XUẤT KHẨU MẶT HÀNG DỆT MAY VIỆT NAM SANG THỊ TRƯỜNG NGA TRONG BỐI CẢNH THỰC THI HIỆP ĐỊNH VN-EAEU FTA: PHÂN TÍCH MÔ HÌNH SWOT VÀ ĐỀ XUẤT GIẢI PHÁP

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Tóm tắt

Việt Nam có rất nhiều tiềm năng trong việc thúc đẩy và mở rộng xuất khẩu mặt hàng dệt may sang Liên bang Nga, nhờ vào giá cả, mẫu mã và chất lượng của các sản phẩm này. Kể từ khi Hiệp định thương mại tự do Việt Nam - Liên minh Á-Âu (FTA VN-EAEU) có hiệu lực, mặt hàng dệt may đã trở thành một trong những mặt hàng quan trọng trong doanh thu xuất khẩu của Việt Nam sang Nga. Nghiên cứu này nhằm làm rõ nội dung chính của FTA VN-EAEU và tác động của hiệp định đối với xuất khẩu hàng dệt may của Việt Nam. Ngoài ra, nghiên cứu sẽ đánh giá tình hình hiện tại của các ngành này bằng mô hình SWOT, đặc biệt là làm nổi bật những thách thức và cơ hội mà Việt Nam đang phải đối mặt. Từ phân tích này, nhóm nghiên cứu chúng tôi sẽ đề xuất một số giải pháp để tối đa hóa tiềm năng của hàng dệt may Việt Nam nhằm thúc đẩy xuất khẩu sang Nga dưới tác động của hiệp định FTA VN-EAEU.

Từ khóa: Thị trường Nga, Hiệp định VN-EAEU FTA, Việt Nam, mặt hàng dệt may, xuất khẩu, mô hình SWOT

VIETNAM'S EXPORT OF GARMENT AND TEXTILE PRODUCTS TO RUSSIA MARKET UNDER THE VN-EAEU FTA: SWOT ANALYSIS AND SOME RECOMMENDATIONS

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Abstract

Vietnam has significant potential to expand its garment and textile exports to the Russian Federation, driven by the affordability, attractiveness, and high quality of these products. Since the Vietnam-Eurasian Union Free Trade Agreement (VN-EAEU FTA) came into effect, garment and textile have become an increasingly important component of Vietnam's export revenue to Russia. This study aims to clarify the key provisions of the VN-EAEU FTA and its impact on Vietnam's garment and textile exports. Additionally, the research will assess the current state of these sectors using the SWOT model, particularly highlighting the challenges and opportunities they face. Based on this analysis, some recommendations are proposed to maximize the potential of Vietnamese garment and textile, boosting exports to Russia under the VN-EAEU FTA.

Keywords: Russia, VN-EAEU FTA, Vietnam, garment and textile, export, SWOT analysis

1. Introduction

Vietnam's garment and textile industry is a key driver of economic growth and one of the nation's primary export sectors. In 2022, exports reached $44.5 billion, marking a 10.5–11% increase compared to 2021, positioning Vietnam as the third-largest exporter globally after China and Bangladesh (WTO, 2022). Despite challenges in 2023, export turnover totaled $40.3 billion, a 9.2% decline from 2022, with exports spanning 104 markets and territories. Major destinations included the U.S., EU, Japan, South Korea, and ASEAN countries. However, the industry faced difficulties from global economic recession, leading to reduced orders, rising input costs, and intense domestic competition. The U.S. market experienced the steepest decline in export value, dropping by 27.1%, followed by reductions in the EU (6.2%), Canada (10.9%), and South Korea (2%). In contrast, exports to Russia remained stable, even during the COVID-19 pandemic, highlighting its potential as a promising market.

Russia offers several advantages for Vietnam's garment and textile exports, including a longstanding partnership, the VN-EAEU FTA signed in 2016, and market gaps created by the withdrawal of Western enterprises due to the Russia-Ukraine conflict. However, trade cooperation faces challenges from global economic uncertainties and geopolitical tensions. Notably, in the first half of 2024, garment and textile exports to Russia reached $398 million, accounting for 33.9% of Vietnam's total exports to the country (VITIC, 2024).

This research addresses the gap in studies on Vietnam's garment and textile exports to Russia under the VN-EAEU FTA. Using a SWOT analysis, it examines strengths, weaknesses, opportunities, and threats, providing recommendations for the Vietnamese government and businesses to enhance trade efficiency and capitalize on opportunities in the Russian market. The study draws on existing literature and reports to achieve these objectives.

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2. Theoretical framework

2.1. Free Trade Agreements (FTA)

According to the International Trade Administration, Free Trade Agreement (FTA) is a contractual agreement between two or more countries under which they give each other preferential market access, usually called free trade. For Vietnam, the main goal of FTA is to reduce or eliminate barriers to tariffs and non-tariff measures to facilitate trade, stimulating exporting activities to other countries under FTA agreements. Up to now, Vietnam has negotiated and signed 19 free trade agreements (FTAs), including 16 coming-into-force agreements and 03 negotiating agreements. (Chính phủ, 2024)

2.2. Tariff barriers

Tariff barriers, defined by the International Trade Administration (ITA), are financial charges levied on imported goods as a percentage of their value or as a fixed amount per unit. The World Trade Organization (WTO) specifies a tariff barrier as a tax or duty imposed on imported goods by a government, used to restrict trade by making imported goods more expensive, thus protecting domestic industries from foreign competition.

In other words, a tariff barrier is a system of tariff regulations and policies that a country applies to restrict or control the movement of goods between it and other countries. A tariff barrier consists of taxes and charges associated with the importation or exportation of goods, and is usually imposed to protect the interests of domestic industries.

2.3. Non-tariff barriers

According to the Corporate Finance Institute (CFI), non-tariff barriers are trade barriers that restrict the import or export of goods through means other than tariffs, which are imposed by a government on its imports, to protect domestic firms, restrict imports.

The WTO Agreements do not define non-tariff barriers. However, in the informal interpretation of the WTO, non-tariff barriers can be any technical, administrative or legal measure that may create obstacles to trade. The General Agreement on Tariffs and Trade (GATT 1994) does provide some principled provisions on non-tariff barriers. Specific rules on the application of certain non-tariff barriers are governed by separate WTO Agreements, including the Agreement on import licensing, pre-shipment inspections, rules of origin, custom delayers, and other mechanisms that prevent or restrict trade.

In other words, non-tariff barriers are barriers that are not tariffs but can affect trade and investment between countries. These barriers can include regulations on technical standards, import and export licenses, quality control of goods, and regulations on environmental protection.

3. Overview of the VN-EAEU FTA

3.1. Introduction of the VN-EAEU FTA

The Eurasian Economic Union (EAEU) was established on May 29, 2014, by Russia, Belarus, and Kazakhstan to promote unified policies in trade, economics, finance, and taxation

for enhanced economic integration (WTO, 2023). Armenia and Kyrgyzstan joined on January 2 and August 12, 2015, respectively. At the 10th anniversary of its founding, Russian President Vladimir Putin highlighted the EAEU as an "independent and self-sufficient union." Over its first decade, the EAEU achieved remarkable milestones, including a doubling of intra-union trade from $45 billion to $89 billion, GDP growth from $1.6 trillion to $2.5 trillion, and a 60% increase in trade turnover with non-member countries, from $579 billion to $923 billion (Tuấn Anh, 2024). These achievements underline the EAEU's growing strength and dynamism on the global stage.

The VN-EAEU FTA, signed on May 29, 2015, in Kazakhstan and effective from October 5, 2016, marked Vietnam as the EAEU's first FTA partner. This agreement opened substantial opportunities for Vietnam's export markets by reducing tariff and non-tariff barriers, facilitating trade, and enhancing the visibility of businesses on both sides. Since its implementation, trade turnover between Vietnam and the EAEU has grown steadily, achieving an average growth rate of 32.2% annually, rising from $5.9 billion in 2017 to $7.8 billion in 2021 (Ministry of Industry and Trade, 2022).

Although trade declined in 2022 due to global economic challenges, it showed signs of recovery in 2023, reaching $4.4 billion, a 2.4% increase from the previous year. Vietnam's exports to the EAEU accounted for approximately $2.5 billion, while imports totaled $1.9 billion. Looking ahead, Andrey Slepnev, the Eurasian Economic Commission's Minister in charge of trade, emphasized significant potential for deepening trade and economic cooperation between Vietnam and the EAEU.

3.2. Main contents of the VN-EAEU FTA

The Vietnam-EAEU Free Trade Agreement has 15 chapters, with fundamental chapters concerning goods, including Trade in Goods, Rules of Origin, Trade Remedies, Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT), Trade Facilitation, and Customs Procedures, and others. Other chapters include Trade in Services, Investment, Intellectual Property, E-commerce, Competition, Legal and Institutional Provisions. (WTO, no date)

Based on the Vietnam-EAEU commitment, Vietnam has committed to open the market for about 90% of total tariff lines within the 10-year tariff reduction schedule. (WTO, 2015) Tariff elimination for products in the priority list of EAEU at the entry into force (EIF) including agricultural commodities (such as beef, dairy products, wheat flour), after 3-5 years since EIF including processed meat and fish, electrical machinery, machinery used in agriculture; after 5 years since EIF including pork, chicken; after 10 years since EIF including alcohol beverages and cars. For some special products, tariff elimination will be no earlier than 2027 for petroleum, and no longer than 10 years for iron and steel.

EAEU also shall eliminate the tariff rate for approximately 90% of all tariff lines, particularly, immediately eliminate 59% of total tariff lines. Groups of product will be eliminated the import tariff rate are agricultural-forestry-fishery products of Vietnam (majority of fishery items, some certain kinds of fresh and processed vegetable and fruits, processed meat and fish, cereals, rice (with the tariff quota is 10,000 tons); and some industrial goods that Vietnam has advantage in export (such as: textile (in quota) and raw textile materials, footwear

(especially athletic shoes), machinery, electronic components, some pharmaceutical products, iron and steel, rubber products, and wood and furniture,…

3.3. Commitments of VN-EAEU FTA related to garment and textile products

3.3.1. Tariffs commitments

Vietnam's commitment to tariff elimination

Vietnam commits to eliminating most import taxes (about 80% of tax lines) on textile and garment products for EAEU countries as soon as the Agreement comes into effect. Import taxes on the remaining products are mostly committed to be eliminated according to a 5-year schedule, except for products under code 5811 which are committed to a 10-year schedule and 10 other tax lines that have not been committed.

Implementing tariff reduction commitments under the Vietnam - EAEU Trade Agreement for the period of 2018 - 2022, the Government issued Decree No. 150/2017/ND-CP dated December 26, 2017, promulgating Vietnam's special preferential import tariff schedule to implement the EAEU Agreement for the period of 2018 - 2022.

Russia's commitment to tariff elimination

Under the influence of the Vietnam - EAEU Trade Agreement, Russia commits to eliminating up to 82% of tariff lines on Vietnamese textile products, of which 36% of tariff lines will be eliminated immediately after the Agreement comes into effect (2016).

Table 1: Russia's commitment to open the door for garment and textile products of Vietnam

Product	Rate of tariff lines reduced	Rate of tariff lines fully eliminated	Rate of tariff lines eliminated immediately after entry into force	Note
Garment and Textile	82%	42% - 10-year schedule	36%	Does apply Trigger Safeguard Measures - TSM

Source: WTO

In addition, after 10 years from the date of entry into force of the Agreement, the next 42% of tariff lines will be completely eliminated, along with the application of Trigger Safeguard Measures - TSM.

The table below shows some garment and textile products with a large proportion of exports to the Russian market, on how they are mentioned in the EAEU's Tariff Reduction Schedule of Vietnam - EAEU FTA. All products are exempt from tax. To be specific:

- Originating goods classified under the tariff lines indicated with "U" shall be excluded from any tariff commitment. Customs duties on such originating goods shall be applied in accordance with the most-favored-nation treatment pursuant to Article 2.1 of the Vietnam - EAEU FTA Agreement as from the date of entry into force of the Agreement.

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- Originating goods classified under the tariff lines indicated with "T" shall be exempted from customs duties unless customs duties for such goods are applied in accordance with Article 2.10 of the Agreement.

- Customs duties on originating goods classified under the tariff lines indicated with "Q" shall be applied in accordance with each Party's relevant notes on tariff rate quotas in Annex 1.

Table 2: The EAEU's Tariff Reduction Schedule for Vietnam - EAEU FTA on some garment and textile products

HS code	Rate of duty(%)		Year											
	Description	Base rate	EIF	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025, and seubsequent year
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted.													
61044100	-- of wool or fine animal hair	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
61044200	-- of cotton yarn	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
61044300	-- of synthetic fibres	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
61044900	-- of other textile materials	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear).													
62044100	-- of wool or fine animal hair	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
62044200	-- of cotton yarn	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
62044300	-- of synthetic fibres	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
62044400	-- of artificial fibres	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
62045900	-- of other textile materials	10, but not less than 2,5 euro for 1 kg	T	T	T	T	T	T	T	T	T	T	T
62041100	-- of wool or fine animal hair		U	U	U	U	U	U	U	U	U	U	U
62041200	-- of cotton yarn		U	U	U	U	U	U	U	U	U	U	U
62041300	-- of synthetic fibres		U	U	U	U	U	U	U	U	U	U	U
62041900	-- of other textile materials		U	U	U	U	U	U	U	U	U	U	U

Source: WTO

3.3.2. Non-tariff commitments

TBT Measures

In terms of Technical Barriers to Trade (TBT), cooperation between parties will be promoted by the preparation, adoption and application of standards. Trade barriers and costs for exporters can be minimized through exchanging information and assessment processes.

SPS Measures

Regarding Sanitary and Phytosanitary Measures (SPS), the product from the exporting country must meet high standards of health and safety. It aims to facilitate trade by reducing barriers related to sanitary and phytosanitary measures while protecting human, animal, or plant life or health in the parties' region. Garment and textile products must meet the relevant health and safety standards as required by the EU, including chemical requirements or treatments that

might affect the health and safety of consumers. Relevant definitions can be found from international organizations such as the Codex Alimentarius Commission, OIE, or IPPC.

3.3.3. Rule of Origin

Relating Rules of Origin, to enjoy tariff preferences under the Agreement, goods must satisfy the rules of origin of the Agreement. Specifically, goods will be considered to originate in one Party (Vietnam or the EAEU) if the good is:

- Wholly obtained or produced in Vietnam or the EAEU, or,

- Produced entirely in one or both parties from materials originating exclusively from one or both parties

- Produced in one party using non-originated material but meet all requirements to receive preferential tariff treatment. In this case, garment and textile products need to be made from materials that originate from the EAEU or Vietnam to ensure that the added value in the manufacturing process comes from one or both parties.

In the case of Vietnam's exported garment and textile products, they are also required to comply with strict aforementioned origin requirements to be approved for the reduced tariffs.

Typically, goods are eligible for preferential tariffs if they have a Value-added Content (VAC) of 40% or more. In some cases, the requirement may be VAC ≥ 50-60%.

$$VAC = \frac{FOB - VNM}{FOB} \times 100\%$$

Note:

- VAC: Value-added Content

- FOB: Free-on-board Value

- VNM: Value of non-originating materials, which is either: (i) the CIF value at the time of importation of the materials, parts, or goods; or (ii) the earliest ascertained price paid for the materials, parts, or goods of undetermined origin in the territory of the Party where the working or processing has taken place

Alternatively, goods can qualify if there is a change in HS code at the 2, 4, or 6-digit level. As a case in point, most garment and textile products are a change in HS code at the 2-digit level or sometimes 4-digit level (in some processes).

4. Vietnam's garment and textile industry before and after the VN-EAEU FTA

4.1. Before VN-EAEU FTA

Prior to the VN-EAEU FTA, the overall performance of Vietnam's garment and textile sector exports to Russia was generally constant, with total values varying about 100 million USD and contributing for around 7-8% of Vietnam's total export value. In 2011, Vietnam's garment and textile exports to Russia were estimated at approximately $107 million, representing 8.31% of Vietnam's total exports to Russia. Over the next three years, the export

value consistently grew, peaking in 2014 with an export value of around $136 million. The growth can be explained by two reasons. Firstly, this period marked a recovery from the 2008–2009 global financial crisis, leading to increasing global trade volumes and demand.
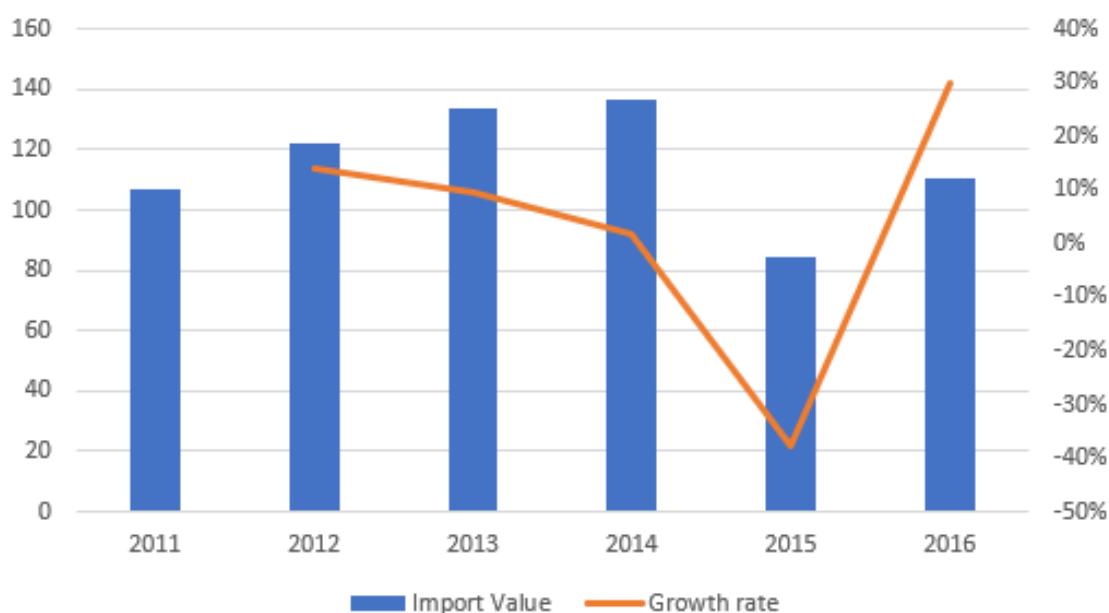

Figure 1: Vietnam's export of garment and textile to Russia before the VN-EAEU FTA (in million USD)

Source: General Department of Vietnam Customs

Secondly, Russia experienced strong economic growth fueled by rising energy prices, which boosted consumer purchasing power, including demand for imported goods like garments. This is so-called Russia's pre-crisi growth. However, despite increasing export value, the growth rate slowed annually due to market saturation and rising competition from other exporters like China and Turkey.

Yet after this much growth, in 2015, global oil prices plummeted by more than 50%, significantly impacting Russia's economy, which relies heavily on energy exports. Russia's GDP contracted by 3.7%, leading to reduced demand for non-essential imports like textiles. At the same time, Vietnam faced several challenges such as rising input costs, reliance on imported raw materials (particularly from China) and the slowdown in global trade post-2014. These factors contribute to causing the trade turnover between Vietnam and Russia to drop by 37.8%. This drop suggests that commerce between the two nations experienced substantial obstacles that affected export performance, even in spite of initial development. (Tổng cục Hải quan, 2016).

4.2. After VN-EAEU FTA

The Vietnam Textile and Apparel Association projected a 50% growth in textile and garment trade between Vietnam and the EAEU in the first year after the VN-EAEU FTA took effect, followed by an average annual increase of 20% over the next five years (Ministry of Finance, 2016). Although these expectations were not fully realized, Vietnam's apparel exports to Russia rebounded by 30% in 2016, reaching $110 million. In 2017, the impact of the VN-

EAEU FTA became more evident, with exports to Russia increasing by 34%, and the textile and garment industry achieving $169.223 million in export value—a 53.51% rise from the previous year. By 2019, export values exceeded $200 million, driven by the FTA's tariff reductions, which enhanced the competitiveness of Vietnamese goods in Russia. Additionally, Russia's economic stabilization after the 2015–2016 recession improved consumer demand, further contributing to this steady growth.
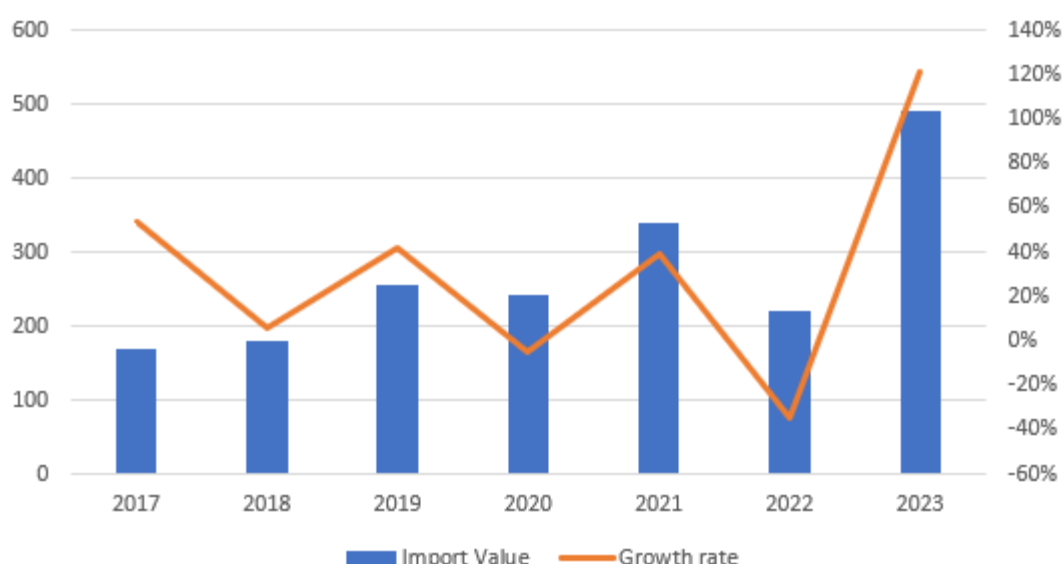

Figure 2: Vietnam's Textile export and Total export to Russia after VN-EAEU FTA (in million USD)

Source: General Department of Vietnam Customs

The period between 2020 and 2022 was marked by significant volatility due to the COVID-19 pandemic and geopolitical tensions. In 2020, the pandemic caused disruptions in global trade and logistics, reducing consumer demand in Russia and impacting Vietnam's export performance, which fell below $200 million. Vietnam's heavy reliance on imported raw materials, especially from China, further exacerbated production delays during this time. However, in 2021, as global trade recovered and pandemic-related restrictions eased, Vietnam's exports rebounded sharply, growing by 39.53% to $338.9 million. The continued benefits of the VN-EAEU FTA were evident in this recovery. Unfortunately, in 2022, the Russia-Ukraine conflict and subsequent Western sanctions on Russia disrupted trade routes and financial transactions, leading to a 34.7% drop in Vietnam's export value.

The year 2023 marked an exceptional turnaround for Vietnam's garment and textile exports to Russia. With near-zero tariffs on most products under the VN-EAEU FTA, Vietnam fully capitalized on its preferential trade terms, significantly boosting competitiveness in the Russian market. The withdrawal of Western companies from Russia due to sanctions created a gap in the market that Vietnamese exporters were able to fill, leading to a 121.54% surge in export value, reaching a record-high $490.1 million. Additionally, the stabilization of payment mechanisms through the Vietnam-Russia Joint Venture Bank (VRB) enabled smoother transactions, ensuring trade continued despite global financial restrictions.

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In summary, Vietnam's garment and textile exports to Russia during this period were shaped by the benefits of the VN-EAEU FTA, disruptions from external shocks such as the pandemic and geopolitical tensions, and the ability to seize opportunities created by shifts in trade dynamics. While the sector faced challenges, Vietnam's strategic positioning and adaptability allowed it to achieve remarkable growth by 2023.

5. SWOT analysis of Vietnamese Garments and Textiles in the context of the VN-EAEU FTA

5.1. Strengths of Vietnam's Garments and Textiles products

Exceptional production capacity

Vietnam's garment and textile industry ranks fourth globally, following China, Italy, and Bangladesh. With over 5,000 enterprises (more than 3,100 of which are actively exported) and a workforce of 2.5 million, the sector produces over 4 billion finished products annually. Additionally, Vietnam generates 900,000 tons of yarn and 1.5 billion square meters of fabric yearly. This robust production capacity supported a 121.54% growth in exports to Russia in 2023, reaching $490.1 million, despite global disruptions such as the Russia-Ukraine conflict.

Competitive pricing and abundant workforce

Vietnam's competitive labor costs and substantial workforce of 50 million people enhance its price advantage. This affordability, combined with tariff reductions under the VN-EAEU FTA, makes Vietnamese garments particularly appealing in Russia's price-sensitive market. In 2023, Vietnam's exports to Russia surged, with tariffs averaging only 0.06% compared to China's 9.55%. These factors make Vietnam an attractive sourcing destination, especially for mid-range garments.

Integrated supply chain and manufacturing processes

Vietnamese enterprises are increasingly utilizing integrated supply chain models such as Original Design Manufacturing (ODM) and Original Brand Manufacturing (OBM). These approaches enable firms to independently design, produce, and distribute garments, boosting competitiveness. Technological investments have further streamlined production processes, allowing businesses to meet tight deadlines. For example, during the COVID-19 pandemic, Vietnam demonstrated supply chain resilience by maintaining consistent exports to Russia.

Extensive network of Free Trade Agreements (FTAs)

Vietnam's extensive FTA network, including 17 agreements such as the VN-EAEU FTA, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP), provides a significant competitive edge. The VN-EAEU FTA, effective since 2016, reduced Vietnam's textile and garment export tariffs to Russia to an average of 0.06%, compared to 9.55% for China and 12.25% for Bangladesh. This tariff advantage contributed to the 121.54% growth in exports to Russia in 2023.

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Moreover, Vietnam's FTAs simplify supply chains, reduce costs, and strengthen trade ties globally. While Western sanctions disrupted trade in Russia, Vietnam leveraged its FTA network to maintain stable market access and secure growth opportunities. These agreements ensure long-term competitiveness and resilience in global trade, with Vietnam positioned as a favorable partner in markets like Russia.

5.2. Weaknesses of Vietnam's Garments and Textiles products

Dependence on imported raw materials

Vietnam relies on imported raw materials, with over 50% of textiles sourced from China in 2020. This dependency exposes the industry to supply chain disruptions and rising input costs, such as a 19.1% increase in cotton and 40% in crude oil prices in 2023, reducing profit margins by 20–25%. These factors weaken competitiveness in Russia's price-sensitive market.

Limited technological advancements

Vietnam's garment sector lacks advanced automation compared to China and Bangladesh, relying on labor-intensive methods. In 2022, productivity was 20–30% lower than competitors, limiting the ability to meet demand for high-quality, durable garments in Russia.

Labor productivity and skills shortages

The industry's reliance on low-skilled labor provides cost advantages but results in significantly lower productivity compared to competitors. In 2022, Vietnam's garment labor productivity was 20–30% lower than Bangladesh's, due to limited automation and skill development. Additionally, the sector faces a shortage of skilled professionals in areas like design, research, and quality management. This skills gap hampers the industry's ability to produce high-value garments, such as tailored or premium fashion items. In 2023, premium garment sales in Russia grew by 15%, driven by the withdrawal of Western brands, but Vietnam's limited expertise in premium manufacturing prevented it from fully capitalizing on this opportunity.

5.3. Opportunities of Russian market for garments and textile products

Tariff advantage

The VN-EAEU FTA continues to be a key enabler for Vietnam's competitive edge in the Russian market. With tariffs for Vietnamese garment and textile products reduced to an AHS weighted average of just 0.06%, Vietnam enjoys a substantial cost advantage over major competitors like China (9.55%) and Bangladesh (12.25%). This tariff relief allows Vietnamese exporters to offer more competitive pricing, increasing their attractiveness in the price-sensitive Russian market.

Market gaps from Western sanctions

The departure of Western brands from Russia due to sanctions following the 2022 Russia-Ukraine conflict has created significant market gaps, particularly in the garment and textile sector. Western companies such as Zara, H&M, and Adidas suspended operations in Russia, leaving a void in the mid-range and premium fashion segments. By the end of 2022, nearly

1,000 Western brands had exited the Russian market, reduced competition and increasing demand for alternatives.

Growing market size

Russia, ranked fourth globally in GDP (PPP), offers expanding opportunities for Vietnamese exporters, driven by rising disposable incomes and a growing middle class. The Russian textile and clothing market is projected to grow at a CAGR of 4.7% from 2024 to 2032. Vietnam's textile and garment exports to Russia reached nearly $260 million in the first four months of 2024, though this accounts for less than 1% of total trade value, highlighting significant untapped potential.

Stable payment channels

Vietnam-Russia trade benefits from stable payment mechanisms, particularly through the Vietnam-Russia Joint Venture Bank (VRB). Following Western sanctions and the exclusion of Russian banks from SWIFT, bilateral transactions increasingly use local currencies (VND and RUB), accounting for over 70% of payments by mid-2023. This system ensures smooth trade operations, mitigates exchange rate risks, and reduces reliance on the U.S. dollar.

6. Threats of Russian market for garments and textile products

Geopolitical risks

The Russia-Ukraine conflict poses significant challenges for Vietnam's garment exports. Western sanctions have disrupted trade routes, increased freight costs by over 30%, and caused logistical delays. Payment processing remains complicated, despite the Vietnam-Russia Joint Venture Bank (VRB) facilitating local currency transactions. Currency volatility, such as the ruble's 40% devaluation in 2022, further impacts pricing and profitability. These factors, combined with declining Russian purchasing power, contributed to a 34.7% drop in Vietnam's garment exports to Russia in 2022.

Preferential tariff quotas exceed

In 2023, Vietnam's garment exports to the Eurasian Economic Union (EAEU) exceeded the preferential tariff quotas under the VN-EAEU FTA. This triggered the application of higher Most Favored Nation (MFN) tariff rates, eroding the cost advantage provided by the agreement. Key product categories such as women's dresses and shirts (HS codes 61.04.41, 62.04.42, etc.) faced these higher tariffs. The increased costs reduced the competitiveness of Vietnamese products in the EAEU market, negatively impacting export growth.

Price competition

Despite Vietnam's tariff advantage under the VN-EAEU FTA, it faces stiff competition from Uzbekistan and Belarus, both benefiting from 0% tariffs and established trade relations with Russia. China, with an import value of $4.4 billion, remains the dominant player, leveraging its massive production scale and supply chain efficiency. This intense price competition challenges Vietnam's market share, as competitors offer lower prices or faster supply capabilities.

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Supply chain and Production cost

Vietnam's garment industry relies heavily on imported raw materials, with over 50% of its fabric and textile inputs sourced from China. This dependency increases vulnerability to supply chain disruptions and price fluctuations. In 2023, the cost of cotton rose by 19.1%, crude oil by 40%, and transportation costs tripled compared to the five-year average, significantly driving up production expenses. These rising costs narrowed profit margins by 20–25%, particularly in price-sensitive markets like Russia. Additionally, post-pandemic logistics delays further impacted material availability, increasing lead times and affecting competitiveness.

Demand for compliance with sustainability

Growing global demand for sustainable practices pressures Vietnam's garment industry to adopt green technologies. While Russia's sustainability requirements are less stringent than those of the EU or U.S., Vietnam's commitments to the Paris Agreement and net-zero emissions by 2050 necessitate investments in renewable energy and sustainable materials, increasing production costs by 15–20%. SMEs face significant financial and operational challenges in meeting these expectations, which are increasingly demanded in global markets.

Table 3: SWOT analysis to of Vietnamese garments and textiles in the context of the VN-EAEU FTA

STRENGTHS	WEAKNESSES
Exceptional production capacity	Dependence on imported raw materials
Competitive pricing and abundant workforce	Limited technological advancements
Integrated supply chain and manufacturing processes	Labor productivity and skills shortages
Extensive network of Free Trade Agreements (FTAs)	

OPPORTUNITIES	THREATS
Tariff advantage	Geopolitical risks
Market gaps from Western sanctions	Preferential tariff quotas exceed
Growing market size	Price competition
Stable payment channels	Supply chain and Production cost
	Demand for compliance with sustainability

7. Some recommendations for exporting Vietnamese garment and textile products in the context of the VN-EAEU FTA

7.1. Recommendations for Vietnamese government

7.1.1. Developing domestic supply chains for raw materials

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The Vietnamese government should prioritize reducing dependency on imported raw materials by encouraging the establishment of local production facilities for cotton, yarn, and fabrics. Incentives such as tax breaks, reduced tariffs on machinery imports, and low-interest loans should be offered to businesses willing to invest in textile mills. Additionally, industrial clusters specializing in raw material production could be developed, ensuring economies of scale and efficiency. Public-private partnerships should also be fostered to attract foreign direct investment (FDI) in raw material production, enhancing self-sufficiency and ensuring a stable supply chain for exporters.

7.1.2. Enhancing logistics infrastructure

Investments in logistics infrastructure are critical to improving Vietnam's export efficiency. Expanding direct shipping routes from Hai Phong and Ho Chi Minh City to Vladivostok would reduce lead times and shipping costs, which surged by 30% during global disruptions in 2022. Establishing dedicated trade lanes for textiles and garments and improving customs clearance processes at ports would ensure smoother exports. Additionally, subsidies or government-backed insurance for freight costs to Russia could offset the rising transportation expenses, making Vietnamese exports more competitive. Investments in cold-chain logistics and rail links could also diversify transport options.

7.1.3. Promoting sustainable practices through funding and support

Government grants should support the adoption of green technologies, such as water-saving dyeing systems and renewable energy. Subsidized certifications like GOTS and bilateral recognition of Vietnamese sustainability standards can reduce trade barriers. Educational campaigns and financial aid for SMEs will encourage eco-friendly production across the industry.

7.2. Recommendations for Enterprises

7.2.1. Diversifying Raw Material Sources

To reduce reliance on Chinese imports, enterprises should establish partnerships with suppliers from India, South Korea, Thailand, and emerging markets like Uzbekistan for cotton. Long-term contracts and joint ventures can enhance supply stability, while pooling resources with industry alliances can fund domestic production, cutting logistics costs and delays.

7.2.2. Developing brand identity and exploring ODM/OBM models

To differentiate Vietnamese exports in the Russian market, enterprises should transition from traditional Cut, Make, Trim (CMT) models to Original Design Manufacturing (ODM) or Original Brand Manufacturing (OBM). Investments in branding, such as creating unique product lines tailored to Russian preferences, could attract consumers seeking alternatives to Western brands. Collaborating with Russian retailers to display exclusive collections would enhance visibility. Furthermore, leveraging digital marketing and e-commerce platforms to promote these brands could tap into the growing Russian online shopping market, expanding customer reach and fostering long-term brand loyalty.

7.2.3. Regulating export volumes to avoid exceeding quotas

Businesses must adopt sophisticated tracking systems to monitor export levels under VN-EAEU FTA preferential quotas. Implementing enterprise resource planning (ERP) software integrated with customs data can provide real-time updates on export volumes. Collaborating with industry associations to establish a centralized database of quota usage can enable proactive adjustments to export plans. Regular communication with trade authorities regarding quota regulations and upcoming policy changes would further minimize the risk of triggering Most Favored Nation (MFN) tariffs, safeguarding cost advantages and preserving competitiveness in the EAEU market.

7.2.4. Adopting green production practices

Enterprises must accelerate the adoption of sustainable practices to align with global demand for eco-friendly products. Specific actions include integrating recycled materials, implementing low-impact dyeing technologies, and transitioning to renewable energy sources for factory operations. For example, water-saving dyeing systems can reduce water usage by 50%, while solar panel installations could cut energy costs by up to 30%. Enterprises should pursue certifications like Global Organic Textile Standards (GOTS) and highlight sustainability achievements in marketing campaigns to enhance appeal to Russian buyers. Participation in government-funded green transition programs can ease financial burdens for smaller businesses.

7.2.5. Investing more in technology and automation

Automation, such as advanced sewing machines and fabric inspection systems, can improve efficiency by 20–30%, addressing productivity challenges. Enterprises should collaborate with technology providers and leverage government subsidies to adopt these technologies. Partnerships with universities can foster innovation in production methods.

7.2.6. Developing a skilled workforce

Investing in structured training programs and collaborating with vocational centers and universities can address labor shortages. Paid internships and international exchange programs can upskill workers, ensuring Vietnam remains competitive in high-value markets like Russia. Workshops on sustainable production can further align the workforce with global trends.

8. Conclusion

Vietnam's garment and textile industry has significant potential to expand its presence in the Russian market under the VN-EAEU FTA. The agreement offers key advantages, including near-zero tariffs, improved supply chain integration, and preferential market access, which have driven export growth to Russia by 121.54% in 2023, reaching $490.1 million. Russia's increasing demand for garments, driven by gaps left by Western sanctions and a growing middle class, underscores the opportunities for Vietnamese exporters.

However, challenges such as reliance on imported raw materials, low productivity, limited technological advancements, and geopolitical risks, including trade disruptions and currency

volatility, threaten the industry's competitiveness. Compliance with rules of origin under the FTA and global sustainability standards further complicates market entry, especially for SMEs.

To fully leverage the FTA's benefits, Vietnam must address these obstacles through government-enterprise collaboration. Priorities include boosting domestic raw material production, modernizing logistics infrastructure, adopting advanced technologies, and promoting sustainable practices. Expanding vocational training programs will also improve productivity and product quality, ensuring long-term competitiveness.

In conclusion, addressing internal and external challenges is essential for Vietnam's garment and textile industry to capitalize on the VN-EAEU FTA. By enhancing its supply chain position and scaling operations, the sector can achieve sustainable growth and strengthen its foothold in the promising Russian market.

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