles y de confección de Vietnam.

Resultados: La investigación ha demostrado los efectos positivos y las limitaciones del UVK en las exportaciones textiles de Vietnam al Reino Unido. Desde entonces, se han propuesto varias medidas a corto y largo plazo para desarrollar la industria textil y de la confección de Vietnam.

Palabras clave: UKVFTA, Exportación, Textil, Impacto, Vietnam

INTRODUCTION

The UK is Vietnam's third-largest trading partner in Europe. Before the UK left the EU, Vietnam-UK trade relations were governed by the EVFTA effective from August 1, 2020, under the EU's GSP General Preferential Tariff Regulation. On December 29, 2020, the UK and Vietnam signed the UKVFTA based on inheriting the actual contents of the EVFTA. UKVFTA was signed in that the UK is seeking Vietnam's support in negotiating to join the CPTPP. UKVFTA inherits most of the commitments in the EVFTA with necessary adjustments to ensure compliance with the bilateral trade framework between Vietnam and the UK. In addition, UKVFTA is a new generation, a high-quality bilateral agreement that eliminates import taxes and non-tariff barriers for the two countries' goods according to a short route. Accordingly, the UKVFTA Agreement includes 09 articles; 01 Appendix amending several pieces of the text of the EVFTA; 01 Protocol, and 01 bilateral letters exchanged between

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Vietnam and the UK. The contents covered by the UKVFTA Agreement are like the EVFTA Agreement, including trade in goods (including general regulations and commitments to open markets), customs, and facilitation. Trade, rules of origin, technical barriers to trade (TBT), food hygiene and safety measures (SPS), trade in services (including general regulations and commitments to open markets), trade remedies, investment, competition, Government procurement, state-owned enterprises, intellectual property, trade and sustainable development, cooperation and capacity building, and legal - regime. One year after the UKVFTA took effect, trade exchange between Vietnam and the UK has seen good growth. According to the General Department of Customs, in 2021, despite the Covid-19 pandemic, two-way trade between Vietnam and the UK reached more than 6 billion USD, of which Vietnam's exports to the UK increased by 16.4 % and vice versa. UK exports to Vietnam increased by 23.6% compared to before the Agreement, which Vietnam has a trade surplus of about 4.46 billion USD. This shows that the room for Vietnam's exports is enormous. Textiles and garments, phones, shoes, wood and wood products, computers, components and seafood, and cashew nandutuscoffee… are at the top of the product lines with room to exploit this potential market.

Many theoretical and empirical studies have shown the impact of FTAs on general exports or specific products in Vietnam and abroad. However, studies on the UKVFTA Agreement, especially on the effect of this agreement on Vietnam's textile and garment export activities, are still quite limited and have not seen the full impact in quantitative terms. Stemming from the above fact, this study was conducted to show the qualitative and quantitative effects of UKVFTA on Vietnam's textile and garment exports to the UK. The content of the study is based on results from SMART simulations, focusing on analyzing the trade creation and trade diversion effects of UKVFTA on Vietnam's textile and garment exports to the UK. In addition, the policy implications the research results also draw the policy implications of several directions to support businesses of state agencies, the Vietnam Textile and Garment Association, and the impact on textile and garment exporters' opportunities from UKVFTA and promote Vietnam's textile and garment exports to the EU in the coming time.

LITERATURE REVIEW

Impact of FTA

After being signed and implemented, FTAs have substantially impacted economic growth, development, and exports in member countries. The effects of FTAs are considered in two aspects, static and dynamic. Static effects occur with any member when joining an FTA, while dynamic effects are effects that may or may not happen in each FTA and for each FTA

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member. Both positive and negative effects are included in the two types of static and emotional effects.

Static impact: Jacob Viner's (1950) classic study of the "Problems of the Customs Union" with the traditional model of the economic effects of bilateral trade agreements between bilateral trade agreements two partners. Viner (1950) introduced the two terms "trade creation" and "trade diversion" to describe the welfare effects of a regional trade agreement (including both Free Trade Area and Customs Union forms) for the two participating members. The static impact of the FTA will promote intra-regional import and export activities and thus facilitate restructuring the production and trade structure of FTA member countries. For new-generation FTAs, tax reductions and even tax eliminations on many goods and services have had an increasingly strong impact on trade creation, which also means that many opportunities come with challenges in restructuring and improving the economy's competitiveness.

(1) Trade Creation Effect: The trade creation effect occurs when an FTA member increases imports from another FTA member whose supply price is lower than its domestic price member or a supplier outside the FTA. This benefits consumers because they can buy imported goods lower than before the FTA. Therefore, this effect also helps consumers increase income, stimulates demand, and increases demand for imports from members and non-members of the FTA.

(2) Trade diversion effect: This effect occurs when a supplier that is not a member of the FTA with a lower price is substituted by a supplier of the FTA member country, even though the member country is not a member of the FTA. This pill has a higher cost. Thus, a less efficient supplier (FTA member) replaces a more efficient supplier (non-FTA member) because of the FTA's tariff preferences. This effect then deflects trade from efficient suppliers to less efficient ones. This consequence also causes non-FTA suppliers to lose export market share and may force them to reduce export prices.

(3) Trade diversion effect: Trade diversion is the diversion of a country's trade relationship after this country signs an FTA or joins a free trade area. In other words, trade diversion is the redirection of trade exchanges from a country that is not a member of the FTA to a country that is a member of the FTA. In this case, the partner countries are not usually pressured by governments that will import goods from the cheapest place, bringing the highest efficiency. However, once the trade agreements are signed, the interests of the participating countries will be more affordable than the goods of the outside countries due to the difference in tax rates. This has caused a shift in trade; governments tend to shift the import of goods from familiar trading countries to countries in the agreement.

If trade diversion is an effect of negative nature and causes damage to countries in the FTA, then trade diversion is a positive effect that increases intra-regional trade flows. Develop trade relations between countries in the region. Trade diversion also hurts and damages countries not members of the Agreement. Although producing more efficiently and cheaper, these countries still lose the market due to tax discrimination. Example: Before joining the EU, most of the lamb meat in the UK was imported from New Zealand, the cheapest lamb producer in the world. But after joining the EU, the standard import tax on non-EU countries made it more expensive to import lamb from New Zealand than from EU countries. Since then, France has become the largest supplier of lamb to Britain. Thus trade was diverted from New Zealand to France.

Dynamic and long-term impacts: Along with the static effects, the countries participating in the FTA may experience both emotional and long-terimpactts. Dynamic effects are those that may or may not occur in any FTA as well as for any member, including the following:

(1) Market expansion: This impact of the FTA on exports comes from opening markets for goods, services, and investment. Tariff barriers are removed, and member country enterprises are all trade and exchange goods without being taxed, not subject to quotas, or not having to carry out other complicated import and export procedures. Import-export turnover has also increased, leading to the growth of income and GDP of FTA member countries. In addition, the FTA contributes to creating a larger market with many business opportunities for all businesses, contributing to please production, trade, and exchange among member countries.

(2) Enhancing competitiveness: Going hand-in-hand with the market expansion increases competition in producing and consuming goods and services. Competition is considered the driving force for development and is also the FTA's most significant impact. Joining the FTA means businesses in the member countries no longer receive protection from the state's trade policy tools. They will face fiercer competition from products of FTA member countries. When many domestic and foreign enterprises participate in the larger market with superior technology, experience, and advantages in some fields, domestic enterprises have to face stiff competition. This increase in competition can bankrupt domestic businesses that are not doing well. Still, it positively affects the economy, especially for countries with a market economy—development school.

(3) Promoting investment

FTA promotes investment flows between FTA members and outside the FTA. Trade liberalization in the FTA will make it easier for investors to enter the market and earn more

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profits. This positively impacts investors' behavior in the fields of production and business, in which there is the field of textile production and export.

Empirical studies on the impact of FTAs on commodity exports

Besides theoretical studies on the impact of FTAs, there have been many empirical studies of the effects of FTAs on a country's exports of goods when participating in an FTA.

First, empirical studies on the impact of FTAs on exports in general. When applying the theories of trade diversion and trade creation to analyze the effect of the FTA between the EU and South Africa, Johanna Assarson concluded that exports from South Africa to the EU increased by 75%. Imports increased by 93 % from 1999 to 2004, implying that the trade creation effect has already occurred and South Africa benefits from establishing an FTA with the EU. Still, regional countries South Africa and the US will suffer the consequences. Negative impact due to the trade diversion from this FTA. This study has not yet provided specific quantitative results for the sectors affected by the FTA despite reaching essential conclusions.

Besides, when analyzing forecast impacts from FTAs and trade reforms, Bitan Mondal, Smita Sirohi, and Vishal Thorat all think SMART is the most appropriate model for predicting the effect of trade reforms. In the absence of perfect substitutes, the implemented FTA will affect member countries' trade, especially trade creation and diversion. In addition, FTAs also affect the revenue and welfare of the participating countries. The general limitation of these studies is that they only analyze the impact of FTAs at the single-sectoral level without considering the inter-industry interactions. Dimitar Hadjinikolov and Paskal Zhelev used the SMART model and trade indicators to forecast (ex-ante) the impact of the EVFTA on Bulgaria's exports to Vietnam. They suggested that export turnover from Bulgaria to Vietnam will increase by 15 million USD and create many export opportunities for the food, chemical, and textile industries. The limitation of this study is that when performing the simulation, the study defaults to the case of full liberalization even though tariffs still exist for some products.

Jean-Marc Philip et al. (2011) use a combination of quantitative and qualitative research methods to assess the impact of EVFTA on trade between Vietnam and the EU. The authors use the overall equilibrium model, showing that Vietnam will increase the trade balance surplus shortly. For imports, the profit will be greater than the tariff reduction. With pharmaceutical products, turnover is forecasted to increase by 3% annually.

Thang (2018), when applying the WITS-SMART model to analyze the impact of the EVFTA on Vietnamese footwear and footwear, with the assumption: i) When the EVFTA comes into effect and satisfies the principle of origin (export tax). Decrease to 0%), Vietnam's

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footwear export is expected to grow by 4.96% from about 3.98 billion USD to 4.17 billion USD; ii) EVFTA comes into effect and satisfies the principle of origin (export tax is reduced to 0%), however, the anti-dumping policy will continue to be applied (anti-dumping tax 10%), expected export growth Export of shoes and sandals is about 4.18%.

Second, studies the impact of FTAs on Vietnam's garment exports. Vo Thanh Thu et al. (2016) examine the potential implications of EVFTA on Vietnam's garment exports. The analysis was performed using the WITS-SMART model to determine the change in Vietnam's garment exports and predict some of the most affected products if the EU Free Trade Agreement - Vietnam is fully applied. As a result, Vietnam's apparel exports to the EU will increase significantly by 42% year-on-year (2016) over the next eight years. Since the trade diversion prevails over the trade-generating effect, Vietnamese apparel will benefit more than non-EU countries. However, this result is not due to the efficient allocation of resources but because most of the increase in EU imports from Vietnam is expected to eliminate taxes. The author also points out that some remedial measures should be taken to improve the competitiveness of Vietnamese garments and reduce production costs to bring advantages to Vietnam and Europe.

Meanwhile, Lu (2018) assesses the potential impact of CPTPP and EVFTA on Vietnam's garment exports, building a growth scenario for Vietnam's textile and garment exports after signing FTAs and showing the effect on employment in the textile industry and other industries. In this study, the GCE model's research metestimatesmate the following two scenarios: Scenario 1 (the tax rate is reduced from 2015 to only 0 for textiles and garments traded between countries). members of CPTPP and EVFTA); Scenario 2 (tax rate reduced from 2015 to zero for all products sold between CPTPP and EVFTA members). As a result, Vietnam's apparel exports will increase significantly from the 2015 baseline, expanding exports to CPTPP and EVFTA members. Secondly, the garment industry will account for a higher proportion of total jobs in Vietnam when eliminating tariffs in the CPTPP and EVFTA only applies to the T&A sector (Scenario 1). However, when tariff elimination applies to all industries (Scenario 2), the garment industry will account for only 3.5% of total employment in Vietnam, down from 4.0% in the previous year. Competition has become increasingly fierce between the garment industry and other sectors of Vietnam in terms of the labor force after the implementation of CPTPP and EVFTA. Third, Vietnam's apparel exports will grow less in Scenario 2 than in Scenario 1 as other sectors also take advantage of the trade-generating effects of the CPTPP and EVFTA.

Hoang Thu Hang et al. (2018) pointed out the potential of Vietnam's garment export industry to the EU with the assumption of free trade. The study uses the WITS- SMART model

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and predicts that Vietnam's exports will increase by 42% over the base year over the next eight years. The impact of trade diversion is more significant than the impact on trade-making countries, so Vietnam will benefit more than countries that are not members of the EVFTA agreement.

In summary, many studies show the impact of free trade agreements such as CPTPP and EVFTA on the economy in general, import and export activities in particular, and more specifically, the effect of import and export activities in particular. Affecting some essential export products of Vietnam, such as textiles and garments, thick leather, seafood, etc., studies assessing the impact of UKVFTA on Vietnam's textile and garment exports to the UK are still limited in terms of quantity as well, as no quantitative impact analysis of the effects of this Agreement on Vietnam's textile and garment exports. Stemming from this reality, the study was carried out to provide a systematic analysis and scientific basis, thereby assessing the impacts of the UKVFTA Agreement on Vietnam's textile and garment exports. To the UK market. From there, propose some implications and suggestions for Vietnam in implementing the Agreement to take advantage of opportunities and overcome limitations in exporting this item to the UK in terms of both the siregardingcture of the products.

METHODOLOGY

Besides using qualitative methods (analytical, comparative, statistical, descriptive...), this study will use a quantitative analytical model to assess the potential impact of UKVFTA on textile exports of Vietnam.

Although many models can be used to analyze the impact of FTAs on the export growth of the entire economy or different product groups, such as the Gravity model, the overall equality (CGE), locally balanced model (SMART), however, this study will use the local equilibrium model (SMART) to assess the impact of UKVFTA on Vietnam's textile and garment exports to the UK for the following reasons:

With the gravity model, the assessment of the impact of participating in the FTA stops showing how the FTA affects trade flows and explains the import demand of the countries. The gravity model has not yet explained the specific impact on an industry or group of goods through changing the applied tariff. The general equilibrium model (CGE) mainly analyzes the equilibrium in terms of prices and trade between two economies regarding many different goods. Because the scope of studying the impact of EVFTA on Vietnam's textile and garment exports to the UK is a single industry, the overall equilibrium model is not sunsuitableanalysis.

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The SMART model is a market analysis model developed in the database "World Integrated Trade Solutions - WITS" and uses many other databases on trade and tariffs of the World Bank and businesses to implement show commercial simulations. This model estimates the effects on work due to changes in taxes. SMART allows analysis and results of changes in trade flows such as import and export turnover, impact on creation and trade diversion, changes in world prices, and tax revenue. In the SMART model, the market demand curve is based on the Armington assumption that goods are differentiated according to their country of origin, meaning that goods imported from one country cannot be a perfect substitute. For goods imported from another country. The SMART model also assumes that consumer needs are represented in a two-stage process that includes buttons of their spending by commodity and government. The model allows for assessing the impact of an FTA at the level of highly disaggregated products (Admed 2010), specifically up to the 6-digit HS level. The SMART model has its limitations when analyzing the impact of trade policies. It ignores economic interactions between different sectors in an economy, resource constraints such as labor, land, etc., and capital, and the movement of resources between industries in the economy (Karingi et al., 2005).

Thus, the local equilibrium model (SMART) is the most suitable model to analyze the impact of FTAs on a group or industry (Bachetta, 2010), but specifically to explore the effects of UKVFTA on Vietnam's textile and garment exports to the UK. SMART has many advantages when applying local equilibrium analysis. Firstly, according to Vergano (2009), SMART requires simple input data and can analyze the impact of tax policy on trade creation, trade diversion, tax revenue, and social welfare. Second, the SMART model can study the effects of FTAs based on tariff reductions on trade-in detail to 6 digits in the HS classification system. That allows policymakers to see the impact of FTAs on specific products, thereby having a basis for setting out guidelines, policies, and strategies to promote the export of products to achieve this goal's most significant economic benefit.

MODEL ASSUMPTIONS

The gravity model can determine the impact on trade of FTAs implemented in the past. This approach includes econometric forecasting to identify factors affecting business, including FTA implementation. The critical assumption of this model (which forms the basis for more detailed models of FTA implementation and other policies) is that trade obeys Newton's theory of gravity, namely, the magnitude of trade between the two countries has a positive relationship with the size and an inverse relationship with the distance of the two countries.

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The equation is: $X\_ij = G(M\_i * M\_j / D\_ij)$

Where Xij is the flow of trade between countries i and j, M is a measure of volume (size), and D is the "distance" between countries (not just physical distance such as transportation costs or language differences create the "distance" between 2 countries) and G is a constant. More broadly, trade (and in some cases, investment (De Rosa 2008)) is determined by supply at origin and demand at destination (e.g., size), plus promotional factors. In recent years, incentives and constraints (e.g., distance) have been drawn from economic theories (Anderson and Wincoop 2003, PC 2003, and PC 2010). The gravity model to analyze the effects of FTAs in this study is supplemented with variables unrelated to size and distance often omitted in theoretical models, such as price. And policies, including dummy variables that reflect that the country is a member of the FTA. Trade effects can be trade creation (low-cost members replace higher-cost domestic producers) and trade diversion (from non-member countries with higher production costs). Low exports to member countries with higher production costs). This model usually takes the form of a linear function of the logarithmic variables, with the law of gravity abiding in the form of a multivariable product to fit the data better.

Model assumptions The SMART model requires three parameters as input: (1) elasticity of import demand, (2) elasticity of import substitution, and (3) elasticity of export supply. These elasticities are based on three critical assumptions: (1) the import demand assumption proposed by Armington (1969), (2) a two-stage consumer optimization process, and (3) The belief that the elasticity of export supply is infinite.

Assumption 1: The Import Demand Assumption proposed by Armington: Something imported from one country is an imperfect substitute when imported from another country, so the demand for imports is not entirely moved to an FTA country with tax incentives.

Assumption 2: Consumer two-stage optimization process: With stage 1, the total expenditure consumers decide to spend on an imported good depends on the price elasticity of the import demand password. In stage 2, consumers will distribute spending among the country's different import-substitute goods, depending on the relative prices. The distribution of consumer spending changes when comparable prices change is determined based on import substitution elasticity. In the SMART model, the Armington import substitution elasticity defaults to 1.5.

Assumption 3: The assumption of elasticity of export supply is infinite: The responsiveness of foreign exporters' supply to changes in export prices is measured by the

elasticity of export supply. The SMART model assumes that the export supply elasticity for each foreign country is infinite (i.e., 99). Each foreign country can export as many goods as it wants at a determined price. This assumption allows the effect of tariff removal to be calculated while the price impact remains at zero, which means that all countries face fixed world prices, consistent with the case of other countries. as small as the case of Vietnam.

Trade creation and diversion effects are assessed for exporters, while other indicators, including revenue, welfare, and import-export impact, are only calculated for importers. Trade creation: estimated as an immediate increase in imports due to tariff reductions. Below is the trade creation equation derived by Laird and Yeats (1986):

$$TC_{ijk} = M_{ijk} \cdot E_x \frac{dt_{ijk}}{(1+t_{ijk})\left(1+\frac{E_m}{E_x}\right)}$$

Trade Deviation: Laird and Yeats (1986) also calculate trade deflection using the elasticity of substitution. The diversion is increased imports from FTA partners' sources, substituting imports from abundant sources in other countries.

$$TD_{ijk} = \frac{M_{ijk}}{\sum M_{ijk}} \frac{\sum M_{ijk} \cdot \sum M_{ijK} \cdot E_s \cdot \frac{d\left(\frac{p_{ijk}}{p_{ijK}}\right)}{\frac{p_{ijk}}{p_{ijK}}}}{\sum M_{ijk} + \sum M_{ijK} + \sum M_{ijk} \cdot E_s \cdot \frac{d\left(\frac{p_{ijk}}{p_{ijK}}\right)}{\frac{p_{ijk}}{p_{ijK}}}}$$

In which TC is commercial creation; TD is a commercial diversion; i: Commodity sub-indices; j: Sub-indicator indicating the importing country; k: Sub-index indicating the importing country; M: Imports, Elasticity of export supply: Elasticity of import demand, t: Variation of tariff rate, d: Prefix representing change, Elasticity of substitution; P: Price, K: Sub-index representing the substitute foreign country.

For UKVFTA, one of the significant commitments related to trade in goods between the two countries is the commitment to cut tariffs. The author will use the SMART model to assess

the impact of tariff reductions on the two countries. This agreement covers exporting textile and garment products from Vietnam to the UK. This model is suitable for the group's research purpose and has been used in many previous studies.

Model scenario

In the research paper, the authors develop three scenarios based on the tariff reduction commitments of the UKVFTA agreement and the competitiveness of Vietnam's textile and garment products against other countries entering the UK market. The current UK-Vietnam Free Trade Agreement continues to implement the tariff schedule committed by Vietnam and the UK in the EVFTA. According to the EVFTA agreement, Vietnamese products will have a maximum tax reduction schedule of group B7 (Tariffs are gradually reduced within eight years from the entry into the Agreement, from the base tax rate to 0%).). The UK-Vietnam Free Trade Agreement officially took effect on January 1, 2021, but will follow the same tax schedule as the EVFTA. Hence, the study assumes that the UK will complete the elimination of tariffs. For Vietnam's textile and garment products by 2028. The latest updated data on the base year tariff is 2019.

Scenario 1: The UK will eliminate tariffs on textiles and clothing for Vietnam. The UK's other integration process in the textile industry with the rest of the world is not considered. This scenario aims to examine the impact of UKVFTA on Vietnam's textile and garment exports to the UK in isolation from the UK's integration into other FTAs to more clearly define tariff reductions. In UKVFTA will affect Vietnam's textile and garment exports.

Scenario 2: Simultaneously, the UK will eliminate tariffs on textiles and garments for Vietnam and other countries in the CPTPP.

On February 1, 2021, the UK officially applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which currently includes 11 countries, including Vietnam. Makes optimistic promises for UK post-Brexit trade. The UK believes that leaving the EU will help the country actively sign free trade agreements with many countries worldwide. At the same time, they are assisting UK exporters in strategically important sectors, helping to support the industrial recovery in the UK. Scenario 2 of the research team assumes that, based on that fact, when the UK officially joins the CPTPP shortly, the UK's commitment to cut taxes on CPTPP member countries and including Vietnam, is very likely to happen. In this scenario, the author assumes that textiles are one of the items on the list of goods to be reduced from tariffs.

Scenario 3: The UK will eliminate tariffs on textiles and garments for Vietnam and CPTPP member countries and, simultaneously, eliminate taxes for Vietnam's main competitors in the UK market (including the 19 remaining countries) in Table 1.

Table 1. Top 20 textile and garment exporting countries to the UK in 2019

No	Countries	Value (Million USD)
1	China	4836.374
2	Bangladesh	3642.433
3	Italia	1809.463
4	Turkey	1704.019
5	India	1417.133
6	Netherlands	1413.199
7	Virtue	1236.637
8	France	1005.084
9	Cambodia	966.309
10	Spain	761.342
11	Pakistan	725.663
12	Vietnam	707.316
13	Belgium	680.894
14	Sri Lanka	624.477
15	Myanmar	385.822
16	Romania	339.299
17	Portugal	197.784
18	Irish	195.648
19	Denmark	187.842
20	Indonesia	181.506

Source: Trademap 2020

In table 1 above, China and Bangladesh are still the largest exporters of HS61 and HS62 product groups to the UK, with export values in 2019 reaching US$4836,374 million and US$3642,433 million, respectively. The countries on this list are also the main competitors of Vietnam's textile and garments when entering the UK market, accounting for 92.42% of the export value to this territory. Vietnam is only ranked 12th on the list. However, Vietnam is being imposed a more significant tax rate than most of the above countries, with an average of 9%. When the UKVFTA comes into effect, Vietnamese goods are expected to be more competitive than other rival countries.

RESULTS

Overview of Vietnam's textile and garment export activities to the UK

About export value

Vietnam's export value to the UK increased gradually from 2010-to 2019, with only one slight decrease in 2017, from 755,281 million USD to 746,033 million USD. This year, the cause of this decline is that the world experienced many economic and political fluctuations, most notably the UK's Brexit event, which affected the world economy in general and the

country's textile and garment exports. Vietnam entered this market. However, there has been a growth in the following years, with the export value in 2019 reaching 829,911 million USD. The most exported products of Vietnam to the UK are mainly clothing items under two codes, HS61 and HS62, accounting for more than 90% of total export turnover.

Table 2. Value and proportion of Vietnam's textile and garment exports to the UK in the period 2010-2019

Years	The value of Vietnam's textile and garment exports to the UK (Million USD)	Share of UK textile and apparel imports (%)	The proportion of Vietnam's textile and garment exports (%)	Growth
2010	368737	1,12	2,77	1,24
2011	486175	1,32	2,90	1,32
2012	500989	1,61	2,76	1,03
2013	515589	1,56	2,39	1,03
2014	638444	1,76	2,53	1,24
2015	740148	2,13	2,71	1,16
2016	755281	2,35	2,63	1,02
2017	746033	2,34	2,35	0,99
2018	805723	2,45	2,2	1,08
2019	829911	2,55	2,11	1,03

Source: Trademap 2020

The value of Vietnam's exports to the UK in 2019 reached US$ 829,911 million, accounting for only 2.55% of the UK's textile and apparel imports and 2.11 % of Vietnam's textile and apparel exports. Male. This shows the enormous potential for developing textile and garment exports from Vietnam to the UK. Currently, China is the largest textile and garment exporter to the UK. However, in the past five years, the growth rate of textile and garment exports to the UK market has decreased by 8%. Besides China, the markets supplying textile products to the UK, Bangladesh, Cambodia, and Pakistan all have advantages over Vietnam in terms of tax rates (Bangladesh enjoys import tax exemption under the EBA program, and Pakistan is also exempt from import tax under the GSP+ program, so the FTA between Vietnam and the UK will bring tariff preferences to help our goods have a competitive advantage over our competitors. Vietnam's textile and garment products enjoy an average preferential tax rate of 9% under the universal preferential tariff regime.

About the structure of export products

Vietnam exports the most to the UK clothing products under the HS62 code, of which the top 3 export codes are HS6204 (suits, suits, jackets, tops). blazers, jumpsuits (1), skirts, trouser skirts, bib overalls, breeches, and shorts (other than swimwear) for women or girls) of a value reached 144.388 million USD. The export turnover of these textile products accounts

for a low proportion of the UK's imports (<10%), which shows great potential from this market of 66 million people when Vietnam can expand the scale and increase export value when the agreement officially takes effect. The UK tends to reduce imports with HS62 products and increase imports with HS61 and HS63 codes regarding product demand. The most significant increase is HS6110, when the export value in 2019 increased by 37.78%, equivalent to 17,275 million USD compared to 2018. This is also the basis for Vietnam's increased production of items that the UK has an increased import demand. Among the textile products exported to the UK, two HS61 and HS62 codes groups accounted for the most significant proportion with 73.03%. These are also two groups of products that are the production strengths of Vietnam's textile and garment industry.

Model results

The topic uses the SMART model to analyze and evaluate the impact of UKVFTA on Vietnam's textile and garment exports to the UK based on the three scenarios mentioned above and makes some hypotheses as follows:

Firstly, Vietnam's textile and garment exports still increase sharply to the UK market in any integration situation. To prove the above hypothesis, from the SMART model, we get the results presented in Table 4.

Table 4. Overview of changes in Vietnam's textile and garment exports to countries in the UKVFTA

	Scenario 1	Scenario 2	Scenario 3
Initial export value (thousand USD)	783,572.56	783,572.56	783,572.56
Export value when tax is zero (thousand USD)	1,087,747.87	1,086,571.12	920,861.05
Change in total export value (Thousand USD)	304,175.31	302,998.56	137,288.49
Trade Creation (Thousands of USD)	66,091.09	66,091.09	66,091.09
Trade Deviation (Thousands of USD)	238,084.22	236,907.48	71,197.40
Export increase (%)	38.82	38.67	17.52
Creation value/Total export value change (%)	21.73	21.81	48.14

Source: Author Calculates

All three scenarios show that, in any integration situation, Vietnam's textile and garments still substantially increase exports to the UK.

For scenario 1, when the tariff on textiles and garments reaches 0%, the export turnover of textiles and garments will reach US$ 1087,747 million, an increase of US$ 304.175 million, equivalent to 38.82%. For scenario 2, the export value of textiles and garments will increase by

USD 302,998 million, equal to 38.67%. For scenario 3, export turnover will reach USD 920,861 million, an increase of $ 137,288 million, equivalent to 17.52%.

Two main reasons can explain this increase in export turnover. One is that Vietnamese textiles are often cheaper than in other countries. In addition, when the export tax is reduced, the price of Vietnam's textile and garment products will decrease. Since then, their goods will be more competitive and replace the interests of the importing country, here is the Kingdom of Vietnam. UK (trade creation) and goods from other rival countries (trade diversion). Looking at the three scenarios, most of Vietnam's goods will replace the interests of countries outside the UK after the tax rate reaches 0% (trade deviation), with scenario one accounting for 78, 27% total change value, scenario 2 is 78.19%, scenario 3 is 51.86%. According to the author's calculation, the current average tax rate on textiles and garments in China is 8.17%, and in India is 8.56%. At the same time, most major importing countries into the UK are the remaining countries. In the EU, Bangladesh, and Pakistan, the import tax rate is 0%.

From Table 1, it can be seen that the increase in Vietnam's exports to the UK is due to our excellent price competition, not from other factors, so this advantage is only may happen in the short term, in the future when the UK signs more agreements with other countries, the export value will be reduced, so it is necessary to have policies to take advantage of opportunities in the future short term for this industry.

Second, clothing and ancillary garments are two essential export items (HS62&HS61); Fibers, yarns, carpets, and some textiles are exported on average (HS55; HS56; HS57; HS 63). The remaining items are shipped less. To prove the above hypothesis, applying the SMART model, we have the results presented in Table 5.

Table 5. Changes in Vietnam's textile and garment exports by product group

Product Groups	Scenario 1			Scenario 2			Scenario 3		
	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
HS50	1.47	0.01	23.60	1.45	0.00	23.36	0.11	0.00	1.74
HS51	3.96	0.01	16.97	3.91	0.00	16.77	1.51	0.00	6.47
HS52	18.86	0.01	67.72	18.75	0.01	67.50	15.92	0.02	57.17
HS53	-	-	-	-	-	-	-	-	-
HS54	165.98	0.05	21.95	165.66	0.05	21.90	134.90	0.10	17.84
HS55	2,644.17	0.87	13.77	2,554.48	0.84	13.30	1,668.80	1.23	8.69
HS56	2,190.62	0.72	147.31	2,176.99	0.72	146.39	1,981.99	1.44	13.28
HS57	994.01	0.33	29.31	993.23	0.33	29.28	638.02	0.46	18.81
HS58	189.55	0.06	25.80	189.02	0.06	25.72	112.86	0.08	15.36
HS59	34.21	0.01	26.27	33.69	0.01	25.87	13.41	0.02	10.30
HS60	136.07	0.04	40.18	135.22	0.04	39.93	68.91	0.08	20.35
HS61	96,595.69	31.76	41.95	96,093.58	31.71	41.73	52,371.29	38.15	22.74
HS62	184,003.61	60.49	38.57	183,455.81	60.55	38.36	76,298.68	55.58	15.99
HS63	17,197.13	5.66	34.28	17,176.77	5.68	34.24	3,982.09	2.85	7.90

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Sum	304,175.31	100.00	38.82	302,998.56	100.00	38.66	137,288.49	100.00	17.52

Source: Author Calculates

Regarding articles in textiles, in all three scenarios, two groups, HS 61 (clothing and clothing accessories, knitted or crocheted) and HS 62 (Apparel and apparel accessories, not knitted or crocheted)) accounted for the most significant value of total export change of Vietnam. These are two essential export items of Vietnam's textile and garment, accounting for 92.25% in scenario 1, 92.26% in scenario 2, and 93.73% in scenario 3 in total change in export value. With existing advantages in product manufacturing and increasingly competitive prices due to tariff preferences, these two commodity groups are expected to continue their growth momentum and bring more turnover to the Vietnamese garment-textile industry. Vietnam's HS61 code is currently subject to an average tax rate of 9.34%, while the HS62 code is 9.1%. Among the central exporting countries of these two groups of clothing products to the UK, only China, with an average tax rate of 11.68% and 11.31%, and India, at 11.7% and 11.34%, respectively, have a higher tax rate than Vietnam.

Besides the two groups of goods, HS61 and HS62, which have the most potential for development, products belonging to groups HS63, HS55, and HS56 have medium development potential with the added value of more than 2 million USD. The remaining items account for a small or insignificant proportion (mainly raw material groups). These are also the commodity groups that Vietnam does not have strength in exporting.

Third, Vietnam has a huge competitive advantage in exporting textiles to the UK market when joining UKVFTA. To prove the above hypothesis, applying the SMART model, we get the following calculation results: (See table 6)

Table 6. Top 10 countries most affected by UKVFTA

	Scenario 1		Scenario 2		Scenario 3	
1	China	-97099	China	-110179	Bangladesh	-663984
2	Bangladesh	-41351	Bangladesh	-47040	Turkey	-381822
3	Turkey	-17674	Turkey	-21251	Pakistan	-200488
4	India	-15332	India	-18679	Sri Lanka	-133485
5	Cambodia	-13970	Cambodia	-15410	USA	-49865
6	Pakistan	-9391.5	Pakistan	-11492	Hong Kong	-37007
7	Myanmar	-9190.8	Myanmar	-9765	Morocco	-36000
8	Sri Lanka	-8323.4	Sri Lanka	-10006	Thailand	-21680
9	Indonesia	-3809.6	USA	-5525.2	Korea	-17027
10	Morocco	-3418.7	Indonesia	-4360.9	Egypt	-15567

Source: Author Calculates

For scenarios 1 and 2, China is the country most affected by this agreement, with the value reduced by $ 97.099 million and $ 110.179 million, respectively. Bangladesh is second, decreasing 41,351 million USD and 47.04 million USD, respectively. These are also the two countries that export the most textiles to the UK in 2019.

In scenario 3, Bangladesh and Turkey are the worst-affected countries with a decrease of $663,984 million and $381.822 million, respectively. These two countries are enjoying 0% tax incentives thanks to incentives from EBA. When other countries with strengths in exporting textiles to the UK are taxed, goods from Bangladesh and Turkey will not be competitive in price and will be replaced. Specifically, according to the authors' calculations, the four countries that benefit the most are China (1828.4 million USD), India (585,644 million USD), Cambodia (324.126 million USD), and Vietnam (137,288 million USD) USD).

For each scenario, Vietnam will identify the countries most affected by the signing of UKVFTA. These are the main competitors of Vietnam in exporting textiles to the UK. . These countries will not want to lose their position in exporting materials to the UK market, so in the future, governments will have policies and measures to regain their inherent position. Such as, countries that have not signed FTAs with the UK will negotiate and sign new agreements to enjoy tax incentives; Countries that have signed FTAs or have tax rates reduced to 0%, such as Bangladesh and Turkey... will strengthen policies and solutions to improve competitiveness not only in price but also in many other factors such as: In such a situation, Vietnam also needs to take measures both in the short and long term to increase export turnover and improve our country's competitiveness in the face of these challenges from rival countries.

CONCLUSION AND POLICY IMPLICATIONS

The results of all three scenarios show that, in any integration scenario, textiles and garments are still Vietnamese products that can increase exports relatively strongly to the UK. In addition, the results from the SMART model show that the increase in Vietnam's exports to the UK is mainly due to Vietnam's export products with excellent price competition, not from Due to other factors; this advantage may only take place in the short term, when in the future when the UK signs more agreements with other countries, the value of textile and garment exports to the UK will increase may be reduced, so Vietnam needs to have policies to take advantage of short-term opportunities for this industry. On that basis, the author gives several policy implications for the Government, the Textile and Garment Association, and Vietnam Textile and Garment exporters as follows:

i) In the short term, after the tax rate on Vietnamese goods is reduced to zero, Vietnam's textile and garment export turnover to the UK market will grow significantly. Therefore, in the short term, to enjoy timely tariff preferences as committed, the government and businesses need to take timely measures to ensure input materials meet the rules of origin from your country. The Government needs to review Vietnam's legal regulations related to UKVFTA, especially in the textile and garment industry, to develop an adjustment and revision plan with a vision for the next ten years. Issues that must be considered include trade in goods (including general regulations and commitments to open markets), rules of origin, and trade facilitation. To help and support Vietnamese exporters, it is necessary to disseminate and train on the commitments of Vietnam and the UK in the UKVFTA because many exporters still lack information on FTAs. Due to this, many enterprises have not taken full advantage of the tariff benefits because they do not know about FTAs. The procedures for issuing certificates of origin are still complicated, mainly because most businesses have not yet met the requirements conditions of birth. Strict requirements on rules of origin, dumping, and intellectual property ... are significant obstacles to Vietnamese firms entering the UK market. Therefore, the Textile and Garment Association and agencies need to organize seminars, seminars, training, and propaganda on the commitments that Vietnam and the UK have negotiated and signed to businesses.

At the end of the transition period, on December 31, 2020, the British Government issued the Post-Brexit International Trade Policy. It will gradually adjust some regulations on product standards and production processes. , customs procedures. Therefore, Vietnamese businesses must promptly grasp these changes when exporting goods to the UK market, including textiles. In addition, regulations on origin may be changed and updated by the UK government, so besides the initiative of textile enterprises in connecting between "input" businesses. and "output" to gradually remove this bottleneck, find a way out of the issue of rules of origin for textiles and garments, the Ministry of Industry and Trade needs to continue to coordinate with relevant ministries and branches to continue organizing training and guidance precisely so that textile enterprises can take full advantage of the opportunities brought by UKVFTA.

ii) In the long term when the trend of trade liberalization increases and tariffs are increasingly reduced along with the UK's strengthening of technical barriers, Vietnam's textile and garment products will face the risk of challenging competition. With other textile exporting countries such as China, India, and Cambodia.

From a macro perspective, the Government needs to have more plans to improve competitiveness for other countries, such as developing supporting industries, expanding

production scale and capacity, and enhancing labor and product quality productivity. At the same time, there are support solutions for the domestic manufacturing sector because, according to UKVFTA, goods manufactured in Vietnam for export to markets need to meet relatively high and complicated requirements on export rules. Land. Textile products want to enjoy the preferential tax rate of UKVFTA; they must have raw materials produced domestically or imported from UKVFTA member countries, EU, or Korea, even if they have or not, it is still a priority. Decided to develop domestic production. Therefore, the Government needs to focus on investment and develop supporting industries to avoid dependent on imported materials.

In addition, the Government needs to promote the development of the textile and garment supporting industry (especially the textile and dyeing industry) with synchronous policies (on incentive/support mechanisms related to taxes, production, logistics infrastructure; environmental standards, working conditions...), enhancing the attraction of foreign direct investment in this supporting industry. On the other hand, policies encourage and support enterprises to gradually shift from outsourcing production to different stages of higher value in the textile and garment production chain.

In addition, regulations on origin may be changed and updated by the UK government, so besides the initiative of textile enterprises in connecting between "input" businesses. and "output" to gradually remove this bottleneck, find a way out of the issue of rules of origin for textiles and garments, the Ministry of Industry and Trade needs to continue to coordinate with relevant ministries and branches to continue organizing training and guidance. Specifically, textile enterprises can take full advantage of the opportunities brought by UKVFTA.

For textile manufacturing and exporting enterprises. UKVFTA has many commitments in favor of textile exports. Therefore, businesses need to carefully study the relevant contents of UKVFTA to have an appropriate business plan, make the most of the benefits of the agreement to improve competitiveness, is a sustainable solution. Sustainable development for Vietnamese textile and garment enterprises, taking advantage of opportunities from UKVFTA or other FTAs and ensuring stable development, effectively responding to challenges in general from integration. The British and European governments are applying thorough COVID-19 prevention and control measures. Therefore, the demand for garment products in the coming time may increase. However, to promote the export of this item to the UK, businesses need to pay much attention to the origin of products. as well as tight technical barriers. Currently, opportunities for textile enterprises are great, but the major bottleneck of this industry is still the rules of origin and input materials.

Strengthen the development of domestic input materials, and diversify sources of imported materials to meet the rules of origin from the agreement. The result of domestic raw materials is always a prerequisite to sustainably developing the textile industry, completing well the limitations of birth from the contracts. Therefore, it is necessary to create supporting initiatives to avoid being too dependent on imported materials. Textile and garment enterprises need to actively create a domestic supply for raw materials and accessories by investing in factories to manufacture and process cotton, fabrics, yarns, chemicals for textiles, etc. garment manufacturers with manufacturers of auxiliary and auxiliary materials so that we can take advantage of each other's finished products as raw materials for production of textiles. In the coming time, it is necessary to redirect the import of textile raw materials to take advantage of opportunities from UKVFTA commitments. Currently, the two sides commit to an expanded origin accumulation mechanism that allows their goods to use materials imported from EU member countries (as well as the Principality of Andorra and the Republic of San Marino) and Korea. Country to produce the final product for export to the other country and enjoy the preferential tax rates of the Agreement. Therefore, this is an opportunity for Vietnam to diversify the source of input materials, ensuring that it meets all rules of origin from UKVFTA. Strengthen the development of production of groups of goods and items that are reported to increase exports. The results from the model show that two groups of goods under HS61 and HS62 codes will have the highest growth value, so businesses focus on producing products of this product group to meet the needs of consumers. Country, in addition, can reduce the input costs of the product by completing economies of scale.

They focus on training and developing quality human resources, especially high-tech workers (adapting to new production technologies) and laborers in product design, sales, and labor. Senior action (corporate governance). Enterprises need to invest in people and human resources by providing career orientation and specialized vocational training in textiles, attracting high-quality human resources to improve designs, and investing in production lines. Modern technology improves labor productivity, reduces product costs, improves product quality, and has management capacity, professional skills, and foreign languages to operate production and business. Textile enterprises can associate with vocational training schools to provide human resources for enterprises. Because when enterprises expand production investment, they will lack management human resources, technicians, and skilled workers. Enterprises with proactive human resources will have an advantage when increasing production to meet export orders to the UK market.

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For export markets: Regularly monitor moves related to defense measures and other market barriers for textiles and garments in export markets to have a timely response plan. At the end of the transition period, on December 31, 2020, the British Government issued the Post-Brexit International Trade Policy. It will gradually adjust some product standards, production processes, and customs clearance regulations. Therefore, Vietnamese businesses must promptly grasp these changes when exporting goods to the UK market, including textiles. In addition, it is also necessary to monitor the moves from Vietnam's competitors in the textile industry to the UK to take timely response measures without reducing the opportunities brought by the agreement.

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