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PHÂN TÍCH QUY TẮC XUẤT XỨ HÀNG HÓA DỆT MAY TRONG CPTPP VÀ KHUYẾN NGHỊ CHO VIỆT NAM

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Tóm tắt

Với việc Hiệp định Đối tác Toàn diện và Tiến bộ Xuyên Thái Bình Dương (CPTPP) đi vào hoạt động từ ngày 30 tháng 12 năm 2018, một thị trường tiềm năng với nhiều lợi thế so sánh đã mở ra cho nhiều ngành công nghiệp tại Việt Nam, đặc biệt là ngành dệt may. Để củng cố vị thế cạnh tranh, xuất khẩu của Việt Nam không chỉ phải tuân thủ các rào cản kỹ thuật, tiêu chuẩn vệ sinh và an toàn thực phẩm mà còn phải tuân thủ các quy tắc xuất xứ. Do đó, nghiên cứu này tập trung vào quy tắc xuất xứ đối với ngành công nghiệp hàng may mặc, một ngành xuất khẩu quan trọng của Việt Nam. Qua việc đánh giá cơ hội và thách thức từ CPTPP nói chung, và quy tắc xuất xứ đối với sản phẩm dệt may của Việt Nam nói riêng, nhóm tác giả đưa ra các đề xuất nhằm thúc đẩy xuất khẩu và đảm bảo tuân thủ các quy tắc xuất xứ trong bối cảnh tham gia CPTPP.

Từ khóa: CPTPP, Quy tắc xuất xứ, Dệt may

ANALYSIS ON THE RULES OF ORIGIN FOR TEXTILE AND APPAREL GOODS IN CPTPP AND RECOMMENDATION FOR VIETNAM

Abstract

With the advent of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) coming into force on December 30, 2018, a promising market with comparative advantages has unfolded for various sectors within Vietnam, notably the textile and garment industry. To solidify its competitive position, Vietnam's export industry is compelled to adhere not only to technical barriers, food hygiene, and safety standards but also to rules of origin. Therefore, this research paper is concentrated on the rules of origin for the textile and apparel goods industry, an essential export sector of Vietnam. Through an evaluation of the present opportunities and challenges encountered by Vietnam's textile and apparel goods industry, the authors present recommendations to promote exports while ensuring compliance with rules of origin within the context of CPTPP.

Keywords: CPTPP, Rules of origin, Textile and apparel goods

1. Introduction

The markets within the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) member countries hold significant potential for Vietnam's economy. As the CPTPP has been officially in effect for nearly five years, tangible outcomes have emerged from various commitments, notably those concerning rules of origin (ROO) for goods. This has largely impacted import-export dynamics, with key industries such as textiles, seafood, footwear, wood products,... However, within this landscape of opportunities, there are substantial challenges. Especially the textile and apparel goods industry - a prominent export sector, is still facing difficulties that necessitate a deep understanding and strategic approach to ROO to navigate the evolving trade environment.

This article aims to provide a comprehensive overview of the current state of Vietnam's textiles and apparel goods export, rules of origin in the textile sector, highlighting opportunities,

challenges, and offering strategic insights to maximize benefits for both the Vietnamese market and enterprises.

2. Methodology

2.1. Literature review

Based on the preceding discussion and a thorough analysis of the literature, it is deduced that numerous earlier studies have analyzed in detail the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and its role in the textile and garment export of Vietnam, opportunities and challenges, or synthesized the rules of origin for exports to CPTPP countries. However, these studies mainly focus on the self-certification mechanism (Kieu Nu My Hao, 2022), the impact of rules of origin on only a specific locality (Tran Viet Long, 2019), the general issue of joining CPTPP market (Tran Hoang Minh, 2019),... In general, the studies have outdated data (mostly only up to 2021), and there is still a lack of a specific analysis on the rules of origin for only textile and apparel goods and provide a comprehensive overview of its export situation. Therefore, many enterprises are still unclear when considering exports and beginning to research basic information about rules of origin, as well as the market context under CPTPP.

Devoted to bridging the gap of the existing literature, one of this study's innovations is its recommendations for the government, export enterprises to enhance the performance and boost the growth of Vietnam textile and apparel goods export after deeply researching the rule of origin, analyzing its context, opportunities and challenges.

2.2. Research design

To meet the objectives mentioned above, our team conducted reviews on existing documents about rules of origin in CPTPP and textile and apparel industry in Vietnam, data collection is carried as below:

- Database: WTO documents, World Bank, government decisions, industry reports, journals and reliable previous research on reputable sources,...
- Publish duration: the materials are published in the period of 2018-2023.
- Search keywords: CPTPP, ROO, Vietnam textile industry, dệt may Việt Nam,...

Having gathered and filtered the data from various sources, our team used qualitative method to interpret the information, make a whole picture and then provide recommendations for the topic we chose.

3. Overview of Rules of origin for Textile and Apparel goods in CPTPP

3.1. Overview of CPTPP

According to VCCI (2024), the Trans-Pacific Partnership (TPP), initially comprising twelve member countries, was signed in February 2016 with expectations of enforcement by 2018. However, following the withdrawal of the United States in January 2017, TPP failed to meet the necessary conditions for implementation. In March 2018, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was formally agreed upon by 11 member countries, excluding the United States. The CPTPP came into effect for various member nations at different times, with the UK becoming the first non-founding member to join in July 2023, increasing membership to 12 countries. Additionally, five countries/economies, including China and Ecuador, have officially applied to join the CPTPP. The CPTPP largely maintains the commitments of the TPP, with exceptions related to the United States and certain clauses and modifications among member nations.

3.2 Overview of Rules of origin and Origin procedures in CPTPP

3.2.1 Rules of origin in CPTPP

Rules of origin in CPTPP are stipulated in the text of Chapter 3 on Rules of Origin and Origin Procedures and in Appendix 3-D of Chapter 3 on Product Specific Rules of Origin.

The CPTPP Agreement stipulates 3 methods to provide that the good is originating if it is:

- (i) wholly obtained or produced entirely in the territory of one or more of the Parties as established in Article 3.3 (Wholly Obtained or Produced Goods);
- (ii) produced entirely in the territory of one or more of the Parties, exclusively from originating materials (PE); or
- (iii) produced entirely in the territory of one or more of the Parties using non-originating materials provided the good satisfies all 3-2 applicable requirements of Annex 3-D (Product-Specific Rules of Origin - PSR), and the good satisfies all other applicable requirements of Chapter 3.

Accordingly, a product will be considered a originating good and receive incentives if it falls into one of the following three cases:

(i) Wholly Obtained or Produced Goods

Wholly Obtained or Produced Goods are goods grown, harvested or caught in the region of CPTPP partner countries, according to Article 3.3

(ii) Goods produced entirely in the territory of one or more of the Parties

A product can be produced from materials of different origins. The cumulation rule in the CPTPP Agreement allows CPTPP countries to consider materials from a CPTPP country as their own when using those materials to produce an originating good of CPTPP.

(iii) Product-Specific Rules of Origin (PSR)

According to the CPTPP Agreement, goods produced in CPTPP countries do not use materials originating entirely from CPTPP countries but meet the rules specified in Appendix 3-D of Chapter 3 on Product-Specific Rules of Origin (PSR) are still considered goods of CPTPP origin and enjoy preferential treatment.

CPTPP stipulates 3 methods of determining origin for this case, including:

Change in Tariff Classification (CTC)

This rule requires non-originating materials to undergo a production process within the CPTPP that is sufficient to change their nature. This transformation requires a change in the HS classification code of the non-originating components to the HS code of the final product.

Some exceptions

“*CTC ex from*” is the exclusion of certain HS codes when applying the CTC method. If the HS code of the raw material is the same as the HS code listed in the phrase "excluding certain HS codes" or "ex from", the CTC method is not applicable in this case. Those raw materials must prove their origin in CPTPP countries to receive preferential treatment.

“*De Minimis*” is “an insignificant proportion of raw materials that do not meet CTC criteria” but the finished product is still considered originating if that proportion does not exceed the prescribed threshold, specifically 10% for CPTPP Agreement.

Regional Value Content (RVC)

Regional Value Content (RVC) rules require that a product include a certain percentage of originating content. Regional value content is only applicable when specifically provided in the relevant product specific rule of origin.

There are three ways RVC rules may be calculated in general, and one specifically for cars:

- Focused Value Method: Based on the Value of Specified Non-Originating Materials
- Build-up Method: Based on the Value of Originating Materials
- Build-down Method: Based on the Value of Non-Originating Materials
- Net Cost Method (for automotive goods only)

Production Process

This rule requires goods with partial origin outside the CPTPP to undergo a certain production stage that fundamentally changes the nature of the goods in CPTPP countries.

3.2.2 Origin procedures in CPTPP

Regarding origin certification procedures, CPTPP requires the application of a self-certification mechanism of origin, in which Parties subject to self-certification of origin (TCNXX)

include importers, exporters and producers. However, due to differences in demand as well as the level of readiness to implement the TCNXX mechanism for goods immediately upon the Agreement's entry into force, the CPTPP also allows member countries to apply this mechanism after a certain transition period. During this transition period, CPTPP member countries are flexible in concurrently applying two origin certification mechanisms: (a) *competent authorities or organizations issuing Certificates of Origin (C/O)*; and (b) *qualified exporters self-certifying the origin*:

For exported goods: Vietnam is allowed to apply the reservation period for self-certification of origin of goods. After the maximum 10-year transition period expires (that is, until January 14, 2029), Vietnam will switch to fully applying the self-certification of origin of goods mechanism for exporters and manufacturers. During that time, Vietnam can apply two origin certification mechanisms in parallel.

For imported goods: Currently, Vietnam has not applied the self-certification mechanism of origin of goods by importers under the CPTPP Agreement, so the certificate of origin for goods imported into Vietnam to enjoy preferential tariffs under the CPTPP Agreement is documents self-certifying the origin of goods made by the exporter or manufacturer of the exporting country. After 5 years from the date the CPTPP Agreement takes effect for Vietnam, i.e. January 14, 2024, Vietnam will apply the self-certification of origin mechanism for importers.

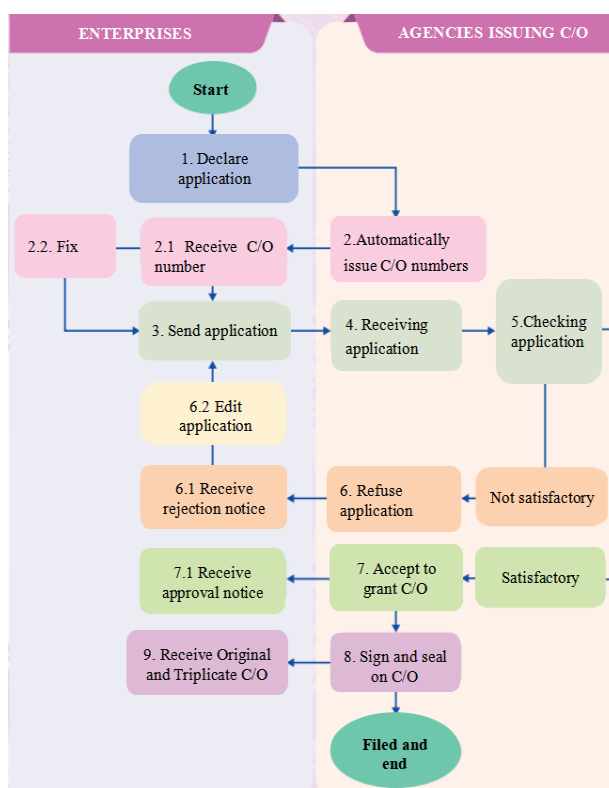


Figure 1: Issuing C/O procedure

Source: Agency of Foreign Trade, 2024

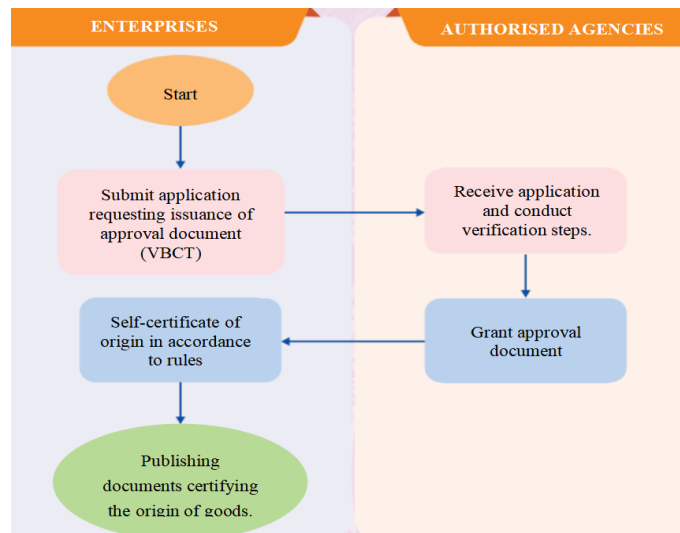


Figure 2: Self-certification of origin procedure

Source: Agency of Foreign Trade

3.3. Rules of origin of Textile and Apparel goods in CPTPP

The main rule of origin for textiles and garments in the CPTPP is “yarn-forward”, also known as the “three-step” rule. This rule is most commonly understood as all stages of textile production from yarn onwards, including (i) *spinning, weaving and dyeing*; (ii) *cutting* and (iii) *sewing of clothes* must be done within the CPTPP countries. CPTPP only accepts three items that apply the “cut and sew” rule: suitcases and handbags; women's bra; and children's clothing made of synthetic fibers.

Minimum rate (De minimis)

According to CPTPP regulations, the following cases are still considered to have CPTPP origin:

- Textile and garment products outside of Chapters 61 to 63 do not meet the rules of origin on HS code conversion specified in Appendix A-Chapter 4 of the Agreement, but the volume of materials does not meet the requirements of HS code conversion rule does not exceed 10% of the total volume of the product;
- Textile and garment products from Chapters 61 to 63 do not meet the rules of origin on HS code conversion specified in Appendix A-Chapter 4 of the Agreement, but the volume of fiber materials does not meet the HS code conversion rule used in the production of the component determines whether the HS code of that textile product does not exceed 10% of the total volume of the component of that textile product.

List of supply shortages

- List of temporary supply shortages: This list includes 08 types of materials that are allowed to be imported from countries outside the CPTPP and are still considered to meet the rules of origin to enjoy preferential tariffs, but only within 5 years from the date the Agreement takes effect.
- List of permanent supply shortages: includes 179 types of materials that are allowed to be imported from countries outside the CPTPP but are still considered to meet CPTPP rules of origin to enjoy preferential tariffs in the CPTPP, with no restrictions on time.

4. Real situation of Vietnam's Textile and Apparel goods export

The textile and apparel goods industry in Vietnam has extremely high productivity. With over 5,000 enterprises and 2.5 million workers, Vietnam produces over 4 billion units of products per year. Not only finished products, but the textile and garment industry also produces remarkable quantities of raw materials, such as 8,000 tons of fiber, 900 thousand tons of yarn, and over 1.5 billion square meters of fabric annually. The domestication rate of the industry reaches over 50%. (Invest Vietnam, 2020)

4.1 Vietnam's textile and apparel goods export situation before CPTPP (Before 2018)

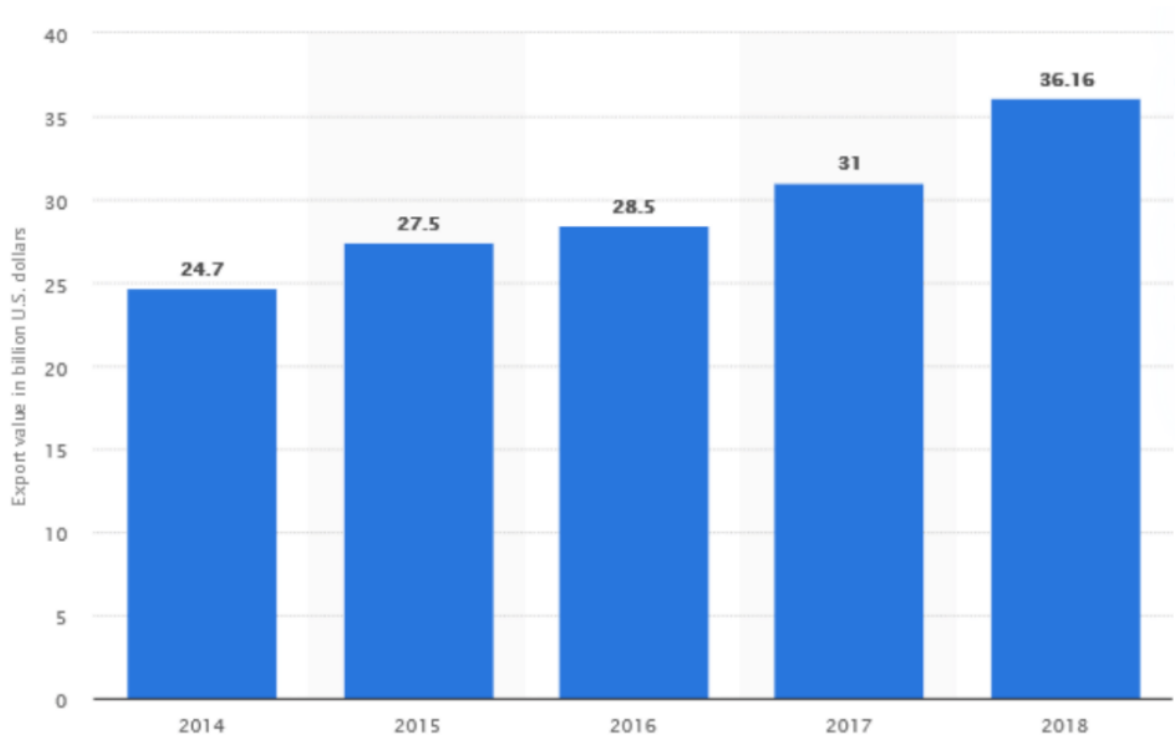


Figure 3: Export turnover of Vietnam's Textile and Apparel goods period 2014-2017 (billion USD)

Source: VCCI, 2019

Textiles and garments have always been in the top export products of Vietnam with large turnover and impressive growth, export value contributes about 15% to GDP. The average export growth rate in the period 2010-2017 is 15.6%/year. (Ministry of Industry and Trade, 2018). From a product perspective, garment products account for a major proportion, which on average occupied 82% of export turnover each year in the period 2010-2017 (Ministry of Industry and Trade, 2018).

The main export markets of Vietnamese textile and garment products are the US, EU, Japan, and Korea. In particular, the United States still leads among the largest export markets for Vietnam's textiles and garments, with a total turnover in 2017 accounting for 39.32% of the total textile export turnover of Vietnam (VITIC, 2018). Vietnam's textile and garment export industry is gaining traction in international markets due to rising global demand. The export turnover, although reaching large volumes, only focused on a few major markets, making it difficult to access other markets such as Chile, Peru,... CPTPP is considered as a chance for Vietnam's textile and garment export industry to boost its potential and reach the majority of global markets.

4.2 Vietnam's Textile and Apparel goods export industry after CPTPP (2018-2024)

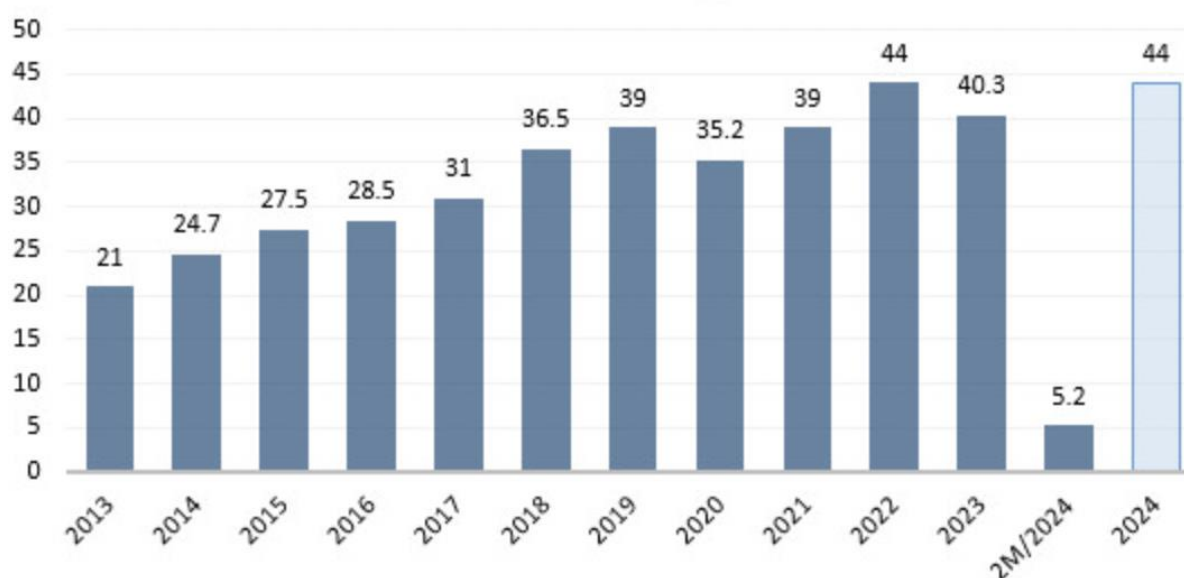


Figure 4. Export turnover of Vietnam's Textile and Garment Industry after CPTPP

Source: Author's compilation from Vitas

In 2018, textile and garment industry reached an export turnover of more than 36 billion USD, contributing 16% to the country's GDP. After the signing of CPTPP agreement, the export turnover continued to increase significantly to 39 billion USD in 2019. However, 2020 saw a sharp decline to 35,2 billion USD owing to the negative impacts of Covid-19 pandemic. 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. The first reason is that Chinese fabric manufacturers, which accounted for over 50% of Vietnam's imported fabrics (VCCI, 2020),

suspended production and disrupted fabrics supply to Vietnam. Moreover, many orders from the EU and the US - two biggest components of Vietnam's garment exports, were also canceled on a large scale.

However, this industry displayed a booming recovery in the next 3 years. In 2022, Vietnam's textile and garment exports soared to approximately \$44 billion, marking a testament to the sector's robust growth. The surge in export value reflects the industry's resilience and formidable position in the face of various challenges. Unfortunately, there have been some headwinds during the start of 2023. In January and February, exports dipped by 19.6%, reaching \$4.548 billion. This decline raised some doubts about the industry's ability to sustain growth momentum amid evolving market movements. But thanks to the relentless effort of enterprises, exports turnover in 2023 reached approximately 40.3 billion USD, surpassing the original target. Vietnam is working towards the next target of achieving 44 billion USD of the total export turnover for the industry in 2024, an increase of 9.2% compared to 2023 (VITAS).

Figure 5. Export turnover and annual growth rate of Vietnam's textile and garment products to the world during the period of 2018-2022 (*Unit: Thousand USD*)

AG 2018 – 2022 (%)		12	4	-1	-	2	2	9
2022	AG (%)	6.7	63.4	63.4	-	28.7	20.3	19
	ET	1,317,535	1,085,415	781,694	-	3,484,197	3,741,804	1,185,690
2021	AG (%)	24	-67.7	-7.1	8.4	8.4	3	-33.3
	ET	1,234,441	883,892	478,290	1,773,343	2,707,962	3,109,378	996,331
2020	AG (%)	0.37	-5.9	-27.1	-19.5	-18.5	-12.2	58.4
	ET	995,687	2,735,706	515,068	1,598,803	2,497,759	3,018,056	1,493,674
2019	AG (%)	19	1.9	2.4	4.5	2.4	6.5	17.1
	ET	992,048	2,905,977	706,627	1,985,781	3,066,197	3,224,635	942,786
2018	Export Turnover (ET)	833,706	2,855,076	690,292	1,900,267	2,994,131	3,224,898	805,017
Product code		6103	6104	6105	6201	6203	6204	6210

Product Code	Description
HS 6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted
HS 6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts, knitted or crocheted.
HS 6105	Men's or boys' shirts, knitted or crocheted
HS 6201	Men's or boys' overcoats, car-coats, cloaks, anoraks (including ski-jackets), wind-cheaters, wind jackets and similar articles
HS 6203	Men's or boys' suits, ensembles, jackets, blazers, trousers bib and brace overalls, breeches and shorts
HS 6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts
HS 6210	Garments, made up of fabrics of heading 5602, 5603, 5903, 5906 or 5907

Source: Authors synthesized from Trademap

In terms of the primary HS products of Vietnam's textile and apparel, the export level of almost all HS 61 and 62 items increased from 2018 to 2022. Among those, two groups of HS 6103 and 6210 witnessed the highest growth, accounting for 12% and 9%, respectively. However, two commodity groups HS 6203 and 6204 were the main exported products of Vietnam into the global market, with more than 3 billion USD each of export turnover in 2022.

Noticeably, 2020 marks an unprecedented decline in Vietnam's textile and apparel export turnover when 5/7 typical HS groups display a substantial drop in their recorded statistics. Despite being one of the leading countries in the world in textile and garment exports, from 2019 to 2020, Vietnam has been facing the challenges from the negative impacts of the Covid-19 pandemic. Difficulties arose from shortages of raw materials and a decreasing demand from global regions as consumers focused only on essential items and pandemic prevention, causing Vietnamese textile enterprises to face a scarcity of orders. Fortunately, the period of 2021 onwards have witnessed a recovery when all HS products start to bounce back to the rising pattern.

Among various products of the textile industry, there are two primary product lines: apparel product and fiber product. The main exports in the apparel sector are jackets, T-shirts, and trousers, all of which have shown significant growth compared to 2021(WTO Center, 2023). However, the reverse trend was seen in fiber products, Vietnam's exports of this reached 1.57 million tons, with a value of approximately \$4.7 billion USD, equivalent to a decrease of 18.4% in quantity and 16.0% in value compared to 2021 (VCCI, 2023). This was because fiber enterprises encountered difficulties in seeking and securing new export contracts from the global market and fierce price competition from rival competitors.

Figure 6: Vietnam's Textile and Apparel products export into main CPTPP markets

Primary Market	Year 2022		Export proportion (%)	
	Export Turnover (Million USD)	Compared to 2021 (%)	2022	2021
Total	37,566.65	14.69	100.0	100.0
CPTPP	6,462.28	29.62	17.20	15.22
Japan	4,072.77	25.76	10.84	9.89
Canada	1,311.23	40.34	3.49	2.85

Australia	445.80	26.26	1.19	1.08
Mexico	173.83	67.38	0.46	0.32

Source: VCCI, 2024

Although Vietnam had signed the CPTPP agreement for 3 years, its export turnover of Textile and Apparel products into CPTPP regions still witnessed a decrease by 0.17% from 2020 to 2021. The primary reason behind this trend was due to the over-dependence on importing significant amounts of input materials when the textile and apparel enterprises imported nearly 99% of cotton and 80% of fabric annually (VCCI, 2022). This seriously contradicted the stipulated rules of origin in CPTPP agreement and thus, affected the overall performance of Textile and Apparel industry in 2021. However, the next one-year period marked a massive recovery when export to CPTPP countries surged significantly by nearly 30% and its market share correspondingly rose to 17.2%. This indicates that Vietnamese enterprises have gradually utilized the tariff preferences from the new generation FTA agreements effectively.

Specifically, approximately \$4 billion USD of this was imported by Japan, which is also the largest market of Vietnam's import of textile and apparel products within the CPTPP alliance. Even before the appearance of CPTPP agreement, Japan has long been Vietnam's long-term strategic textile importer, thus after this agreement coming into effect, Japan still remains to stand on top of the importing list. Notably, textile and apparel ranked first in export turnover to Japan, accounting for 17.4% of Japan's total export proportions in 2023 (VCCI, 2023). Regarding Canada, exports to this country also have seen robust growth of over 40% compared to the same period last year thanks to the impacts of the CPTPP agreement. Therefore, Canada is expected to be an extremely promising market for Vietnamese enterprises for its incredibly high demand. Australia and Mexico are another fertile land for Vietnam's textile industry, with demand recorded at \$445.80 million USD and \$173.83 million USD, synonymous with 26% and 37% increase, respectively in 2022.

However, Vietnam's market share in these markets only recorded a modest number. Vietnam only occupied 10% market share in Japan's total textile imports. Similarly, Vietnam's market share in Canada is merely 5% despite the market's textile demand reaching \$13-14 billion USD (Ministry of Industry and Trade, 2022). In Australia and Mexico, Vietnam's textile exports only capture 2.3% of the market share. This indicates that Viet Nam's apparel and textile products still have ample opportunities to expand their footprint in these CPTPP markets.

5. Government orientation for Vietnam's Textile and Apparel goods export activities (2024-2030)

With the goal of bringing the textile and garment industry to steady development in the coming periods, in line with the process of world economic integration and the general development speed of the whole industry in the period of 2021-2030 and after 2030, it is very necessary to develop a

Sector Development Strategy. On that basis, the Prime Minister issued Decision No. 1643/QĐ-TTg approving the "VIETNAM TEXTILE AND GARMENT INDUSTRY DEVELOPMENT STRATEGY TO 2030, VISION TO 2035."

5.1. Solution to the problem of lacking the material

Textile and garment is one of the industries depending quite heavily on raw materials from other countries. Currently, the country can only meet 25% of the fabric demand (WTO Center, 2023), cotton products are still heavily dependent on imported goods. If the world supply chain is interrupted, Vietnam's textile and garment industry will fall into a shortage of raw materials. On the other side, enterprises also cannot take advantage of tariff preferences from signed FTA if they have not met the rules of origin.

In order to solve this problem, the government's strategic department has set an orientation to promote investment in the production of raw materials, auxiliary materials, to focus on the production of fabrics, artificial fabrics. Moreover, the government also encourages the production of fabrics from domestically produced yarns in order to reduce imports, thus forming a complete supply and value chain in the industry. Specifically, for the Textile industry (including fiber, yarn, weaving, dyeing and fabric finishing): developing production of synthetic fibers, functional fibers, environmentally friendly raw materials, and high-quality threads, ... in order to meet the needs of domestic production and gradually reduce imports. Another feasible measure is to build a number of specialized industrial parks, large specialized complexes of Textile, Garment, Leather and Footwear (including yarn chains, textile dyeing, finishing fabrics; tanning) and prioritize projects with large capacity from reputable investors with advanced and modern technology.

5.2. Focus orientation of planning industrial parks

In order to link the chain to achieve the highest efficiency, the government also designates clearly to attract investment in a number of specialized industrial parks and specialized complexes in the Northern region; the Central region and the South.

At the same time, directing projects supporting industry, production of raw materials and auxiliary materials to focus on development in areas with high density of enterprises in the above-mentioned localities to reduce transportation costs and enhance the competitiveness of products. This orientation will contribute to solving the difficult situation when applying for investment in textile and dyeing projects in localities, attracting investment in the supply shortage. In addition, enterprises also need to invest in new machinery, equipment and technologies to improve productivity and reduce energy consumption, waste water discharge and greenhouse gas emissions.

5.3. Increase localization rate, build Vietnamese fashion brand

Accordingly, the government sets the direction of textile and fashion development, promotes cohesion and coordination between manufacturers and creates fashion trends for the domestic market, involving developing product brands and national brands.

To develop fashion centers in Vietnam, the industry should promote the development of textile fashion in close association with marketing strategies so as to serve domestic and foreign needs and in link with the world trend of green and convenience products. Build up a plan to develop Vietnamese textile, leather and footwear brands, bringing Vietnamese brands into the global retail chain; improve design capacity, branding and competitiveness.

6. Opportunities and Challenges

6.1. Opportunities

6.1.1. Opportunities to benefit from Tariff Reductions

The CPTPP agreement has significantly reduced tariffs for exported goods, including the textile and garment industry. For instance, with Canada, the MFN (Most Favored Nation) average tariff ranges from 17-18%. However, if Vietnam meets the origin requirements, all tariffs under chapters HS50-60 (fibers, yarns, fabrics) and some under chapters HS 61,62 will be reduced to 0%. Certain Vietnamese export items to Canada, such as outerwear, windbreakers, and ski suits, mostly see tariffs eliminated to 0% from the fourth year since the agreement takes effect. With reduced export tariffs, the Vietnamese textile and garment industry has the opportunity to compete with other counterparts in the international market, thereby boosting exports.

6.1.2. Opportunities to enhance supply chain diversity through the access to new CPTPP export markets

The CPTPP has opened up opportunities for Vietnamese businesses to expand into markets such as Mexico, Peru, and Canada. This helps the Vietnamese textile and garment industry reduce dependence on traditional export markets like the United States, Europe, and Japan.

Expanding foreign markets also allows the Vietnamese textile and garment industry to diversify its supply sources. Seeking and collaborating with suppliers from other countries provides the industry with additional choices of materials, fibers, and accessories, especially those originating from CPTPP member countries. Therefore, Vietnam can take advantage of preferential tariff rates under the "from yarn forward" rule of origin of this agreement.

6.1.3. Opportunity to promote domestic raw material manufacturing through CPTPP rules of origin

Utilizing the CPTPP's rules of origin for textiles and garments under 10% is a crucial step in promoting the development of raw material manufacturing in Vietnam. This requirement not only creates export opportunities but also contributes to attracting foreign direct investment (FDI). Firstly, limiting non-CPTPP origin to under 10% incentivizes businesses to focus more on importing materials domestically. This stimulates the growth of raw material manufacturing enterprises and helps create domestic employment. Furthermore, this requirement also encourages investors to concentrate on developing and cultivating raw materials in Vietnam. Projects

involving cultivation, research, and development of raw material supply can attract investor interest.

The government can also introduce policies to support FDI in the raw material manufacturing sector. Tax incentives, infrastructure support, and creating a favorable business environment will facilitate attracting foreign investment.

6.2. Challenges

6.2.1. Insufficient information and inability to adapt

The rules of origin for goods within the CPTPP present several new elements compared to previous FTAs Vietnam has engaged in, posing challenges for small and medium enterprises to swiftly adapt. These enterprises encounter difficulties in grasping the market intricacies of CPTPP member nations, particularly in sizable markets like Canada and Mexico. Survey data from VCCI indicates that out of 8,600 participating enterprises, despite 26% showing interest in the CPTPP by engaging in research, over 70% still lack clarity regarding its implications. (VCCI, 2019)

6.2.2. Meeting Origin Requirements under CPTPP

In order for textile and garment products to enjoy a 0% tax rate, they must prove that their raw materials, from yarn onwards. This requires all stages of textile production, including spinning, weaving, and dyeing fabric; cutting and sewing garments, to be conducted within the CPTPP bloc. This is the strictest rule of origin regarding textiles that Vietnam has ever committed to in an FTA. However, the current challenge lies in the scarcity of raw materials, which is a weak point for the textile and garment industry in Vietnam. Currently, 80% of the industry's raw materials are imported, mainly from non-CPTPP countries such as China (43%), South Korea (20%), Taiwan (15%), with TPP countries accounting for only 9.7%. (VCCI, 2018)

7. Recommendation

7.1. Recommendation for Vietnamese exporters

7.1.1. Comprehensively understand the agreement to maximizing the benefits of the agreement

Understanding the specific rules and requirements outlined in the CPTPP agreement regarding the origin of textile products is crucial. This involves studying the agreement's text, particularly Chapter 4, Annex 4A (Textiles and Apparel Product-Specific Rules of Origin). Besides, enterprises also should research certain exceptions and flexibilities concerning the "from yarn onwards" rule of origin (for example, the "De minimis", short supply list of products, ect.) to maximize the benefits gaining from ROO in CPTPP.

Moreover, Vietnamese businesses also can seek help from trade associations and government agencies that often provide resources and guidance to help them understand and comply with rules of origin by proactively reflecting on obstacles and challenges encountered in practice to collectively address and resolve them among relevant parties.

7.1.2. Enhancing supply chain resilience

Searching for and partnering with suppliers from the CPTPP region helps diversify the supply of raw materials. This is crucial to assist textile businesses in Vietnam in ensuring that their materials meet origin requirements and maintain product quality. Therefore, after becoming aware of this matter, many businesses have taken proactive steps to invest in their own production facilities for raw materials or actively seek new partners in the 10 member countries of the bloc to comply with the rules of origin in the CPTPP. A prime example is TNG Company, which since 2029, has doubled its cotton production capacity to 20 million square meters of cotton per year. This proactive approach not only ensures a stable supply of raw materials for their own production but also caters to numerous other textile businesses in Vietnam.

7.2. Recommendation for Government

The government should support businesses in achieving accurate and in-depth understanding, as well as effectively leveraging the ROO of the Agreement through various ways.

Firstly, enacting administrative documents to provide information for businesses to gain a comprehensive understanding of the CPTPP agreement, especially regarding the rules of origin in the textile and garment industry. These official papers would provide businesses with guidance, giving them a thorough understanding of the CPTPP agreement, especially regarding the rules of origin in the textile and garment industry. For example, the government has published the Decree No. 03/2019/TT-BCT dated January 22, 2019, stipulates the Rules of Origin for goods in the (CPTPP) or the process of certifying and inspecting the origin of goods in Vietnam is carried out in accordance with the regulations stated in Decree No. 31/2018/ND-CP dated March 8, 2018, and other related provisions.

Secondly, organizing specialized training conferences would further enhance understanding and capacity-building efforts. The government can collaborate with experts in international trade, legal matters, and the textile industry to provide specific advice for businesses and create a testing and practicing environment by organizing discussions, practical exercises, and trials. This allows businesses the opportunity to apply rules of origin to actual production and export scenarios. For example, to enhance understanding of ROO in CPTPP, on November 15, 2022, in the city of Quy Nhon, the Department of Industry and Trade, in collaboration with the Vietnam Chamber of Commerce and Industry - Da Nang Branch, organized a conference titled "Training on Understanding and Efficiently Applying Rules of Origin for Goods in CPTPP".

Conclusion

In conclusion, through the research process on the rules of origin for Vietnam's textile and apparel goods industry in the CPTPP, the authors have identified the potential opportunities and challenges for the industry when entering this market. For example, although there are many advantages in terms of tariffs upon joining the agreement, there are stricter and somewhat more

complicated rules and procedures regarding origin of the products. In the current context of international economic integration, this is both a driving force and a tool for Vietnam to further participate extensively in the global trade network. To effectively leverage the opportunities that the CPTPP brings, Vietnam's textile and garment industry needs further measures that fully comply with the standards and rules of origin set by the market. To achieve this, close coordination among the government, businesses, and agencies is necessary to promote textile and garment exports and establish a position in the marketplace.

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