Working Paper 2023.2.4.14
- Vol 2, No 4

TÁC ĐỘNG CỦA HIỆP ĐỊNH UKVFTA ĐỐI VỚI HÀNG DỆT MAY XUẤT KHẨU TỪ VIỆT NAM SANG VƯƠNG QUỐC ANH

Nguyễn Anh Dũng, Mai Sơn Tùng, Phạm Thị Bích Hằng[1], Phạm Khánh Linh Trang

Sinh viên K60 Kinh tế đối ngoại – Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Thu Hằng

Giảng viên Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Ngày 1/1/2021, Hiệp định Thương mại Tự do Việt Nam - Vương quốc Anh (UKVFTA) chính thức có hiệu lực, mở ra cánh cửa thúc đẩy thương mại giữa Vương quốc Anh và Việt Nam. Đây là một bước ngoặt kinh tế quan trọng đối với Việt Nam. Hiệp định UKVFTA đã mang lại lợi ích cho nhiều ngành hàng, trong đó có hàng dệt may. Sau một thời gian nghiên cứu, nhóm tác giả mong muốn đánh giá tác động của hiệp định UKVFTA đối với dòng hàng dệt may từ Việt Nam sang thị trường Anh và đề xuất một số chính sách cho Việt Nam nhằm giúp nâng cao hiệu quả xuất khẩu hàng dệt may Việt Nam sang Anh. Nghiên cứu đã chỉ ra những tác động tích cực và hạn chế của hiệp định UKVFTA đối với hàng dệt may xuất khẩu từ Việt Nam sang Anh. Vì vậy, để phát huy tối đa tiềm năng của hiệp định UKVFTA và mở rộng xuất khẩu dệt may của Việt Nam sang Anh, Việt Nam phải đưa ra những chính sách hiệu quả để đổi mới quy trình sản xuất, nâng cao chất lượng sản phẩm.

Từ khóa: UKVFTA, hàng dệt may, Vương quốc Anh, Việt Nam

THE EFFECT OF UKVFTA ON VIETNAM'S TEXTILE AND GARMENT EXPORTS TO THE UNITED KINGDOM

Abstract

On January 1, 2021, the UK-Vietnam free trade agreement (UKVFTA) came into force, opening the door for increased trade between the United Kingdom and Vietnam. This

[1] Tác giả liên hệ, Email: k60.2112150068@ftu.edu.vn

represented a significant economic turning point for Vietnam. The UKVFTA agreement has benefited numerous goods, including textiles and garments. After a period of research, the researchers want to evaluate the impact of the UKVFTA on the flow of Vietnamese textiles and garments to the UK market and provide some policy implications for Vietnam to help improve the efficiency of Vietnam's textile and garment products to the UK. Research has shown the positive effects and limitations of UKVFTA on textile exports from Vietnam to the UK. Therefore, to maximize the potential of the UKVFTA and expand Vietnam's textile and garment exports to the UK, effective policies must be introduced in Vietnam to innovate production processes and increase product quality.

Keywords: UKVFTA, textile and garment, the UK, Vietnam

Introduction

The UK and Vietnam have had a strong bilateral trade relationship. It commenced in 1973 and continued to flourish until 2010 when Vietnam became the UK's strategic partner. From this point on, trade between the two nations advanced drastically, growing at 14% a year with export values from Vietnam to the UK increasing considerably throughout the decade. This indicated golden opportunities for Vietnam-UK commerce.

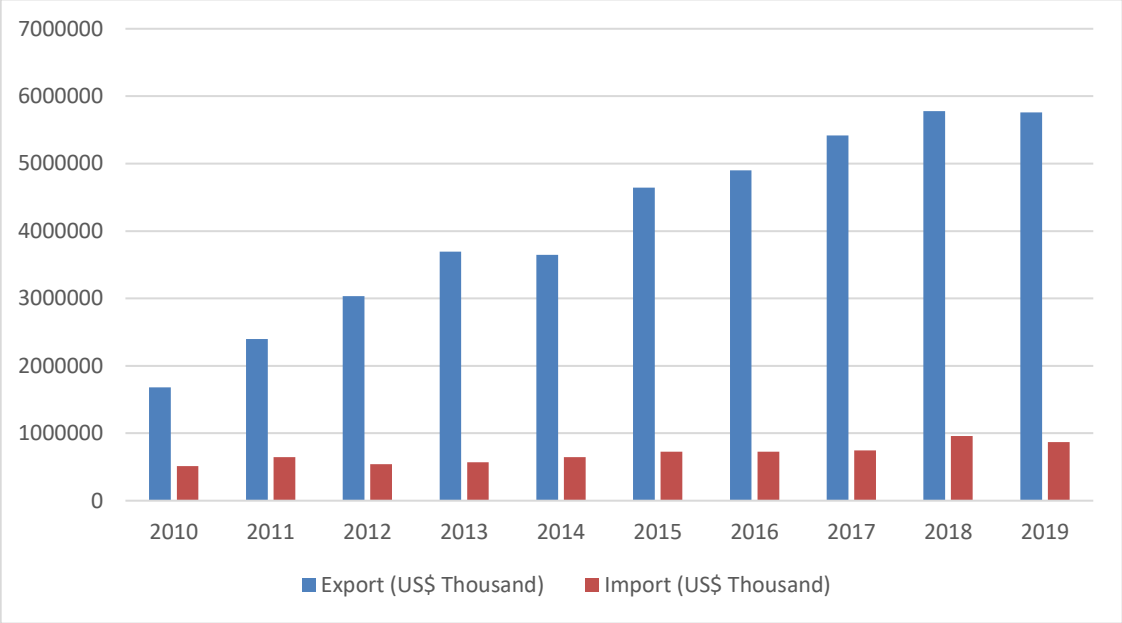

Figure 1. Import and Export value of Vietnam and the UK between 2010 and 2019

Source: *WITS (2019)*

Nevertheless, up to 2020, no official trade agreement between Vietnam and the UK had been signed, as most of the exports and imports were stipulated by EVFTA. However, following Brexit, Vietnam and the UK rushed to negotiate the Vietnam-UK Free Trade Agreement (UKVFTA) based on the principle of inheriting EVFTA. This action was to prevent the bilateral trade relationship between the two countries from being interrupted and ensure the trade liberalization commitments. As a result, at the end of 2020, UKVFTA was officially signed in London, UK, and started to be in effect on May 1, 2021. With progressive commitments and

high standards, the UKVFTA is expected to boost trade between the UK and Vietnam in the years to come. The key rationale is that it encourages the export of key goods and commodities of Vietnam, which is projected to give rise to the escalating proportion of products from Vietnam to the UK's market which originally makes up less than 1% of the country's total import value.

Several studies have been carried out to measure the impact of UKVFTA on various industries in Vietnam. (Anh, 2021) examines how UKVFTA affects the export of electronics to the UK's market. (Thuy, Hong & Ly, 2021) looks into the effect of UKVFTA on the sustainable development of the wood processing industry of Vietnam. (Ha, 2021) explores the opportunities and challenges for Vietnam's Merchandise exporting following UKVFTA. The industry of textile and garment, however, has not been taken into account yet despite its highly potential development in the context of UKVFTA. This is the reason why this paper, using the SMART model approach, aims to figure out the level of impact that UKVFTA has on Vietnam's textile and garment with a view to seeing whether the agreement positively or negatively influences this industry.

In this paper, the first section will provide an overview of Vietnam's textile and garment industry. The next session reviews some previous research on FTA in general and the impact of UKVFTA on Vietnam, following which is the introduction of the SMART model's application in evaluating the influence of a free trade agreement on a specific field of a nation and the data source. In section 4, the SMART's results will be revealed and analyzed in order to be discussed in the next part of the paper before conclusions are made.

1. Overview of Vietnam's textile and garment industry

Vietnam is one of the biggest clothing exporters in the world. As a matter of fact, according to RankingRoyals, Vietnam was ranked the world's fourth largest exporter of garments in 2022, standing behind only 3 countries which are Bangladesh, Germany, and China. Throughout the years, the textile and garment industry of Vietnam has been an indispensable part of the country's economic prosperity. Not only does it contribute greatly to the GDP of Vietnam but it also has a positive effect on the socioeconomic development as well.

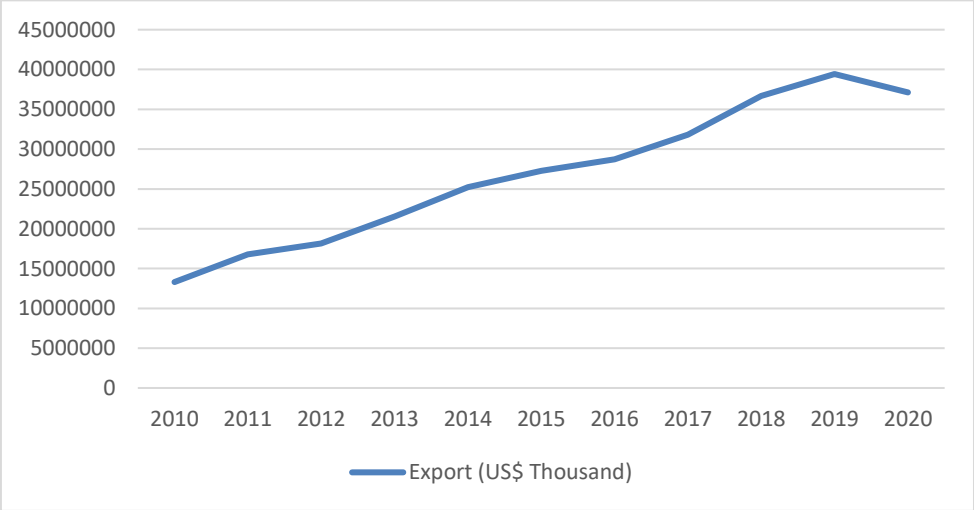

Figure 2. Total export value of textiles and garments in Vietnam from 2010 to 2022

Source: *WITS (2020b)*

As shown clearly by the bar chart above, the total export value of textiles and garments of Vietnam for 10 years from 2010 to 2019 has been consistently increasing from over 13 billion USD in 2010 to over 39 billion USD in 2019. Although this figure did decline slightly in 2020 due to the COVID-19 pandemic, it was able to immediately recover and rise back in the following year. This illustrates the fact that the textile and garment industry of Vietnam is very sustainable and its export value is likely to continue growing in the foreseeable future.

Table 1. Vietnam Textiles and Clothing Exports by country in USD Thousand 2020

Partner Name	Export (US $ Thousand)
United States	15,360,584.52
Japan	4,101,910.39
China	3,616,402.10
Korea, Rep.	3,597,022.38
Germany	962,030.68
Canada	881,233.97
France	793,907.86
Cambodia	748,879.71
Netherlands	657,122.00
United Kingdom	631,356.23

Source: WITS (2020)

Vietnam's textile and garment industry produces goods that are sold both within the country and in foreign markets. And the 10 largest export markets of Vietnam are the US, Japan, China, South Korea, Germany, Canada, France, Cambodia, Netherlands, and the UK. It is also quite clear that the United States is Vietnam's biggest trading partner as the figure for textile and garment exports of the US in 2020 stood at approximately 15.36 billion USD. The study uses the SMART model to analyze and evaluate the positive and negative impacts of UKVFTA on Vietnam's textile and garment exports.

2. Literature review

2.1 Effects of an FTA

Due to its popularity and utter importance in today's globalized world, a large amount of research related to the Free Trade Agreement has been conducted in order to either evaluate the

impact of an agreement on a specific industry or assess the opportunities and challenges when an agreement is signed. These papers are often directed towards two ways of division: by region and by industry.

In terms of region, Asian countries are likely to be the most chosen to explore. (Kawasaki, 2004) explores the impact of Free Trade Agreements in Asia and has a different viewpoint from the conventional theory that developed nations such as Japan would gain capital and technology in trade and production while the developing economies, including ASEAN countries, would benefit from labor-intensive sectors. Instead, he claims that the effect of a regional FTA tends to depend on trade structures and the level of import liberalization by sectors.

Discussing the same topic but with different sample nations and with data of different times, (M.Okabe, 2015) estimates the impact of regional FTAs, particularly ASEAN+1, using sector trade data and finds that each of them plays a crucial role in spreading the existing production and sales networks to newer developing nations. To demonstrate his point, he gives an example of the Asean-China Free Trade Area (ACFTA) and the Asean-Korea Free Trade Agreement (AKFTA), which encourages commerce in industrial supplies and goods of emerging ASEAN members such as Vietnam and Cambodia. Other regions such as Africa are also investigated. In their paper, (Lewis, Robison & Thierfelder, 1999) utilizes a multi-national model to find out that trade creation outweighs trade diversion for all southern African regions under FTA and concludes that southern Africa benefits from an FTA between the EU and South Africa.

The second prevalent approach is to analyze the impact of FTA on a specific industry. (Sun & Reed, 2010) tries to look at how FTAs have a bearing on agriculture and with limited evidence, in which they conclude that FTAs have led to the multilateral lowering of trade barriers for produce. (Merazina, 2021) chooses the telecommunications sector to research and finds that the effectiveness of FTA in this industry benefits users thanks to reduced price and does not take a toll on other fields such as private investments. Also, he realizes that had it not been for the signing, rarely any reforms in telecommunications would have been done.

Aside from those approaches, there are numerous studies investigating different aspects such as the impact of FTA on the environment and sustainable development, which are worth caring about in today's context. Also, most of the research focuses on one particular nation. While the number of cases for developed nations like Korea, Japan, and the USA is various, that for small economies, including Vietnam, appears to be neglected. Therefore, in our paper, we try to look at the impact of an agreement on Vietnam's industries.

2.2 The UKVFTA's impact on trade between VN and EU

The content of the UKVFTA is very similar to that of the EVFTA and since the UKVFTA was signed quite recently, most of the previous studies that research the trade flows between VN and the UK are in the context of the EVFTA.

To begin with is a research paper named "European Union-Vietnam Free Trade Agreement and Vietnam's Footwear", carried out by Vo Tat Thang et al. (2018), discusses the ex-ante effect of EVFTA on the footwear exports of Vietnam using the WITS-SMART model. And the result

of this research indicates that the export values of Vietnam experience an upward trend in both of the scenarios in the said research paper. To be more specific, in the first scenario (when the EVFTA is implemented and the requirement of "rule of origin" is met), the figure for Vietnam's footwear export is estimated to grow to about 4.16 billion USD which is an increase of approximately 197 million USD from the original baseline of 3.97 billion USD. As for the second scenario (when the EVFTA is implemented and the requirement of "rule of origin" is met, however, the anti-dumping policy is still in effect), the footwear export value also increases but it can only reach up to 4.14 billion USD, slightly lower compared to the figure of the first scenario.

Another research that also employs the WITS-SMART model is by Tran Duc Trong et al(2021). In this research, they investigate the effect of EVFTA on trade flows of fruits between Vietnam and the EU and conclude that by removing the tariffs, the export value of Vietnam can actually exceed the imports and that the import-export system between Vietnam and the EU is slowly being modified by the EVFTA. However, the main limitation of this study is the WITS-SMART model itself as it wasn't able to take into consideration the influences of other trade agreements in the world.

Besides the WITS-SMART model, some other researchers also use the gravity model as well. And a prime example of this is a research called "Vietnam-EU Free Trade Agreement: Impact and Policy Implications for Vietnam" conducted by Nguyen Binh Duong (2016). The findings of this study suggest that the implementation of the FTA's tariff elimination will bring about numerous advantages for the bilateral trade between Vietnam and the EU.

In addition, there also exists a few studies that analyze the impact of UKVFTA/ EVFTA on the textile and garment industry of Vietnam. First is the research on the apparel industry of Vietnam that is under the influence of the EVFTA by Vo Thanh Thu et al (2018). Using the WITS-SMART model, the research team discovers that Vietnam's apparel exports to the EU are predicted to undergo a significant rise by 42% in comparison to the base year and by 2026, it could grow to about 4.22 billion USD. But, the flaw of this study is that its model could only make this estimation based on existing data and it couldn't take into account the other constantly changing economic elements.

Similarly, a research by Hoi & Minh, 2022 also uses the WITS-SMART model to evaluate the impact of EVFTA on Vietnam's textile and garment industry. The researchers came up with 3 scenarios for the research and they were able to conclude that in all 3 scenarios, the export value increases substantially. Regarding scenario 1 and 2, the percentage of export increase stood at 38.82% and 38.67% respectively while the figure for scenario 3 is lower, accounting for 17.52% only.

Overall, it is apparent that while there are a lot of studies that discuss the effect of UKVFTA/ EVFTA on Vietnam's exports and trade flows, there are only a small number of research papers that focus on the textile and garment industry of Vietnam. That is also why we have decided to choose this topic to systematically analyze and acquire further insights into the

impact of UKVFTA on Vietnam's textile and garment industry as well as provide a few policy implications for Vietnam.

3. Methodology

3.1 Method

According to Kehoe and Kehoe (1994a, Plummer et al. (2011), and Karingi et al. (2005a), there are many ways to assess an FTA's effects, but the most popular ones are: (1) trade indicators; (2) Gravity model (3) the partial equilibrium through the adoption of the SMART; and (4) the computable general equilibrium (CGE). Although each approach can be used to assess particular effects of an FTA and has advantages and disadvantages of its own, this research will use the local equilibrium model (SMART) to evaluate how the UKVFTA will affect Vietnam's exports of textiles and garments to the UK for the following reasons:

Trade indicators are used to analyze and assess a country's trade patterns over time or across countries. These indicators, according to Plummer et al. (2011) and Vu (2015), do more than just reveal the current status of trade; they also aid in diagnosing possible FTA effects. This technique is only considered to be a first step in determining the future effect of an FTA because it is unable to provide precise data on the impact of an FTA on trade and welfare. Regarding the gravity model, it analyzes the effects of joining the FTA by demonstrating how the FTA affects trade flows and explaining the countries' import demand. However, the particular effects of changing the applied tariff on a sector of the economy or a group of goods have not yet been adequately explained by the gravity model. (Hoi & Minh, 2022). The general equilibrium model (CGE) primarily examines the trade and price equilibrium between two economies regarding a wide range of goods. The overall equilibrium model is not suited for analysis because the focus of the study on the effect of UKVFTA on Vietnam's textile and garment exports to the UK is a single industry.

The SMART model allows quantifying the impact of changing tariff policies in a single market on trade flows, tariff revenue, trade regeneration effects, trade diversion effects, and social well-being of a country calculated in detail for 6-digit HS items (Cheong, 2010; Ahmed, 2010; Othieno & Shinyekwa, 2011; Chandrima & Biswajit, 2011). This special advantage enables policymakers to understand how FTAs affect particular products, giving them a basis for formulating rules, regulations, and strategies to encourage product exports to realize the greatest economic gain from this objective. The SMART also helps overcome the drawback of the trade indicators approach in quantifying the trade impacts of an FTA. The partial equilibrium using the SMART model is the best option for this paper because it aims to estimate the effects of the UKVFTA on Vietnam's exports of textile and garments at the detailed level of 6-digit HS. The biggest of SMART's weaknesses is that it ignores the economic linkages between various sectors of an economy. The model also disregards restrictions on resources like labor, land, and money, as well as the flow of resources between different economic sectors (Karingi et al. 2005a). Finally, results on how the effects on domestic output, which would be of interest to policymakers, are not returned by the model. (Plummer et al. 2011).

Due to the usefulness of this method in evaluating trade effects at a disaggregated level to provide better consequences for governments and businesses, using the SMART model to evaluate the future impact of an FTA is becoming more and more popular. Using the SMART model, Veeramani and Saini (2010) discovered that the ASEAN-India Preferential Trade Agreement significantly increased India's purchases of coffee, tea, and pepper from ASEAN nations and that trade creation outweighed trade diversion. Karingi et al. (2005a) and Karingi et al. (2005b) both used the SMART model to evaluate the likely economic and welfare impacts of the EU Partnership Agreement with the African countries at the product level. In the cases of the EU-Africa Economic Partnership Agreement and the EU-ECOWAS (Economic Community of West African States) Economic Partnership Agreement, Karingi et al. (2005a) and Karingi et al. (2005b), respectively, used this approach. Tu and Le (2015) looked at the likely effects of the Regional Comprehensive Economic Partnership Agreement on Vietnam's trade at the disaggregated level of 6-digit HS, while Cassing et al. (2010) used the SMART model to assess the future impacts of ASEAN + FTAs on Vietnam's trade in some products like footwear, fisheries, vegetables, electronics, cars, furniture, and coffee.

From the past literature on the advantages and disadvantages of different ex-ante impact assessment methods and the review of the last studies adopting the SMART model, the local equilibrium model (SMART) is the most suitable model for this paper given its objectives.

3.2 Model Overview

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 provided by partner international organizations and other sources, including COMTRADE, TRAINs, IDB, and CTs to estimate the impacts of policy modifications in trading between nations, including tariff and non-tariff changes (Laird & Yeats, 1986). SMART is suitable for simulating the impact of changes in trade policy, such as tariff reductions, to forecast trade trends between two research markets (Duc et al., 2020).

Three factors must be entered into the SMART model: (1) elasticity of import demand, (2) elasticity of import substitution, and (3) elasticity of export supply. These elasticities are based on three key 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 (1969): Commodities are differentiated by their origin countries. This presumption suggests that, despite the FTA's trade preferential treatment, there is imperfect substitution between import sources, which implies that import demand does not completely shift to an FTA member.

Assumption 2: Consumer two-stage optimization process. The SMART model also assumes that customers allocate their spending according to commodity and import source in a two-stage optimization process (Amjadi et al. 2011; Admed 2010; Laird and Yeats 1986). In the first stage, consumers determine how much they will spend totally for imported goods based on import demand elasticity, whose values in the SMART model have been empirically

estimated for each nation and every HS 6-digit product based on Stern et al. (1976). In stage 2, based on the relative prices, buyers will allocate their spending among the various import substitutes available in the nation. The change in the allocation of expenditures by imported sources when the relative price changes is known as import substitution elasticity, which is supposed to be equal to 1.5 in the SMART model.

Assumption 3: The assumption of elasticity of export supply is infinite: Export supply elasticity describes how responsive an export supply is to fluctuations in the export price. The SMART model assumes infinite export supply elasticity, implying that the export supply curves are flat and the world prices of each variety are exogenously determined. This supposition enables the effect of tariff removal to be assessed while the price impact remains at zero, resulting in fixed world prices for all countries. As a result, each foreign nation is free to export as many items as it likes for a set price. This price-taker assumption is appropriate in the situation of a small country, such as Vietnam. The SMART model by default utilizes the export supply elasticity for each foreign nation is 99.

Using these elasticity parameters of the SMART model is a common approach used in previous studies such as Cassing et al. (2010), Othieno and Shinyekwa (2011), Veeramani and Saini (2010), Karingi et al. (2005a, b), Philip et al. (2011), Baker et al. (2014), and Tu and Le (2015). Therefore, they are also adopted in the paper.

3.3 Model Scenario

According to the UKVFTA's tariff reduction commitment and the growth of Vietnam's textile and garment industry, 2 scenarios were developed. Vietnam and the UK's commitments regarding the tariff reduction schedule in the UKVFTA are similar to their commitments in the EVFTA, which stated a gradual tariff reduction from the base tariff rate to 0% in the span of 8 years starting from when the Agreement came into effect. Therefore, it is forecasted by the study that Vietnam's textile and garment exports to the UK will be enjoying 0-percent-tariff rates by 2028 as the UK continues to completely eliminate tariffs for the industry's products.

Scenario 1: The UK reduces tariffs for Vietnam's textile, garments, and clothing products to 0%. Other integration activities of the UK's textile and garment industry with the rest of the world are not reviewed. This scenario's objective is to evaluate the impact of the UKVFTA on Vietnam's textile and garment exports to the UK without taking into account the impact of other FTAs as well as the UK's cooperation with other parts of the world. The impact of the UKVFTA on Vietnam, therefore, will be more clearly assessed.

Scenario 2: The UK reduces tariffs for Vietnam's textile, garments, and clothing products to 0%. At the same time, the UK will eliminate textile and garment tariffs for other countries as well. In the context of the UK applying to join the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) in February 2021, it is predicted that the UK will decrease tariffs as part of the UK's commitments, textile and garments products included. This scenario's objective is to evaluate the whole picture of comprehensive trade flows, assessing the impact of the UKVFTA on Vietnam's textile and garment exports with other FTAs in mind.

4. Results

4.1 The impact of the UKVFTA on overall changes in Vietnam's textile and garment exports to the UK

Table 2. Overall changes in Vietnam's textile and garment exports to the UK in two scenarios

Indicator	Scenario 1	Scenario 2
Initial export value (thousand USD)	461526.159	461526.159
Export value in 2028 (thousand USD)	531250.574	531182.945
Total export changes (thousand USD)	69724.413	69656.786
Trade creation (thousand USD)	27383.44339	27383.44339
Trade diversion (thousand USD)	42340.96948	42273.34168
Exports increase (%)	15.107	15.093
Trade creation/Total export value change (%)	39.274	39.311

(Calculated from SMART results by author)

According to the SMART simulation results, Vietnam's textile and garment exports to the UK would increase in both scenarios. As shown in the table above, exports value in 2028 is expected to be about 531250 thousand USD in scenario 1 and 531182.945 in scenario 2, leading to total export changes of about 69724 thousand USD and 69656 thousand USD, respectively. This can be explained by the elimination of tariffs across Vietnam's textile and garment products, which will make these products cheaper when they enter the UK's market. In addition, the lower price of these products would make Vietnam's textile and garment products less expensive than their counterparts from other countries, utilizing the price advantage and boosting their sales in the UK.

The exports increase of Vietnam's textile and garment products would be approximately 15.1% for scenario 1 and 15.09% for scenario 2. The increase of scenario 1 is higher due to the fact that the UK will shift part of its textile and garment imports previously from Vietnam to other countries. However, the marginal difference signals that Vietnam's deep integration in both the CPTPP and the UKVFTA helps offset the UK's shift. As a result, Vietnam's exports value of textile and garment products would not be severely affected when the UK joins other FTAs.

4.2 The impact of the UKVFTA by textile and garment product groups

Table 3. Changes in Vietnam's textile and garment exports to the UK by product groups

Product group	Scenario 1			Scenario 2		
	Total export changes (000 USD)	Proportion in changes (%)	Growth (%)	Total export changes (000 USD)	Proportion in changes (%)	Growth (%)

HS 61	26295.306	37.713	12.706	26253.588	37.69	12.686
HS 62	43429.107	62.287	17.059	43403.198	62.31	17.049
Total	69724.413	100	15.107	69656.786	100	15.093

(Calculated from SMART results by author)

According to the simulation results, Vietnam's exports value regarding the textile and garment product groups would be unevenly distributed. The total export changes would be about 69724 thousand USD for scenario 1, minimally higher than that of scenario 2. In both scenarios, the HS 62 product group would account for about 62.3% of Vietnam's total increase in exports value, compared to the HS 61 product group's 37.7%, illustrating a higher amount of demand from the UK regarding the HS 62 product group. In scenario 1, the HS 61 product group would experience higher growth compared to scenario 2, while it would be the opposite case for the HS 62 product group. This can be related to the UK's commitments of tariff reductions on different product groups, leading to Vietnam's diverting exports of the HS 61 product group to other countries and exporting more products from the HS 62 product group to the UK.

4.3 The impact of the UKVFTA by textile and garment product

Table 4. Changes in 10 products with highest exports value in Vietnam's textile and garment exports to the UK

Product Code (HS)	Scenario 1			Scenario 2		
	Total export changes (000 USD)	Proportion in changes (%)	Growth (%)	Total export changes (000 USD)	Proportion in changes (%)	Growth (%)
610990	4700.963	6.742	18.168	4699.598	6.747	18.162
610910	3997.207	5.733	16.754	3997.486	5.739	16.756
610463	3155.245	4.525	13.630	3150.928	4.524	13.611
620343	3946.336	5.660	17.698	3944.334	5.663	17.690
620193	3782.774	5.425	17.438	3782.240	5.430	17.435
620293	4178.222	5.992	20.402	4178.191	5.998	20.402
621210	1914.676	2.746	9.924	1914.116	2.748	9.921
611020	3167.022	4.542	17.755	3167.485	4.547	17.758
611030	3140.379	4.504	18.435	3140.416	4.508	18.435
620213	3268.238	4.687	19.460	3268.213	4.692	19.460

(Calculated from SMART results by author)

Among products with the highest exports value to the UK, HS610990 would go through the largest change of about 4700 thousand USD in both scenarios. This product code includes T-shirts, singlets, tank tops and similar garments, knitted or crocheted. In both scenarios, the increase of HS610990 accounts for the highest proportion in changes in Vietnam's textile and garment exports. As for the largest growth, HS620293 would increase by approximately 20.4% in exports value in both scenarios. These are Women's or girls' anoraks, windcheaters, wind jackets and similar products of man-made fibres, which suit the domestic climate and are popularly used by the UK's consumers.

In terms of total exports change, ranking second and third after HS610990 would be HS620293 and HS610910, respectively, in both scenarios. In scenario 2, the product that would lose the most exports value compared to scenario 1 in case of the UK joining the CPTPP is HS610463, which includes women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, trousers, bib and brace overalls, breeches and shorts of synthetic fibers. This suggests that the UK would shift part of its textile and garment imports of this product to countries in the CPTPP with established fashion and clothing indutries, namely Australia, Japan and Canada. As for other products, the discrepancy between 2 scenarios is insignificant. According to changes in exports value from Vietnam to the UK in 2 scenarios, it can be seen that Vietnam's textile and garment exports would not be significantly affected by the UK joining the CPTPP and removing textile and garment tariffs of country members.

5. Recommendation

The results of both scenarios indicate that irrespective of the UK's joining other FTAs, the exports of Vietnam's textile and garment products to this country will still increase considerably. This is good news for Vietnam since it can boost the export value in such an industry. However, any predictions are comparative, especially in the context that the UK and India, another nation besides Vietnam that has notable strengths in garment and textile, are negotiating towards the signing of an FTA in 2023. Therefore, Vietnam has to take as much advantage as possible of UKVFTA in the years to come, before any other unexpected scenarios happen. Bearing this in mind, our group recommends some policies that may help Vietnam make use of the FTA as follows:

(i) In the short term, when Vietnam enjoys significant growth in exporting values to the UK without worrying much about other FTAs being on the way, the country's government and businesses should be quick to adapt to the situation.

(ii) In the long run, when the trade is increasingly liberalized and the UK may strengthen its technical barrier, chances are Vietnam's textile and garment industry will face the risk of competition with other countries that also export this type of goods. To deal with this issue, the government and businesses should have plans to improve Vietnam's competitiveness. This can be achieved by developing industries that provide materials for the garment and textile industry, increasing production scale and capacity, as well as enhancing the quality and productivity of the labor force.

Conclusion

The research paper has examined the comprehensive impact of the UKVFTA on the textile and garment industry in Vietnam by using the local equilibrium model (SMART). Through the simulation results, it is indicated that export values of Vietnam's textile and garment products to the UK would continue to increase considerably, as well as there would be a marginal difference in both scenarios. Nonetheless, the UK signing other FTAs in the foreseeable future suggests a high level of competition in the textile and garment market. It is recommended that Vietnam take advantage of the UKVFTA through the joint efforts of both the government and business firms. The government should review legal regulations, reduce the complication in procedures, and enable firms to take full advantage of the UKVFTA through open communication and policies. Firms should look out for business opportunities, research potential market segments and products, and improve the manufacturing process to enhance the products' quality and lower their costs.

References

Ahmed, S. (2010), "India-ASEAN Free Trade Agreement: A Sectoral Analysis", *SSRN Electronic Journal*.

Armington, P.S. (1969), "A Theory of Demand for Products Distinguished by Place of Production (Une théorie de la demande de produits différenciés d'après leur origine) (Una teoría de la demanda de productos distinguiéndolos según el lugar de producción)", *Staff Papers (International Monetary Fund)*, Vol. 16 No. 1, pp. 159–178.

Cassing, J., Trewin, R., Vanzetti, D., Truong, D., Nguyen, A., Le, Q. & Le, T. (2010), "Impact assessment of free trade agreement on Vietnam's economy", *MUTRAP III*.

Castillo, M.J.L. (2020), "The impact of free trade agreements in national markets: Evidence from the telecommunications sector in Latin America", *Review of International Economics*, Vol. 29 No. 4, pp. 860–903.

Cheong, D. (2010), "Methods for Ex Ante Economic Evaluation of Free Trade Agreements ADB Working Paper Series on Regional Economic Integration", Available at: https://www.adb.org/sites/default/files/publication/28526/wp52-ex-ante-economic-evaluation.pdf [Accessed 14 Jul. 2023].

Department for Business and Trade and Department for International Trade. (2021), "UK-Vietnam Free Trade Agreement: opportunities for UK businesses", *GOV.UK*, Available at: https://www.gov.uk/government/publications/uk-vietnam-free-trade-agreement-opportunities-for-uk-businesses.

Duong, N. (2016), "Vietnam-EU Free Trade Agreement: Impact and Policy Implications for Vietnam VIETNAM-EU FREE TRADE AGREEMENT: IMPACT AND POLICY IMPLICATIONS FOR VIETNAM", Available at: http://seco.wti.org/media/filer_public/ad/81/ad812dd7-54e1-4a02-93d0-e0e1fdbec68d/working_paper_no_7_2016_duong.pdf.

Hoi, H.V. & Minh, N.T. (2022), "Assessing the impact of EVFTA on Vietnam's textile and garment exports to the UK", *International Journal of Professional Business Review*, Vol. 7 No. 2, pp. e0426–e0426.

Hoi, H.V. (2021), "Opportunities and Challenges for Vietnam's Merchandise Exporting Following Vietnam-UK Free Trade Agreement", *VNU Journal of Science: Economics and Business*, Vol. 37 No. 2.

Karingi, S., Lang, R., Oulmane, N., Perez, R., Sadni, M. & Hammouda, H.B. (2005), "Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements", *Conference papers*, Available at: https://ideas.repec.org/p/ags/pugtwp/331389.html [Accessed 14 Jul. 2023].

Karingi, S., Nassim Oulmane, Lang, R., Mustapha Sadni Jallab & Perez, R. (2005), "Assessment of the impact of the Economic Partnership Agreement between the ECOWAS countries and the European Union".

Kawasaki, K. (2004), "The Impact of Free Trade Agreements in Asia", Available at: https://www.gtap.agecon.purdue.edu/resources/download/1757.pdf.

Kehoe, P.J. & Kehoe, T.J. (1994), "Capturing NAFTA's Impact With Applied General Equilibrium Models", *researchdatabase*, Available at: https://researchdatabase.minneapolisfed.org/concern/publications/cf95jb584 [Accessed 14 Jul. 2023].

Laird, S. & Yeats, A. (1986), "UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT THE UNCTAD TRADE POLICY SIMULATION MODEL A note on the methodology, data and uses", *wits.worldbank.org.*, Available at: https://wits.worldbank.org/data/public/SMARTMethodology.pdf [Accessed 14 Jul. 2023].

Lewis, J.D., Robinson, S. & Thierfelder, K. (1999), "After the negotiations: assessing the impact of free trade agreements in Southern Africa", *AgEcon Search*, Available at: https://ageconsearch.umn.edu/record/97532/ [Accessed 27 May 2021].

Ministry of Industry and Trade of the Socialist Republic of Vietnam (2020). *Hợp tác kinh tế thương mại Việt Nam – Vương quốc Anh: Cất cánh nhờ UKVFTA*. [online] Moit.gov.vn. Available at: https://moit.gov.vn/tin-tuc/thi-truong-nuoc-ngoai/hop-tac-kinh-te-thuong-mai-viet-nam-vuong-quoc-anh-cat-canh-.html.

Ngô, N.A. (2021), "Ứng dụng mô hình trọng lực nhằm đánh giá tác động của UKVFTA tới xuất khẩu mặt hàng điện tử của Việt Nam sang thị trường Vương quốc Anh", *vnu.edu.vn*, Available at:http://repository.vnu.edu.vn/handle/VNU_123/138535.

Okabe, M. (2015), *Impact of Free Trade Agreements on Trade in East Asia*, Available at: https://www.eria.org/ERIA-DP-2015-01.pdf.

Othieno, L. & Shinyekwa, I. (2011), "Trade, Revenue And Welfare Effects Of The East African Community Customs Union Principle Of Asymmetry On Uganda: An Application Of Wits-Smart Simulation Model", *Research Series*, Available at: https://ideas.repec.org/p/ags/eprcrs/150480.html [Accessed 14 Jul. 2023].

Plummer, M.G., Cheong, D. & Hamanaka, S. (2011), "Methodology for Impact Assessment of Free Trade Agreements", Available at: https://aric.adb.org/pdf/FTA_Impact_Assessment.pdf.

Ranking Royals. (2022), "Top 10 Exporters of Clothing 2022 – RankingRoyals", *rankingroyals.com*, Available at: https://rankingroyals.com/economy/top-10-exporters-of-clothing-2021/ [Accessed 14 Jul. 2023].

Sikdar, C. & Nag, B. (2011), "Impact of India-ASEAN Free Trade Agreement: A cross-country analysis using applied general equilibrium modelling", Available at: https://www.unescap.org/sites/default/files/AWP%20No.%20107.pdf.

Sun, L. & Reed, M.R. (2010), "Impacts of Free Trade Agreements on Agricultural Trade Creation and Trade Diversion", *American Journal of Agricultural Economics*, Vol. 92 No. 5, pp. 1351–1363.

Thang, V., Vy, N. & Nguyen, H. (2018), "European Union-Vietnam Free Trade Agreement and Vietnam's Footwear", *Journal of Asian Business and Economic Studies ER*, Vol. 25, pp. 29–46.

Thanh, V., Hoa, L. & Hang, H. (2018), "Effects of EVFTA on Vietnam's apparel exports: An application of WITS-SMART simulation model", *Journal of Asian Business and Economic Studies*, Vol. 25, pp. 4–28.

Thuy, P., Hong, T. & Ly, T. (2022), "CHUỖI GIÁ TRỊ VÀ THƯƠNG MẠI NGÀNH HÀNG NÔNG LÂM SẢN VIỆT NAM TRONG BỐI CẢNH HỘI NHẬP QUỐC TẾ VÀ KHỦNG HOẢNG SINH THÁI TÁC ĐỘNG CỦA UKVFTA ĐỐI VỚI SỰ PHÁT TRIỂN BỀN VỮNG CỦA NGÀNH CÔNG NGHIỆP CHẾ BIẾN GỖ VIỆT NAM", Available at: https://www.cifor.org/publications/pdf_files/Books/BPham_2022-13_Viet.pdf.

Tran, D.T., Pham, H.T. & Bui, V.T. (2020), "The Effect of Contextual Factors on Resistance to Change in Lean Transformation", *The Journal of Asian Finance, Economics and Business*, Vol. 7 No. 11, pp. 479–486.

Trong, D., Bui, V., Vu, N., Pham, S., Truong, H., Dang, T., Van, T., Pham, T. & Trinh, T. (2021), "Impact of EVFTA on Trade Flows of Fruits between Vietnam and the EU", *Journal of Asian Finance*, Vol. 8 No. 5, pp. 607-0616.

VEERAMANI, C. & SAINI, G.K. (2011), "Impact of ASEAN-India Preferential Trade Agreement on Plantation Commodities: A Simulation Analysis", *Economic and Political Weekly*, Vol. 46 No. 10, pp. 83–92.

WITS. (2019), "Vietnam Exports to United Kingdom US$000 2010 - 2019 | WITS Data*"*, *wits.worldbank.org.*, Available at: https://wits.worldbank.org/CountryProfile/en/Country/VNM/StartYear/2010/EndYear/2019/TradeFlow/Export/Partner/GBR/Indicator/XPRT-TRD-VL [Accessed 14 Jul. 2023].

WITS. (2019), "Vietnam Imports from United Kingdom US$000 2010 - 2019 | WITS Data", *wits.worldbank.org.*, Available at: https://wits.worldbank.org/CountryProfile/en/Country/VNM/StartYear/2010/EndYear/2019/TradeFlow/Import/Partner/GBR/Indicator/MPRT-TRD-VL# [Accessed 14 Jul. 2023].

WITS. (2020), "*Vietnam Textiles and Clothing Exports by country 2019 | WITS Data*", *wits.worldbank.org.*, Available at: https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/LTST/TradeFlow/Export/Partner/by-country/Product/50-63_TextCloth.

WITS. (2020), "Vietnam Textiles and Clothing Exports to World US$000 2010 - 2020 | WITS Data", *wits.worldbank.org.*, Available at: https://wits.worldbank.org/CountryProfile/en/Country/VNM/StartYear/2010/EndYear/2020/TradeFlow/Export/Indicator/XPRT-TRD-VL/Partner/WLD/Product/50-63_TextCloth# [Accessed 14 Jul. 2023].