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CPTPP: CƠ HỘI VÀ THÁCH THỨC ĐỐI VỚI HOẠT ĐỘNG XUẤT KHẨU DỆT MAY CỦA VIỆT NAM

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Tóm tắt

Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương (CPTPP) dẫn đến những cam kết đặc biệt đối với thị trường Việt Nam về thuế quan, hàng rào phi thuế quan, lao động, môi trường... Đặc biệt, với sự cắt giảm thuế quan đáng kể từ CPTPP, Việt Nam đã đón nhận nhiều cơ hội trong lĩnh vực xuất khẩu dệt may. Bên cạnh việc cung cấp cái nhìn tổng quan về CPTPP, bài nghiên cứu này còn nhằm mục đích đánh giá tình hình chung của ngành xuất khẩu dệt may ở Việt Nam, và ảnh hưởng của CPTPP với một số doanh nghiệp dệt may lớn tại Việt Nam theo phương pháp định tính để phân tích ảnh hưởng của hiệp định CPTPP đối với ngành xuất khẩu dệt may ở Việt Nam; từ đó đánh giá được lợi thế và hạn chế trong quá trình áp dụng hiệp định thương mại này. Thông qua bài báo cáo, chúng tôi muốn đưa ra một số khuyến nghị nhằm khai thác cơ hội và vượt qua thách thức từ các cam kết CPTPP, từ đó mở rộng phạm vi hoạt động kinh tế và tăng trưởng kim ngạch xuất khẩu dệt may.

Từ khoá: CPTPP, Cơ hội, Thách thức, Xuất khẩu, Ngành dệt may Việt Nam

CPTPP: OPPORTUNITIES AND CHALLENGES FOR VIETNAM'S TEXTILES EXPORTS

Abstract

The Comprehensive and Progressive Agreement for Trans - Pacific Partnership (CPTPP) has many remarkable commitments towards Vietnam's market regarding tariffs, non – tariff barriers, labor and environment standards, etc. With significant tariff cuts from CPTPP, in particular, Vietnam has been presented with several opportunities in the export of textile. Besides providing an overview of CPTPP, the research aims to evaluate the overall situation of Vietnam's textile exports

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and impacts of CPTPP on the largest textile Vietnam companies by using the qualitative method to analyze the impact of the CPTPP agreement on Vietnam's textile exports to the CPTPP members or regional countries, then measures the effectiveness and investigates the limitation in the process of applying the trade agreement. Through the paper, we want to provide some recommendations to exploit opportunities and overcome challenges from CPTPP commitments with a view to broadening the scope of economic activities and increasing the textile exports turnover.

Keywords: CPTPP, Opportunities, Challenges, Export, Vietnam's textile exports.

1. An overview of CPTPP

1.1. Contents of CPTPP agreement

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement (FTA) between 11 countries around the Pacific Rim: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. The original Trans-Pacific Partnership (TPP) negotiations began in March 2010 and concluded on 5 October 5 2015. After President Donald Trump withdrew the United States from the original TPP in January 2017, the remaining 11 signatories, known as the TPP-11, successfully developed a new trade agreement: the CPTPP. The CPTPP was signed by the 11 countries on 8 March 2018 in Santiago, Chile.

CPTPP became effective on 30 December 2018 for the 6 countries that first finished the ratification process, including Mexico, Japan, Singapore, New Zealand, Canada, and Australia. On 14 January 2019, CPTPP officially came into force in Vietnam. In Peru, this agreement finally was enforced in September 2021. The obligations and rights under the CPTPP are divided into two categories:

- Rules: for instance, on how nations should develop new product safety regulations or if they can restrict data transfers to other CPTPP members. These apply to all CPTPP parties (including any new members that may join).
- Market access: how much each CPTPP member will cut tariffs, open up its service markets, liberalize visa rules for business travelers, and so on. Each member has their own set of commitments. In certain circumstances, commitments are extended to all members, while in others, they are restricted to specific negotiation partners.

This free trade agreement was brought into practice in Vietnam on 14 January 2019, opening up numerous opportunities for the Vietnamese textile exports sector, as the turnover of textile export to CPTPP member countries accounts for 21.2% of total revenue from Vietnam's textile products.

1.2. Comparison between the TPP Agreement and the CPTPP Agreement

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is the new version of the old TPP with higher feasibility and comprehensiveness, when "Comprehensive" and "Progressive" were added. The new name was highly approved by all members, affirming the quality and normative direction of the new agreement.

When it comes to the contribution to global trade and GDP, the original TPP would have been one of the world's largest economic blocks. TPP contributes 38.2% and 26.5% for global gross

domestic product (GDP) and global trade, respectively. Meanwhile, the CPTPP's devotion with 11 signatories is less than TPP, but still accounts for a substantial share, about 13.5% of world GDP and 15.2% of global trade. However, these numbers are substantial and prospective enough to boost the economies of the members, which means that all parties are better off with the CPTPP.

1.3. Commitment differences of CPTPP compared to other Agreements

Unlike other FTAs concluded by Vietnam, the CPTPP features a separate textile chapter. Textile items are subject to their own set of rules in addition to the basic provisions that apply to other goods. The following are the textile commitments:

- Product - specific rules of origin govern the usage of yarn and fabric from CPTPP areas in order to facilitate the formation of supply chains and investment in the region, as well as to raise the value of textile goods produced there.

- Flexible provision on "Short supply list of product" allows the usage of yarns and fabrics that aren't readily available in the area.

- Commitments on customs cooperation and implementation targeting at preventing tax evasion, smuggling and trade fraud.

- Special safeguard mechanism is implemented in the case of significant injury or risk of substantial injury when there is a surge in imports of one good (which is different from common provision of the Agreement)

The "yarn forward" or "three-stage" provision is used in the rules of origin for textile items, which stipulates that all operations, from spinning to weaving to dyeing to finishing and sewing, must take place inside the CPTPP zones. This principle promotes the vertical development of textile supply chains, as well as investment in the fiber and fabric industries, allowing Viet Nam to actively engage in supply chains inside CPTPP zones. This is a high-level condition when compared to other FTAs signed by Vietnam. Members of the CPTPP do, however, agree on some flexibility:

- One-stage provision (cut and sew) implements in 3 groups of products: suitcases, bags, women's bras, children's wear made of synthetic fibers;

- The Short Supply List with 194 types of fabric and fiber outside the CPTPP areas, of which 186 items will come into force permanently and 8 items will enter the force within 5 years.

Textile segment of Vietnam in comparison to the EU ranks in the sixth position, to Asean is in the 9th position. Regarding the products, the goods particularly: jacket, trousers, kid trousers, T-shirts are much advantageous.

One of the strong points of textile Vietnam is the large size of labor resource, which is suitable for textile development and the cost of labor in Vietnam compared to China, Indonesia is also cheaper.

Vietnam has signed many FTAs with the aim of expanding to the large market. With the policy stability, the textile industry attracts more than 17,5 billion USD from FDI, which is considered as a potential power to promote the textile market.

2. Vietnam's textiles export before CPTPP

2.1. Overview of textiles export of Vietnam

In Vietnam, textile is a traditional industry which has a lot of opportunities to develop. Since Doi moi, the textile industry has evolved tremendously in terms of scales, worker's competence and skills, technology level,... has increasingly accelerated in quantity and quality. Textile products have satisfied the majority of domestic demand and have the exporting potential to difficult markets such as the EU, Japan, North America,... which has brought Vietnam a huge amount of foreign currency.

Vietnam has emerged as one of the leading textiles exporting countries worldwide in recent years. According to the General Statistics Office, the Vietnamese textile and garment industry is the key economic sector in 2018, accounting for the largest share of total export turnover. With an average growth rate of about 18% per year, it is one of the top five garment manufacturing countries in the world. However, this industry has several flaws, such as small value-added; it mostly outsources for foreign nations, thus the profit margin is low, ranging from 5 to 8%. The fundamental reason is that today's high-quality human resources are insufficient; labor productivity is low; and skilled laborers, design, and human resources management have not been invested in and well trained.

Table 1. The Vietnamese Textile and Garment Industry in the Period 2008-2018 (Unit: Billion VND)

Targets	2008	2018	Percentage (%)
Total industrial output (TIO)	646.353	1.506.400	233.06
Production value of the textile and garment industry	54.100	155.822	288.02
Ratio of textile and garment industry on TIO (%)	8.1	10.4	128.40
Export Value	9.12	36.40	399.12

Source: Synthesized from General Statistics Office and Vietnam Textile and Apparel Association 2018.

2.2. Export before CPTPP

In Vietnam, textile and garments are always at the top of exporting products with a large turnover and impressive growth, the average export growth in the period 1998-2016 was 17.7%/year (nearly 3 times higher than GDP growth of 6.05%/year in the same period), in which:

- Yarn export turnover increased from 1.1 billion USD in 2010 to 3.1 billion USD in 2017 (a 3-fold increase);
- Export turnover of fabric products from 0.75 billion USD in 2010 increased to 1.5 billion USD in 2017 (doubled).

From a product perspective, garment products account for a major share (average 82% of export turnover per year during the period 2010-2017).

Table 1. Export of textile and garments products in 2018

Product	Export turnover (million USD)	Export growth (comparing to 2017) (%)	Proportion (%)
Garments	30.489	16,7	84,2
Yarns	4.025	12	11,1
Textile raw materials	1.200	14,2	3,2
Fabric	530	15,7	1,5
Total	36.201	16,1	100

Source: Ministry of Industry and Trade

Main partners:

Main export markets of Vietnam's textile and garment products are from America, Japan, Korea. Among which, the America's market is the biggest, accounting for over 44,9% the total export turnover (stats from 2018)

In fact, the growth of Vietnam's exports before CPTPP is associated with Free Trade Agreements, especially in the textile and garment industry. For example, with the Vietnam – US Bilateral Trade Agreement that took effect in December 2001, the textile and garment export turnover of Vietnam reached 2 billion USD in 2001.

In the following years, the textile and garment industry grew at an average of nearly one billion USD per year. With the accession to WTO in 2007, the ASEAN - Japan FTA in 2008, ASEAN - Korea in 2009, this figure increased by an average of 2 billion USD per year, reaching 24.7 billion USD in 2014.

Table 2. Export of textile and garments products in 2018

Market	Export turnover (Million USD)	Porportion (%)
America	13.699,583	45
Japan	3.812,087	12
Korean	3.299,559	11

Market	Export turnover (Million USD)	Porportion (%)
China	1.540,705	5
Germany	797,386	3
Others	7.339,37	24
Total	30.488,693	100

Source: Ministry of Industry and Trade

3. Assessing the impact of the CPTPP on textiles exports and the largest textile companies of Vietnam.

3.1. Positive changes after signing the CPTPP Agreement

After 3 years of official entry (from January 14, 2019), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is considered to have had a positive changes to the export of Vietnamese textiles goods.

Unlike other agreements that Vietnam has signed, the CPTPP has its own chapter on textiles. In addition to applying general regulations like other goods, textiles and garments have their own specific regulations.

About the opening of the market, the CPTPP eliminates import taxes on textiles and garments originating from Vietnam when exported to partner countries' markets (immediately or with a roadmap). For countries where Vietnam does not have an FTA such as Canada, Mexico, Peru,... opening this market is very important, because the import tax applied to textiles and garments is often much higher than that of other industrial products.

In terms of Rule of origin, CPTPP encourages the development of the supply chain of the textile industry in the vertical sector, encourage investment in the development of the yarn and fabric industry, and create opportunities for Vietnamese enterprises to participate more deeply in the supply chain within the CPTPP bloc by applying the rule of origin “from the yarn onwards” or the so-called “3 stages” rule, meaning the entire process of spinning, weaving, dyeing, finishing and sewing clothes must be implemented within the CPTPP. One more positive change comparing to other existing FTAs is that the CPTPP has allowed exporters, producers and importers to self-certify origin with the goal of creating maximum trade facilitation, reducing transaction time and import-export costs.

The agreement allows Vietnam to restructure the export market in a more balanced way, reducing the focus on the Japanese market and increasing the proportion of exports to Canada, Australia, and Singapore...

Taking advantage of CPTPP, the Vietnam Textile and Apparel Association (VITAS) set the industry's 2019 export turnover target at 40 billion US dollars, a 10.8 percent increase over 2018.

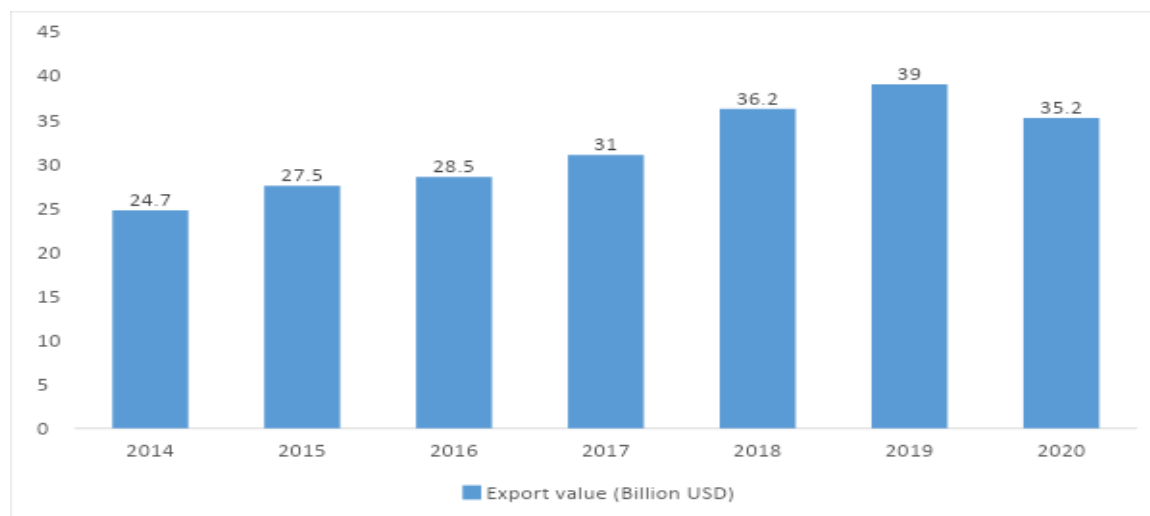


Figure 1. Total export value of textiles and garments in Vietnam from 2014 to 2020

Source: International Trade from Statista

In the following year, 2020, due to the epidemic situation, the export value of textiles and apparel in Vietnam was roughly 35.2 billion US dollars, a reduction of more than three billion US dollars from the previous year. In 2020 and the first months of 2021, despite being heavily affected by the Covid-19 epidemic, textile and garment exports to CPTPP markets still recorded a significant increase. Exports to Canada, Australia, Singapore, and New Zealand markets only decreased by 2% - 5% compared to 2019.

3.2. Impact on export turnover

CPTPP countries are relatively large export markets for Vietnam's textile and garment, with export turnover in 2018 reaching about 5.88 billion USD, accounting for about 16.04% of Vietnam's total textile and garment export turnover to the world. In fact, Vietnam's garment exports to CPTPP member markets have grown quite well, and especially Canada, Australia, and New Zealand markets can become a "gateway" for Vietnam's garment products to expand market share in the Americas and Oceania.

Notably, in the first 5 months of 2021, exports to Canada increased by 28.39%, Australia by 49.37%, Singapore by 43.4%, Chile decreased by 0.94%... The issuance of preferential certificates of origin (C/O) under the CPTPP Agreement also recorded positive signs. In 2020, the turnover of issuing C/O from CPTPP reached 1.37 billion USD, equaling 4.02% of the total export turnover to 6 member countries that have ratified the CPTPP.

Table 2. Vietnam's textile and garment exports to the CPTPP market

Market	May 2021		First 5 months of 2021				Export share (%)	
	Value (Million USD)	Compare to May 2020 (%)	Value (Million USD)	Compare to first 5 months of 2020 (%)	Compare to first 5 months of 2020 (Million USD)	Increase in export turnover (%)	First 5 months of 2021	First 5 months of 2020
CPTPP	398,14	21,31	1947,12	2,03	38,80	100,00	100,00	100,00
Japan	243,69	12,35	1308,70	-6,38	-89,12	-229,68	67,21	73,25
Canada	80,96	27,91	329,74	28,39	72,92	187,92	16,93	13,46
Australia	28,69	80,46	134,03	49,37	44,30	114,17	6,88	4,70
Singapore	9,65	64,10	41,28	43,40	12,49	32,20	2,12	1,51
Malaysia	9,43	19,08	40,75	-3,81	-1,61	-4,16	2,09	2,22
Chile	9,91	64,48	37,94	-0,94	-0,36	-0,93	1,95	2,01
Mexico	12,17	24,80	37,09	-6,90	-2,75	-7,09	1,90	2,09
New Zealand	2,65	42,04	13,20	26,95	2,80	7,22	0,68	0,55
Peru	1,00	48,95	4,39	3,20	0,14	0,35	0,23	0,22

Source: Synthesized from General Statistics Office

Although the growth of export turnover to these markets is quite high, the market share of Vietnam's textiles and garments is still limited, not only due to objective events such as global trade tensions or the Covid-19 pandemic, but also in subjective issues from enterprises themselves.

3.3 The impact of CPTPP on the largest textile companies of Vietnam:

The current barriers of the largest textile companies

The bottleneck makes it difficult for the industry to break through. Despite rapid development, Vietnam's textile and garment industry is out of balance, depending heavily on imported raw materials.

Vietnam has to import about 99% of cotton and fiber, producing 2.2 million tons, but importing about 1.3-1.4 million tons. Regarding fabrics, Vietnam has to import over 80%, mainly not from CPTPP countries.

In particular, the labor level of the industry is not high, about 76% are unskilled workers, the workforce is professionally trained (beginner to intermediate professional level) nearly 20%, the college - university workforce is over 6, 8%.

Besides, competitor countries also focus on supporting the domestic textile and garment industry such as India, Pakistan, Bangladesh... Some emerging textile and garment countries such as Cambodia, Laos, and Myanmar enjoy a 0% tax rate from the EU. When Vietnam exports to other countries too quickly, they can apply a trade remedy mechanism to control this situation. Currently, administrative procedures, customs, and specialized inspections are not really open, which is also considered a barrier for businesses.

Positive changes of the largest textile companies after signing CPTPP

CPTPP has brought many positive changes to the textile companies in Vietnam. In 2022, The textile - garment industry is expected to thrive and earn 40 billion USD in exports especially when the COVID-19 pandemic is forecast to ease in Vietnam and the world.

The Vietnam National Textile and Garment Group (Vinatex) held that despite uncertainties, thanks to economic recovery, the demand for apparel import in large markets like the US, the EU, Japan, the Republic of Korea, and China will bounce back to pre-pandemic levels in 2019.

MXP, a company that owns up to 6 factories in Thai Binh with a capacity of 12 million products/year and employs 15,000 employees, has transformed its business form from processing to exporting goods under FOB (buying raw materials). raw materials, production, direct export) and achieved positive results.

In addition, Garment 10 Corporation, which is the first Vietnamese enterprise outsourcing exports to Europe, has taken the lead in converting to FOB goods. In 2019, May 10 plans to strongly exploit the Canadian market, in addition to continuing to maintain traditional markets. In 2019, the proportion of FOB accounted for 65% of the Company's total export revenue.

4. Opportunities, challenges and recommendation for textile exports of Vietnam in the context of CPTPP

4.1. Opportunities

When the CPTPP takes effect, Vietnam's textile market is having a wide range of opportunities to develop and encourage export activities to member countries, especially:

4.1.1. Access to more markets:

According to the Trademap statistics, 10 members of the CPTPP's market capacity need to import textile goods worth \$93 million, with imports from Vietnam contributing for 2.4% of that total.

Vietnam, on the other hand, already has bilateral, multilateral, or both kinds of FTAs with seven of the CPTPP's ten partner nations. Vietnam has a bilateral FTA with Japan, the Vietnam-Japan Economic Partnership Agreement (VJEPA), as well as a multilateral FTA, the ASEAN-

Japan Comprehensive Economic Partnership Agreement (AJCEP). With Australia and New Zealand, Vietnam signed a multilateral FTA known as the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). With Chile, Vietnam has a bilateral free trade agreement called the Vietnam-Chile Free Trade Agreement. In addition, Vietnam, along with Brunei, Malaysia, and Singapore are all members of the AEC (ASEAN Economic Community). Thus, Vietnamese commodities in general, and textile products in particular, will be able to reach some new markets like: Canada, Mexico, and Peru, which have never had an FTA with Vietnam previously. Moreover, CPTPP markets are highly demanding markets for textile imports and fiscal space for textile imports in CPTPP countries for Vietnamese textile remains considerably large.

Table 3. Vietnam's constitution in CPTPP countries textile imports

Partners	HS code	Import value from Vietnam (thousands USD)	Import value from the world (thousands USD)	Market share
Australia	Textile and textile products	36.693	1.436.895	2,55%
	Garments	281.022	8.014.971	3,51%
Brunei	Textile and textile products	137	6.263.219	0,00%
	Garments	379	32.155.414	0,00%
Canada	Textile and textile products	39.424	3.341.042	1,18%
	Garments	895.741	11.095.192	8,07%
Chile	Textile and textile products	26.187	859.748	3,05%
	Garments	64.222	3.628.242	1,77%
Japan	Textile and textile products	26.187	859.748	3,05%
	Garments	64.222	3.628.242	1,77%
Mexico	Textile and textile products	30.354	6.477.495	0,47%

Partners	HS code	Import value from Vietnam (thousands USD)	Import value from the world (thousands USD)	Market share
Malaysia	Garments	267.502	4.473.749	5,98%
	Textile and textile products	103.318	1.858.887	5,56%
	Garments	144.410	2.246.703	6,43%
New Zealand	Textile and textile products	4.869	437.478	1,11%
	Garments	44.364	1.449.117	3,06%
Peru	Textile and textile products	15.846	1.156.330	1,37%
	Garments	25.055	884.676	2,83%
Singapore	Textile and textile products	18.078	678.620	2,66%
	Garments	162.405	2.684.237	6,05%

Source: Trade map (2019)

4.1.2. Improvement of business environment

CPTPP with commitments on rules, institutions, transparency, anti-corruption, especially in export process and business environment will, in general, contribute to the improvement of Vietnam business environment, thus reducing the enterprise cost. This has a profound effect on the export industries such as textile.

Moreover, changes in institutions under pressure from CPTPP as well as opportunities of lower taxes for original products are believed to attract both domestic and international investments into business activities, including textile, especially textile supporting industry.

4.1.3. Reduction of production costs and improvement of competitiveness

The abolition of the import tax on textile from CPTPP nations by Vietnam also presents an opportunity for the textile industry to lower the cost of imported textile materials for export processing. The CPTPP with commitments on rules and institutions, particularly in the areas of import-export procedures and business environment, will help to improve Vietnam's business environment in general, lowering production costs for firms. This has significant ramifications for

the textile exports industry, whose products are subject to specialized scrutiny and stringent commercial requirements.

Furthermore, under the pressure of the CPTPP, institutional reforms create conditions for additional domestic and foreign investment in production and economic activities, including the textile sector. Vietnam has made a number of commitments in the CPTPP in the areas of textile processing and export to help reduce production costs and improve competitiveness, such as:

- Commitments to creating a competitive environment, modern trade procedures, and business support are requirements for manufacturing businesses, particularly small and micro businesses, to boost their competitiveness and enable them to contact clients more easily.
- Commitments to open up service markets for production such as finance, telecommunications, logistics, and so on at a higher level than the WTO will help Vietnam compete more effectively in these fields, allowing businesses to access these services with higher quality, lower costs, and lower service costs in product costs.

4.2. Challenges

Although the CPTPP agreement brings high growth opportunities for Vietnam's textile and garment industry, textile enterprises still have to deal with many difficulties.

To begin, the ability to meet the rules of origin for textile and garment products is still limited. For the textile and garment industry, the outstanding advantage that Vietnam's textile and the garment has from the CPTPP is that the tariff is cut deeply and quickly, thereby increasing price competitiveness. However, exploiting tax incentives is not easy because, in order to receive incentives, they must meet very strict technical standards and principles of origin. With the current capacity and level of sewing, technical standards are not a big problem for Vietnamese textile and garment enterprises.

- ***If the FTAs that Vietnam has joined only apply the principle of 1-2 stages, then with the CPTPP, the principle of three stages is applied, including fiber making, spinning; weaving, and finishing fabrics; confection. These stages must all be done in the member countries of the CPTPP Agreement.*** The rule of origin from fabric onwards is also the weakest stage of the domestic textile industry. Fabrics are mainly imported from China, Korea, and Taiwan (accounting for 85% of the value of imported fabrics), the market shares are 52%, 19%, and 14% respectively. Due to the characteristics of Vietnam's garment industry, which is mainly processed for export, the selection of raw materials must be at the discretion of the customer. Businesses cannot be proactive in sourcing raw materials for yarn and fabrics in the country. If the raw material area cannot be converted, Vietnam's exports will not enjoy tax incentives because China, Korea, and Taiwan are not CPTPP members.

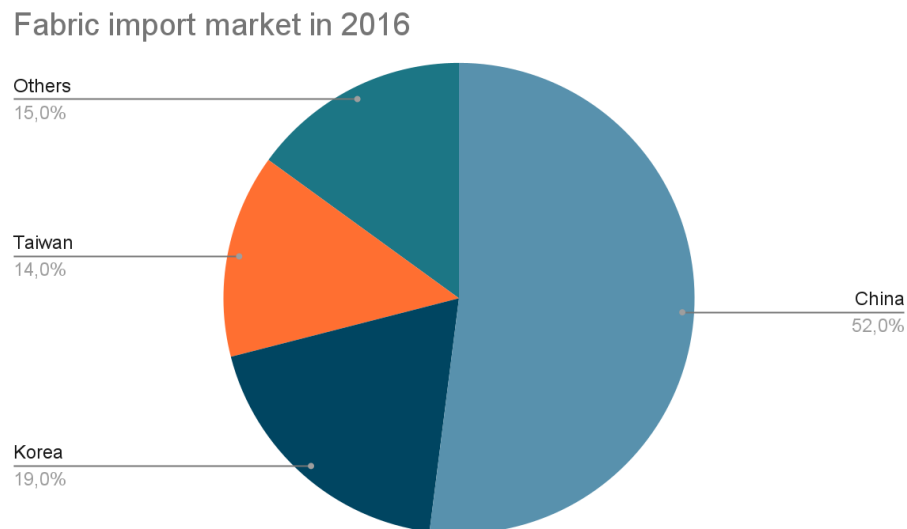


Figure 2. Fabric import market in 2016

Source: General Department of Customs

- Faced with pressure on rules of origin of CPTPP, in order to benefit from the tax, the domestic textile and garment industry must invest in building factories to produce raw materials, textiles, dyes... However, the current difficulty is that some localities are very "allergic" to the textile and garment industries, especially dyeing, because of the risk of environmental pollution, so they do not license to build factories to produce raw materials for the export textile industry.

Second, the level of competition will be extremely fierce right on the "home field". When becoming a member of CP TPP, Vietnam will also have to cut tax rates to 0% for textile products imported from other member countries. This means that **Vietnamese textile and garment enterprises need to prepare themselves for a "fierce life and death battle" in the domestic market**. More specifically, the risk comes from textile products from Malaysia, Chile, Mexico, and Peru, which have a strong tradition of textile exports when they are all self-sufficient in input materials and have a textile industry ahead of Vietnam. South for many years. The level of competition will expand both in terms of quality and price. Except for large enterprises with strong potential to compete; most other small and medium enterprises will be "weaker" compared to their competitors - possibly leading to a gradual loss of market share and being left out of the game.

Third, lack of information and incapability to adjust. The rules of origin of goods in the CPTPP, with many new points compared to the FTAs that Vietnam has signed and joined, make it difficult for small and medium enterprises to immediately adjust to the change. Enterprises do not fully understand the market characteristics of CPTPP member countries, especially large markets such as Canada and Mexico. In a VCCI survey of 8,600 local enterprises, up to 70 per cent of them had little knowledge of the CPTPP. This survey has also conducted that 84 percent of the enterprises lacked information about the commitments in the free trade agreement.

4.3. Recommendation

4.3.1. Recommendation for the government

In order to export to CPTPP markets in particular and the world in general, Vietnam's textile and garment industry needs to overcome current limitations through policy solutions for the whole industry. Overcoming trade remedies, rules of origin, and performing trade promotion operations would be the first macro-level remedy to help export enterprises. To defend domestic sectors, CPTPP member nations tend to boost non-tariff obstacles. To meet this problem, the government should invest in researching and training for enterprises to help them overcome partner country technical standards and increase export turnover while also protecting the local manufacturing industry with technical standards and technology.

The study's results demonstrate that while Vietnam's textile exports would profit from entering the CPTPP and the excess of exporters or importers will increase, the government will lose a relatively large import tax when tariff barriers are removed. So, in order to balance the state budget, the government must consider compensating for the deficit in import tax revenue by raising other taxes or cutting spending. The CPTPP laws call for government information to be transparent, as well as market liberalization.

For the micro-level solutions, it is necessary for Vietnamese businesses to attend trade promotion programs and find out information about potential markets. It is not only an opportunity for textile processing and exporting enterprises to introduce their products but also a good way to find new partners and learn the technology that has been applied by the countries attending the event. Attending the international trade fairs in CPTPP member countries to research partner markets is also vital for businesses to export their textile products. Moreover, trade promotion programs with markets forecasted as potential are extremely necessary. It will be an advantage if businesses capture which products have potential in a particular market. Furthermore, The CPTPP opens up opportunities to receive FDI from the member countries for Vietnam. Along with receiving FDI is an opportunity to receive technology transfer from developed countries such as US and EU. Therefore, Vietnamese enterprises can actively seek investors from these countries through attending international investment forums or investment attraction activities supported by the government.

The policies need to focus as follows:

First, improve competitiveness. Improving competitiveness through increased productivity is very important to maintain the growth potential of the industry:

- Review policies to limit growth as taxes for export production materials and export licensing procedures to reduce production costs;
- New construction of vocational training programs and strengthening access to training, especially in rural areas;
- Promoting the application of industry technologies.

Second, expand the market. Currently, Vietnam's exports focus on European and American markets. When incentives from these markets are no longer, the textile industry will be at risk. Therefore, it is necessary to differentiate products and produce higher value-added garments to maintain attractiveness. The government should encourage companies to switch to producing complex and higher value products.

Third, improve the industry's resistance. Improving productivity and applying better production technology can enhance industry resistance to future demand shocks. The government supports the supply of machinery and processing and improving labor levels and attracting foreign investors to develop a lot of value-added production techniques. Finally, apply the circulating economy in garment production, to save raw materials and reduce environmental pollution.

Fourth, building a more flexible production and business model. The government supports promoting research and development activities into new technologies and applied to production to increase the flexibility of enterprises to meet the changing consumer demand. However, this will also require workers to have many skills to be transferred.

4.3.2. *Recommendation for Domestic Enterprise*

As the fourth wave of COVID-19 is brought under control in Vietnam, the billion-dollar textile and garment industry is overcoming difficulties to resume production. Despite the devastating impact of COVID-19, the pandemic provides some valuable lessons for the industry on recovery and ways to move forward.

First, the Vietnamese textile business should establish a resilient supply chain of fabrics and other raw materials, which relies on the development of domestic fabric production. Having a reliable domestic supply of fabrics will mitigate disruptions and help capitalize on free trade agreements (FTAs) that impose rules of origin. For example, in order to enjoy preferential tariffs under the CPTPP, Vietnamese garment manufacturers must satisfy the fabric-forward rule, the origin rule that requires the use of domestically produced fabrics.

Second, it is important to diversify the demand base to reduce over reliance on a few key customers. With a supply chain that over relies on only a few key partners, Vietnam's textile and garment industry is among the country's hardest hit by the COVID-19 pandemic. Therefore, to avoid the negative effects from over relying on some key markets, Vietnam should leverage the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and take advantage of tariff cut commitment from member countries in the CPTPP, to explore new export markets. This could also help drive industry growth. Manufacturers should also pay more attention to Vietnam's promising domestic market and explore new product offerings. Domestic and international demand for antibacterial masks and protective gear has proven an effective and important relief measure during the crisis.

Third, Vietnamese garment manufacturers should consider making the necessary investments to advance from the labor-intensive CMT (cut-make-trim) model towards more capital-intensive models that allow for higher profit margins and more control and resilience to external shocks. In 2019, CMT production contributes 65 percent of Vietnam's total exports, while the more advanced business models, like Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM), that allow for higher profit margins account for only 35 per cent. Analysts said if Vietnamese enterprises followed the ODM (original design manufacturer) and OBM modes, they would be able to increase the profit margin by 30-40 percent or even 100 percent.

OEM (Original equipment manufacturing) and ODM (Original design manufacturing) capable firms have proven to be more resilient and better equipped to quickly respond to the pandemic.

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