

**MINISTRY OF INDUSTRY AND TRADE  
VIET NAM INDUSTRY AND TRADE INFORMATION CENTER**

**REPORT**

**In depth analysis and information on the capabilities and needs regarding the co-operation on Production, Investment, Technology and Trade between Viet Nam and other members of the CPTPP in the textile and garment industry**

**June 2020 issue**

**UNDER THE MISSION**

**“To provide two-way information for the co-operation on Production, Investment, Technology and Trade of a number of key industrial goods between VN and other members of the CPTPP”**

**Ha Noi, 2020**

## **TABLE OF CONTENTS**

<b>I. Production, consumption and Viet Nam’s textile and garment manufacturing technology .....</b>	<b>3</b>
1. <i>Production and Consumption .....</i>	3
2. <i>Textile and garment manufacturing technology .....</i>	6
3. <i>Co-operation, Investment and Technology transfer opportunities with other members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.....</i>	7
<b>II. The importation and exportation of textile and garment products between Vietnam and other CPTPP members.....</b>	<b>8</b>
1. <i>Exportation.....</i>	8
1.1. <i>General information regarding the exportation to other CPTPP members .....</i>	8
1.2. <i>In-depth information regarding the exportation to other CPTPP members.....</i>	10
2. <i>Importation.....</i>	13
2.1. <i>General information regarding the importation from other CPTPP members.....</i>	13
2.2 <i>In-depth information regarding the importation from other CPTPP members.....</i>	15
<b>III. Policies regarding the co-operation on production, investment, technology and trade of Viet Nam’s textile and garment industry with the members of the CPTPP.....</b>	<b>16</b>
<b>IV. Appendixes .....</b>	<b>20</b>

## **I. Production, consumption and Viet Nam's textile and garment manufacturing technology**

### ***1. Production and Consumption***

\* Production: The EVFTA Agreement will come into effect on August 1st. When implemented, the EVFTA is expected to contribute an average of 0.1% to Vietnam's GDP growth each year, ranging from 0 - 0.3%. In particular, textiles and footwear will be the most benefiting sector as the high tax rates imposed on these sectors will quickly drop. Not to mention, in order to respond to market difficulties, businesses have had some certain transformation. Specifically, textile enterprises have been converting production processes, converting products, promoting rapid conversion from traditional products to products that are able to adapt quickly. For example, when having difficulty selling high-class suits, high-end shirts ... they switch to manufacturing workwear, knitwear, traditional shirts ...

According to the data given by the General Department of Vietnam Customs, the domestic textile production in the month of June, 2020 increased by 4.3% when compared to the previous month and 2.5% when compared to the same time period of last year. In the first 6 months of 2020, the domestic apparel production went up by 17.5% when compared to the previous month but still went down by 4.7% when compared to the same time period in 2019.

The changes in the production of Vietnam's textile and garment products were as follows: the production of fabrics made from natural fibers reached 60.7 million m<sup>2</sup>, rose by 6.9% over the previous month and by 4.4% when compared to last year; the production of fabrics made from synthetic or artificial fibers reached 75.5 million m<sup>2</sup>, rose by 3.7% when compared to last month but fell by 12.4% when compared to last year; the production of apparels reached 395.3 million pcs, witnessed a 15.5% increase when compared to the month before and a 0.5% drop when compared to the previous year. In the first 6 months of 2020, the production of fabrics made from natural fibers reached 300.2 million m<sup>2</sup>, rose by 2.2% when compared to the same time period last year.

**Table 1: The production of the textile and garment industry in June 2020**

Products	Unit of measurement	June, 2020	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020	When compared to the first 6 months of 2019 (%)
Fabrics made from natural fibers	Million m <sup>2</sup>	60,7	6,9	4,4	300,2	2,2
Fabrics made from synthetic or artificial fibers	Million m <sup>2</sup>	75,5	3,7	-10,5	472,2	-13,0
Apparels	Million pcs	395,3	15,5	-0,5	2.096,4	-6,9

*Source: The General Statistics Office of Vietnam*

**Table 2: The production of textile and garment products in June 2020**

Products	Unit of measurement	June, 2020	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020	When compared to the first 6 months of 2019 (%)
Non-knitted or crocheted suits, uniforms, jackets, trousers, overalls, shorts for adults	1000 pcs	217.781	17,50	7,73	1.097.653	-1,33
Synthetic filament yarn	Tons	153.238	1,99	17,94	785.470	6,42
Natural fibers: cotton, jute, linen, coir, sedge ...	Tons	79.204	6,51	5,56	435.618	4,54
Knitted or crocheted suits, uniforms, jackets, trousers, overalls, shorts for adults	1000 pcs	72.488	10,74	-3,30	376.134	-11,31
Woven fabrics made from artificial filament yarn	1000 m2	57.118	0,36	-18,70	346.507	-8,51
Sacks and bags used for packaging of goods made from other textile materials	1000 pcs	42.487	0,12	-11,98	234.422	-16,95
Non-knitted or crocheted underwears for adults	1000 pcs	36.727	19,53	-15,41	220.576	-14,01
Cotton woven fabrics containing 85% or more cotton	1000 m2	41.711	8,97	0,40	201.683	1,86
Non-knitted or crocheted shirts for adults	1000 pcs	37.442	7,68	-6,51	201.656	-8,68
Vải dệt thoi từ sợi tơ (filament) tổng hợp	1000 m2	19.894	14,43	-39,71	134.964	-30,04
Synthetic staple fibers containing less than 85% of this fiber	Tons	16.076	6,05	1,47	95.717	-1,42

Products	Unit of measurement	June, 2020	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020	When compared to the first 6 months of 2019 (%)
Knitted or crocheted underwears for adults	1000 pcs	17.944	40,05	18,42	78.950	-13,96
Tulle nets	1000 m2	7.660	2,96	11,54	50.378	24,78
Other types of cotton woven fabrics	1000 pcs	8.816	8,35	-1,73	49.409	-4,81
Towels used in bathrooms, kitchens ...	Tons	8.220	7,49	-30,83	42.195	-16,15
Blankets, duvets, mattresses, cushions, upholstered cushions, pillows, sleeping bags and other similar products fitted with springs or stuffed or internally made of plastic or rubber materiald or other flexible materials	1000 pcs	1.777	7,40	-10,31	10.740	-4,95

*Source: Preliminary statistical data of the General Statistics Office of Vietnam*

\* Consumption: In May, 2020, the consumption of Non-knitted or crocheted suits, uniforms, jackets, trousers, overalls, shorts for adults fell by 15.08%; Synthetic filament yarn rose by 21.21%; Natural fibers: cotton, jute, linen, coir, sedge ... witnessed an increase of 23.15% when compared to last month.

**Table 3: The consumption of textile and garment products in May 2020 and the first 5 month of 2020**

Products	Unit of measurement	May, 2020	When compared to April, 2020 (%)	When compared to May, 2019 (%)	The first 5 months of 2020	When compared to the first 5 months of 2019 (%)
Non-knitted or crocheted suits, uniforms, jackets, trousers, overalls, shorts for adults	1000 pcs	182.262	21,21	-5,91	849.118	-6,33
Synthetic filament yarn	Tons	152.128	23,15	21,12	633.147	15,07
Natural fibers: cotton, jute, linen, coir, sedge ...	Tons	66.640	12,59	-4,07	327.596	3,72
Knitted or crocheted suits, uniforms, jackets, trousers, overalls, shorts for adults	1000 pcs	65.958	41,37	-9,98	295.706	-12,16
Woven fabrics made from artificial filament yarn	1000 m2	55.560	34,68	-0,66	275.743	-4,58

Products	Unit of measurement	May, 2020	When compared to April, 2020 (%)	When compared to May, 2019 (%)	The first 5 months of 2020	When compared to the first 5 months of 2019 (%)
Sacks and bags used for packaging of goods made from other textile materials	1000 pcs	42.549	9,17	-10,89	186.19 2	-19,56
Non-knitted or crocheted shirts for adults	1000 pcs	30.775	10,60	-30,36	180.71 3	-15,50
Non-knitted or crocheted shirts for adults	1000 pcs	33.504	28,02	-5,74	159.85 2	-8,99
Cotton woven fabrics containing 85% or more cotton	1000 m2	37.417	36,23	15,22	153.24 5	1,32
Woven fabrics made from synthetic filament yarn	1000 m2	16.503	8,06	-21,28	90.428	-39,19
Synthetic staple fibers containing less than 85% of this fiber	Tons	13.293	11,22	-25,64	70.189	-5,38
Knitted or crocheted underwears for adults	1000 pcs	12.863	11,58	-11,29	57.977	-19,42
Other types of cotton woven fabrics	1000 m2	8.520	14,28	-7,23	40.989	-0,64
Tulle nets	1000 pcs	11.241	62,64	68,06	39.689	11,82
Towels used in bathrooms, kitchens ...	Tons	7.446	42,26	-1,40	33.923	-10,28
Blankets, duvets, mattresses, cushions, upholstered cushions, pillows, sleeping bags and other similar products fitted with springs or stuffed or internally made of plastic or rubber materiald or other flexible materials	1000 pcs	1.610	-6,80	-15,66	8.710	-7,99

(Source: The General Statistics Office of Vietnam)

## **2. Textile and garment manufacturing technology**

### **\* Successfully fabricated cooling fabric when hot and warm when cold**

Scientists at the University of Manchester, UK have developed a smart woven fabric that can penetrate into adaptive clothing to keep the wearer cool in warm weather and vice versa. This material uses graphene to adjust the changing heat radiation of the fabric. Graphene is a type of sheet made of carbon atoms linked together in a hexagonal fashion. This is the first two-dimensional material ever made, awarded the 2010 Nobel Prize in physics.

The new research has just been published in the journal Nano Letters . The breakthrough is based on previous work from the same team, in which they harness graphene's incredible ability to create thermal camouflage to hide wearers from infrared cameras. The material works through a small electric current that supplies the graphene layers embedded in the material.

Currently, the team is focusing on exploiting the positive role of the material to regulate the temperature of clothing in the textile industry. The warmer the human body is, the more infrared it emits, so some clothes are designed to allow this radiation to freely pass through to help keep body temperatures low. On the contrary, when cold, it locks the heat to keep the wearer warm. The team has now adapted this technology to perform both roles, with the ability to flexibly switch between these two states through electrical adjustment.

The team demonstrated controlling this thermodynamic radiation by creating a piece of clothing with a device attached as a patch on the chest that can be turned on and off at will. The team hopes the new technology could be used for other purposes, such as interactive display designs and even space suits. In the near future, the team hopes to explore its potential in addressing extreme temperature fluctuations facing satellites in orbit.

Professor Coskun Kocabas, who led the research, said the next step of the research is to address the thermodynamic management needs of satellites orbiting the Earth. Orbit satellites experience too much heat, when faced with the Sun or cold in the dark regions of the Earth . 'Our technology can enable thermodynamic management of satellites by controlling thermal radiation and adjusting satellite temperatures as required'.

### ***3. Co-operation, Investment and Technology transfer opportunities with other members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership***

***\* As the EVFTA comes into effect, it will help textile enterprises, free up inventory and restore production markets***

The EVFTA is a new generation FTA, which brings positive effects to many aspects of Vietnam's economy, such as: opening the EU market for Vietnamese goods; increasing exports; attracting investment, developing domestic production; developing supporting industries; restructuring production, creating more jobs, improving labor productivity, ... thereby affecting Vietnam's import and export growth to the EU.

Although some other countries have advantages of EBA, GSP +, with the EVFTA, we have great advantages of our own. Specifically, the countries that signed the Agreement with the EU are few, in Asia, the EU only signed a cooperation agreement with South Korea and Singapore, however, these two countries do not have the same production structure as Vietnam. Therefore, in the long term, the Agreement will create a stable advantage for Vietnam's exports.

In particular, Vietnam's textile and garment products will have a competitive advantage over Chinese products and can compete with other countries currently receiving 0% tariff rate such as Cambodia, Bangladesh ... thanks to our superior craftsmanship and quality.

In addition, after the EVFTA comes into effect, textile and garment products that are currently benefiting from General System of Preference will continue to reap the benefits during the full 2 years after EVFTA takes effect.

Vietnam Textile and Apparel Association (VITAS) hopes that the EVFTA will bring about breakthrough opportunities for industries, including the textile and garment industry. However, due to the effects of the COVID-19 epidemic, the textile and garment industry is in very difficult times and all major export items have decreased ... Therefore, the preparation work is necessary to take advantage of the benefits right after the Agreement is ratified and takes effect. When the EVFTA comes into effect, it will help businesses free up inventory and open up opportunities with new orders and restore the production market.

## **II. The importation and exportation of textile and garment products between Vietnam and other CPTPP members**

### ***1. Exportation***

#### **1.1. General information regarding the exportation to other CPTPP members**

By the end of the second quarter of 2020, the main export markets of textile and garment industry (the US, South Korea, Japan, and Europe) have loosen the policy on social distancing; Consumer demand is increasing. Many businesses have begun to export goods according to previously signed orders. According to the annual cycle, textile and garment export turnover will increase the strongest in the last months of the year due to the high demand for textile and garment products on holidays, such as Tet and Christmas. According to Vietnam National Textile and Garment Group (Vinatex), it

is expected that textile exports will reach US \$ 33-34 billion by 2020, down 15% -16% over the previous year.

According to the data given by the General Department of Vietnam Customs, , the export turnover of textile and garment products in the month of June, 2020 reached over 2.6 billion USD, increased by 39.4% over the previous month but decreased by 9.66% when compared to June, 2019. In the first 6 months of 2020, the total export turnover of textile and garment products reached 13.18 billion USD, fell by 12.7% when compared to the same time period of last year.

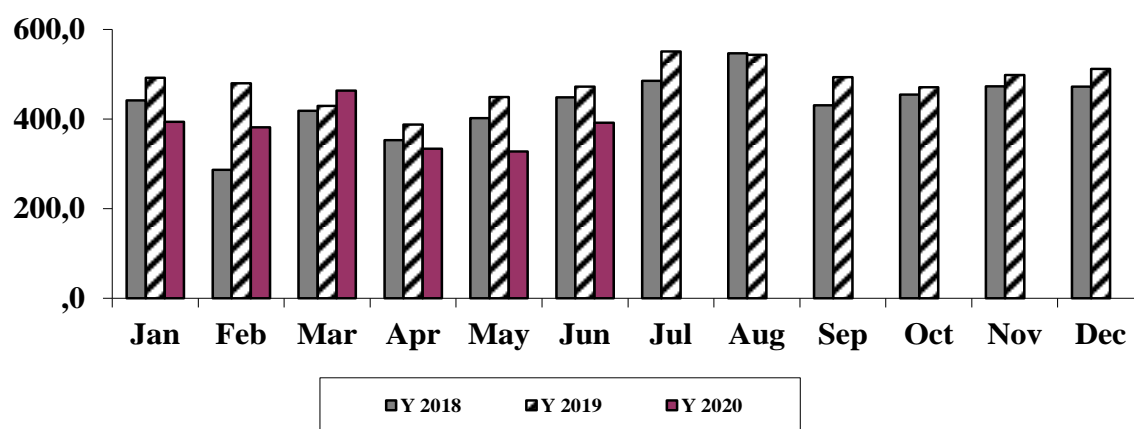
In particular, the export turnover of these products from CPTPP markets reached 391.5 million USD, accounted for 17.6% of the country's total export turnover, rose by 19.5% over the previous month but fell by 17.1% when compared to last year. In the first 6 months of 2020, the total export turnover of these products reached 2.28 billion USD, fell 8.9% when compared to the same time period of last year. In June, 2020, Japan still remained as the largest source of export turnover, followed by Canada and Australia

**Table 4: The turnover of Viet Nam's textile and garment products exported to other CPTPP members in June 2020 and in the first 6 months of 2020**

Markets	June 2020 (Million USD)	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020 (USD)	When compared to the first 6 months of 2019 (%)	Percentage of the first 6 months of 2020 when compared to CPTPP (%)	Percentage of the first 6 months of 2020 when compared to the whole country (%)
<b>Total</b>	<b>2.601.904.404</b>	<b>39,4</b>	<b>-9,7</b>	<b>13.181.751.914</b>	<b>-12,7</b>	<b>*</b>	<b>100,0</b>
<i>CPTPP sector</i>	391.568.823	19,5	-17,1	2.289.436.571	-8,9	100,0	17,4
Japan	248.890.820	14,7	-20,9	1.646.489.603	-7,2	71,9	12,5
Canada	85.746.439	35,5	-4,7	336.561.669	-9,0	14,7	2,6
Australia	16.032.521	0,9	-23,4	105.745.191	-11,4	4,6	0,8
Chile	14.500.375	140,7	7,3	52.792.213	-32,1	2,3	0,4
Malaysia	8.979.745	13,4	-20,8	51.398.265	-8,4	2,2	0,4
Singapore	8.080.345	37,4	-12,4	36.888.154	-22,2	1,6	0,3
Mexico	7.754.469	-20,5	-25,3	47.580.658	-15,9	2,1	0,4
New Zealand	1.584.109	-15,1	-33,4	11.980.818	-14,8	0,5	0,1

*Source: Preliminary statistical data of the General Department of Vietnam Customs*

**Figure 1: The turnover of Viet Nam’s textile and garment products exported to other CPTPP members during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## 1.2. In-depth information regarding the exportation to other CPTPP members

### 1.2.1. The exportation of textile and garment products to Japan

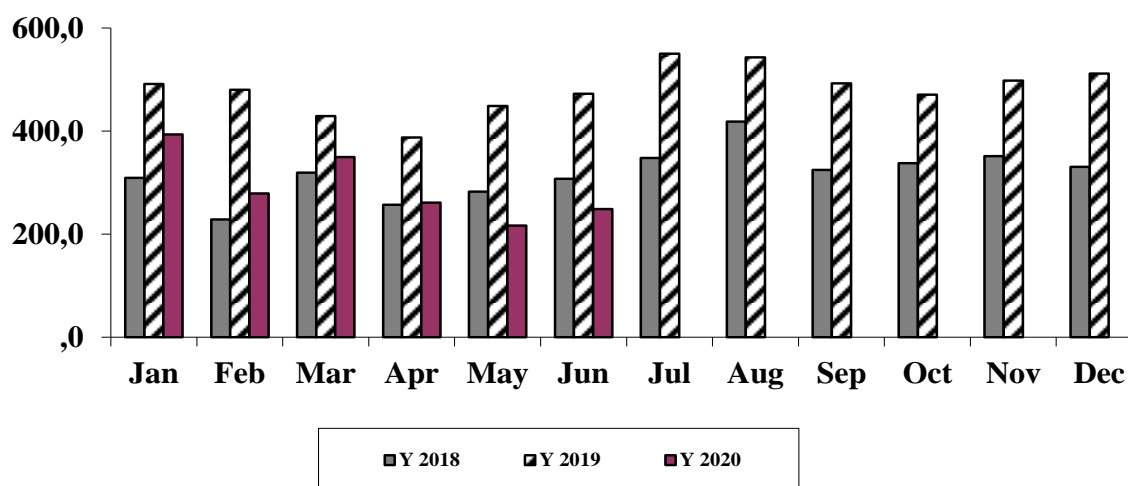
The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) between Vietnam and other countries is considered as a great opportunity for Viet Nam to increase exports and create conditions for enterprises to expand their business. However, after a year of implementation, the results are still very insignificant.

In Japan, Vietnam’s export turnover only increases by approximately the average rate in all markets, about 7.7%. This growth rate shows a significant slowdown, from 14.9% in 2017 and 11.7% in 2018 and in 2019, it only grew slightly by 4.61%.

The CPTPP has a special significance for the textile and garment industry because it helps reduce tariffs, diversify markets and export products, of which the most potential market is Canada and Australia. Japan, however, has already had a few bilateral agreements with Vietnam so it is unlikely that Vietnam’s export turnover from this market will witness a considerable growth in the future.

In June, 2020, the turnover of Viet Nam’s textile and garment products exported to Japan reached 248.8 million USD, increased by 14.7% over the previous month but decreased by 20.9% when compared to June, 2019, accounted for 63.5% of the total export turnover from CPTPP markets and 9.56% of the country’s total export turnover. In the first 6 months of 2020, the total turnover of Viet Nam’s textile and garment products exported to Japan reached 1.64 billion USD, a decrease of 7.2% when compared to the same time period of last year.

**Figure 2: The turnover of Viet Nam’s textile and garment products exported to Japan during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

### 1.2.2 . The exportation of textile and garment products to Canada

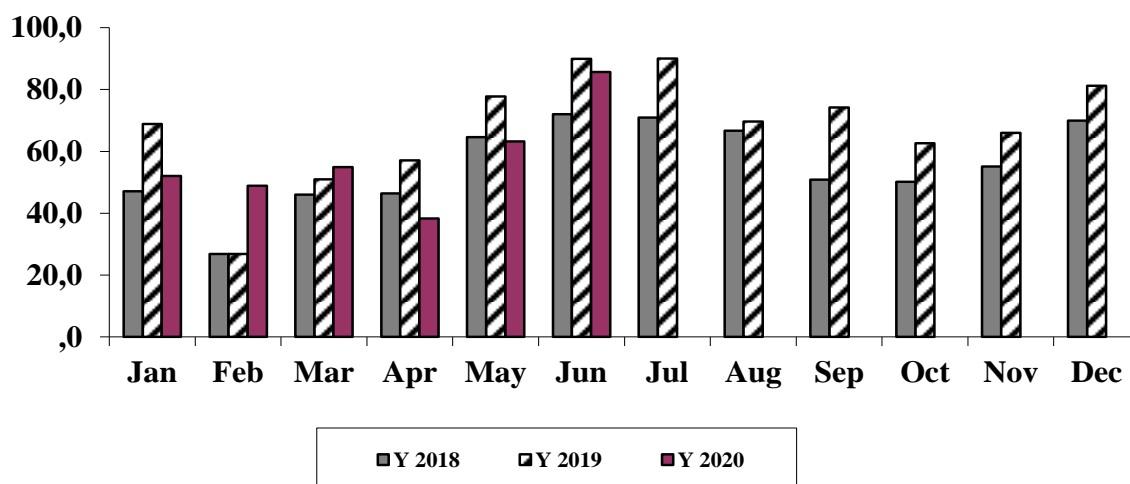
Currently, textile and garment products are making good use of the rules of origin when exporting to Canada to receive preferential tariffs from the CPTPP. With the CPTPP, if the requirements of origin are met, textile and garment products’ tariff rates will be reduced from 17% -18% to 0%. This is also a commodity eligible for tariff reduction right after the CPTPP takes effect, so many businesses have proactively researched the C/O with the guidance of related agencies in order to receive preferential tariffs when exporting goods to this market.

The CPTPP has had a certain impact on the textile and garment industry. A number of customers and markets in the CPTPP, especially new markets such as Canada and Australia ... have begun collaborating with a number of Vietnamese enterprises, gathering information and finding new potential business partners. The exportation of textile and garment products to these markets has also seen a certain growth. However, the capacity of these markets is still small. In addition, the world’s textile and garment market is showing signs of slowing down, so the results achieved in these new markets in the CPTPP is still poor, not as expected.

The turnover of Viet Nam’s textile and garment products exported to Canada in June reached 85.7 million USD, accounted for 21.8% of the total export turnover from CPTPP markets and 3.2% of the country’s total export turnover, rose by 35.5% over the previous month but dropped by 4.7% when compared to June, 2019. In the first 6

months of 2020, the total turnover of Viet Nam’s textile and garment products exported to Canada reached 336.5 million USD, dropped 9% when compared to the same time period of last year.

**Figure 3: The turnover of Viet Nam’s textile and garment products exported to Canada during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

### 1.2.3. The exportation of textile and garment products Australia

Australia is a potential market but for many years, the export turnover of Vietnamese textiles and garments to Australia has been quite limited. With the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), businesses are expecting the turnover of textile and garment products exported to this market to sharply increase in the near future.

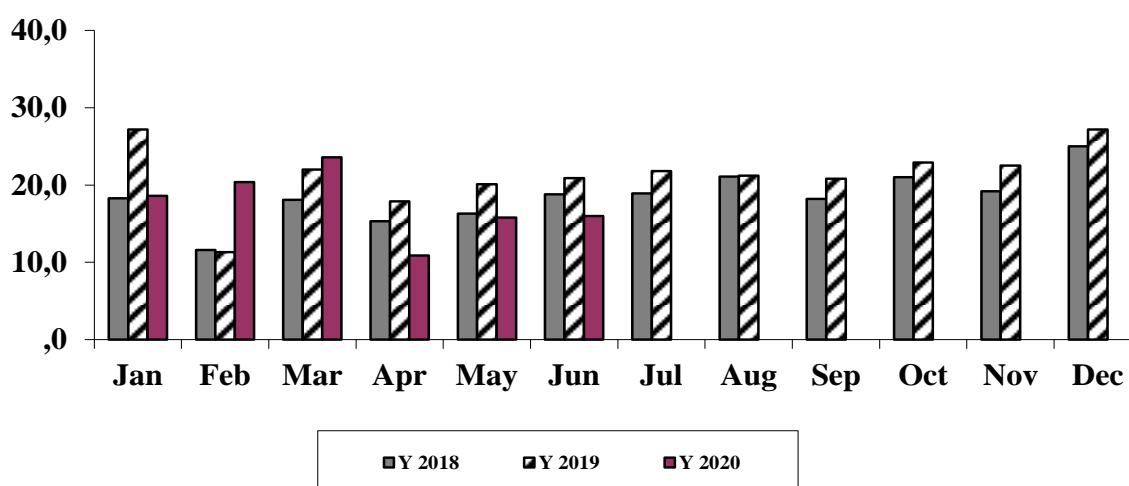
Among all of the countries in the CPTPP, Australia is one of the markets with a fairly large import turnover of textiles and garments, an average of nearly 9 billion \$ USD annually. Before the CPTPP, the only free trade agreement between Vietnam and Australia was the ASEAN-Australia-New Zealand Free Trade Area Agreement (AANZFTA). Due to many reasons, the textile and garment industry has not been able to capitalize on this market as fully as expected. Many Vietnamese enterprises have yet to figure out the demands of Australian market and what Vietnam has to provide in order to satisfy those needs.

The turnover of Viet Nam’s textile and garment products exported to Australia averages over 200 million \$ USD annually, which is still a modest figure. With the

goal of achieving export growth of around 10% / year, Vietnam's textile and garment industry must focus on utilizing well the markets in the CPTPP, including Australia.

The turnover of Viet Nam's textile and garment products exported to Australia in June reached 16 million USD, accounted for 4.09% of the total export turnover from CPTPP markets and 0.6% of the country's total export turnover, slightly increased by 0.9% over the previous month but decreased by 23.6% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam's textile and garment products exported to Australia reached 105.7 million USD, dropped 11.4% when compared to the same time period of last year.

**Figure 4: The turnover of Viet Nam's textile and garment products exported to Australia during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## **2. Importation**

### **2.1. General information regarding the importation from other CPTPP members**

According to the data given by the General Department of Vietnam Customs, the import turnover of textile and garment products in the month of June, 2020 reached 405.4 million USD, increased by 2.3% over the previous month but fell by 14.7% when compared to June, 2019. In the first 6 months of 2020, the total import turnover of textile and garment products reached 2.51 billion USD, fell by 14.3% when compared to the same time period last year.

In particular, the import turnover of these products from CPTPP markets reached 26.3 million USD, only accounted for 5.9% of the country's total import turnover,

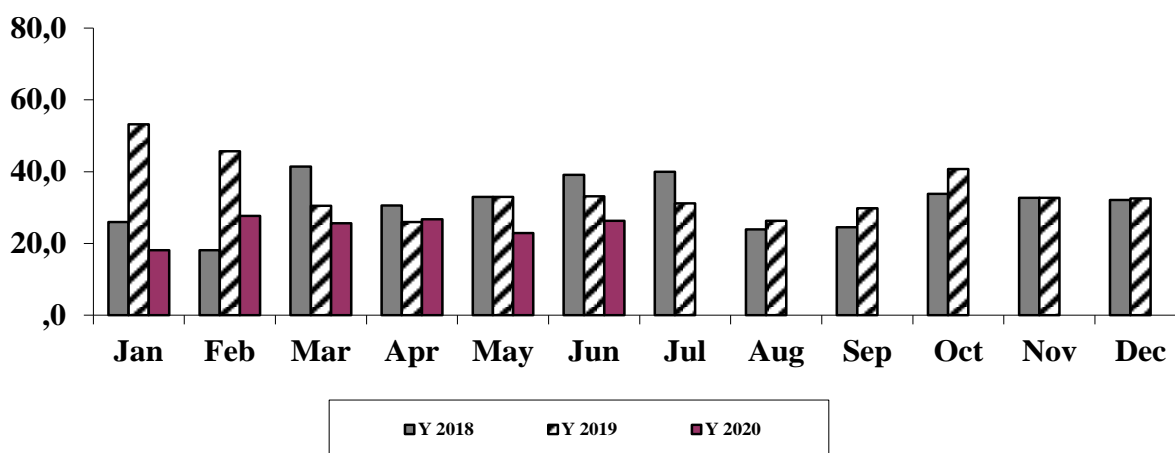
dropped by 93.3% and by 20.4% when compared to the previous month and last year, respectively. In the first 6 months of 2020, the total import turnover of these products reached 147.9 million USD, dropped by 13.2% when compared to the same time period of last year. Japan still remained as the largest source of import turnover, followed by Malaysia, Australia ...

**Table 8: The turnover of Viet Nam’s textile and garment products imported from other CPTPP members in June 2020 and in the first 6 months of 2020**

Markets	June 2020 (Million USD)	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020 (USD)	When compared to the first 6 months of 2019 (%)	Percentage of the first 6 months of 2020 when compared to CPTPP (%)	Percentage of the first 6 months of 2020 when compared to the whole country (%)
<b>Total</b>	<b>405.466.852</b>	<b>2,3</b>	<b>-14,7</b>	<b>2.513.156.034</b>	<b>-14,3</b>	<b>*</b>	<b>100,0</b>
<i>CPTPP sector</i>	26.373.426	-93,3	-20,4	147.935.755	-13,2	100,0	5,9
Japan	23.779.664	20,1	-4,3	125.830.646	-9,2	85,1	5,0
Malaysia	1.585.794	-10,1	59,9	9.810.645	-18,1	6,6	0,4
Australia	640.130	-37,3	-55,0	7.408.197	-8,7	5,0	0,3
New Zealand	341.234	11,1	-37,4	2.038.782	-8,9	1,4	0,1
Singapore	26.604	-27,6	-79,7	2.314.660	213,0	1,6	0,1
Canada		-100,0	-100,0	532.825	-94,0	0,4	0,0

Source: Preliminary statistical data of the General Department of Vietnam Customs

**Figure 5: The turnover of Viet Nam’s textile and garment products imported from other CPTPP members during 2018-2020 (Unit: million USD)**



Source: Preliminary statistical data of the General Department of Vietnam Customs

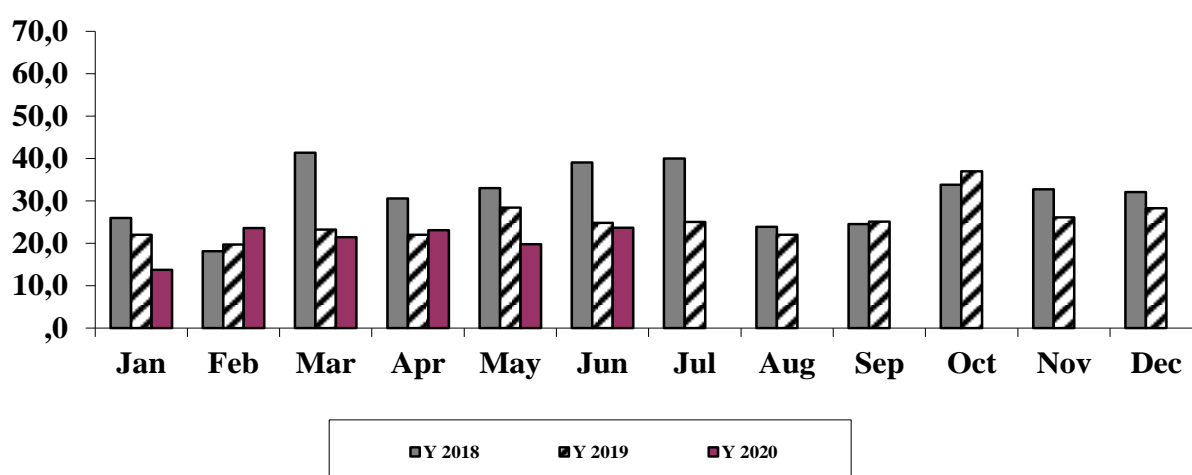
## 2.2 In-depth information regarding the importation from other CPTPP members

### 2.2.1. The importation of textile and garment products from Japan

Vietnam mainly imports textile and garment materials from China, South Korea, ASEAN and EU... The import turnover from Japan accounts for only 5.0% of the country's total import turnover and accounts for 85.1% of the total import turnover from the CPTPP markets.

In June, 2020, the turnover of Viet Nam's textile and garment products imported from Japan reached 23.7 million USD, went up by 20.1% over the previous month but went down by 4.3% when compared to June, 2019. In the first months of 2020, the total turnover of Viet Nam's textile and garment products imported from Japan reached 125.8 million USD, a decrease of 9.2% when compared to the same time period of last year.

**Figure 6: The turnover of Viet Nam's textile and garment products imported from Japan during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

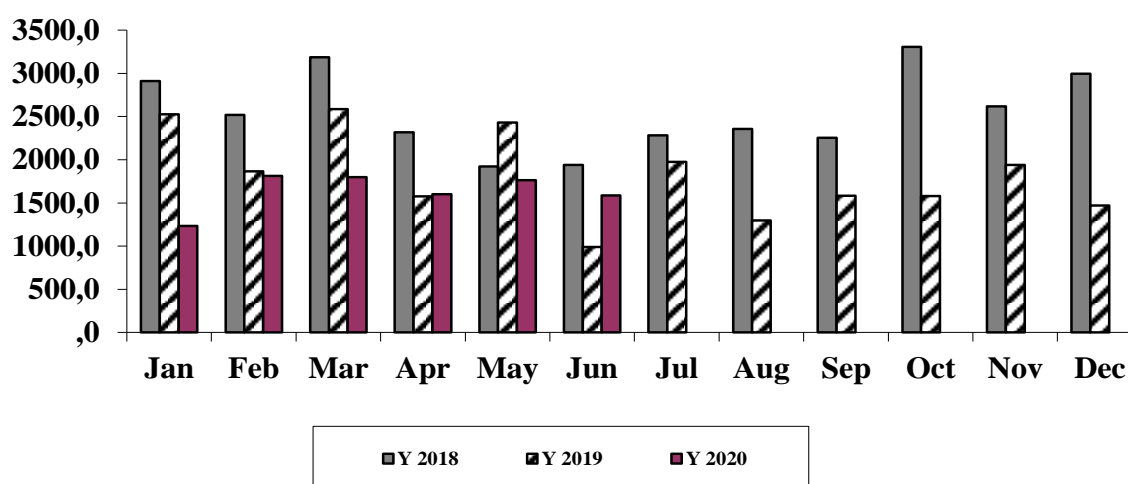
### 2.2.2. The importation of textile and garment products from Malaysia

The CPTPP members has committed to eliminate from 97% to 100% of tariff lines on goods with Vietnamese origin, depending on the commitment of each country. Nearly all Vietnamese exported goods to CPTPP countries will be tariff-free immediately after the agreement comes into effect or according to each country's roadmap.

Malaysia has committed to eliminate 84.7% of tariff lines as soon as the Agreement comes into effect and will gradually eliminate the remaining tariff lines. By the 11th year of the agreement, 99.9% of tariff lines will have been eliminated.

According to the data given by the General Department of Vietnam Customs, the turnover of textile and garment products imported from Malaysia in the month of June, 2020 reached over 1.58 million USD, accounted for 6.01% of the total import turnover from CPTPP markets and 0.39% of the country’s total import turnover, decreased by 10.1% over the previous month but rose significantly by 59.9% when compared to June, 2019. In the first 6 months of 2020, the total import turnover of textile and garment products reached 9.8 million USD, fell by 18.1% when compared to the same time period in 2019.

**Figure 8: The turnover of Viet Nam’s textile and garment products imported from Malaysia during 2018-2020 (Unit: million USD)**



*Source: Preliminary statistical data of the General Department of Vietnam Customs*

### **III. Policies regarding the co-operation on production, investment, technology and trade of Viet Nam’s textile and garment industry with the members of the CPTPP**

#### ***\* Specific regulations in the CPTPP agreement regarding to the exportation and importation of textile and garment products***

The CPTPP is the first free trade agreement that Vietnam joins which has its own chapter on textile and apparel goods. In addition to the implementation of general regulations like other types of good in the chapters of Trade in Goods, Rules of Origin, Trade Remedies, Customs Administration, the Textile and Apparel goods chapter has some specific regulations of its own. It includes 3 main contents: (i) Market access for goods (tariff elimination roadmap); (ii) Rules of origin; (iii) Safeguard measures and Customs administration. In addition, Vietnam has two bilateral agreements with the

United States and Mexico on the registration mechanism for textile manufacturing and exporting enterprises.

Textile and garment products are the type of product with the largest export turnover to the TPP market. This is one of the items that are expected to benefit greatly from the TPP Agreement because we have the competitive advantages and the tariff rates of TPP member countries that we have not signed FTAs are quite high, such as the United States 17.5%, Canada 17%, Mexico 30% and Peru 17%. Japan is the third largest export market with a preferential import tariff rate of 0% but is also expected to experience good growth when textile and garment exports are flexibly implemented the Rules of Origin.

Regarding the US market, 73.1% of tariff lines will be brought to 0% as soon as the Agreement comes into effect; 19.7% of tariff lines will be reduced from 35% to 50% compared to MFN tariffs at the time of entry into force of the Agreement and will be completely eliminated in 11th and 13th years; 7.2% of tariff lines will have a tariff rate of 0% in the 6th year. Calculated according to the export turnover in 2014, right after the agreement comes into effect, textile and garment products exported to the United States are likely to save 63.5% of import tariff, equivalent to 1.1 billion USD if the rules of origin of the Agreement are met.

Regarding the Canadian market, all major textile and garments products exported from Vietnam will be tariff-free when the Agreement comes into effect or after 3 years. 42.9% of export turnover from Canada will have a 0% tariff rate in the first year and 57.1% of turnover will have a 0% tariff rate in the 4th year.

Mexico and Peru are the two largest textile producing and exporting countries, so they maintain a high protectionist policy for this industry. Import tariffs on Mexico and Peru will only be completely eliminated only in the 16th year. In addition, Mexico imposed quantitative restrictions on some of Vietnam's garment exported products that receive 0% tariff rate but using materials on the list of supply shortage or the "cut and sew" list imported from outside the TPP region.

Exported goods that want to receive preferential tariff rates under the TPP agreement must meet the rules of origin of this Agreement. For textile, the dominant rule of origin is "from yarn onwards" or the "three-stage" rule, which means that the whole process of spinning, weaving, dyeing, finishing and sewing of clothes must be implemented within TPP. This rule encourages the development of vertical textile and

garment industry, investing in the development of the fiber and fabric industry, creating opportunities for Vietnamese enterprises to participate more deeply in the supply chain within TPP and the global supply chain. However, the Agreement provides for some more flexible rules of origin such as:

(i) 3 groups of textile and garment products implemented the 1-stage rules of origin “cut and sew” include: suitcases, bags, women's bra and baby clothes made from synthetic fabric;

(ii) the shortage supply list consists of 194 types of fibers and fabrics allowed to be used from outside the TPP region, of which 186 items will be permanently allowed and 8 items will be allowed for only 5 years;

(iii) the 1 to 1 rule applies to cotton pants for men and women exported to the United States. Enterprises that purchase an appropriate unit of cotton fabric made from the US will be allowed to use one unit of cotton fabric imported from outside the TPP region to make pants exported to the United States and receive 0% tariff rate. The conversion ratio between US-origin cotton and cotton permitted to be imported outside the TPP varies between men's and women's.

The TPP agreement allows importing countries to apply safeguard measures, increasing preferential tariffs back to MFN tariffs if the imported goods from TPP countries are likely to cause serious damage to domestic manufacturing. When applying safeguard measures, the importing country must take measures to compensate for economic losses suffered by the exporting country as a result of not receiving the preferential tariff rates as stated in the Agreement.

TPP countries agree to cooperate closely in the subjects regarding customs, fighting against frauds of origin with the intent to benefit illegally the preferential TPP tariff. Textile and garment manufacturing enterprises exporting to the United States and Mexico will provide the US and Mexican authorities with basic information about their business, product type and export products to be used in risk assessment in customs and trade fraud prevention procedures.

***\* Vietnamese products meet the requirements of the CPTPP Agreement***

The member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement are all potential markets, capable of importing large quantities of goods from Vietnam. Vietnam's strength is in commodity groups such as agricultural products, textiles, footwear ... In the first quarter of this year, Vietnam had a trade

surplus with half of the CPTPP member markets. In particular, trade surplus to Canada was 807.3 million USD; Mexico 670 million USD; Chile 280.7 million USD; Japan 110.8 million USD; Peru 69.6 million. The products which the CPTPP sector imported the most from Vietnam were computers, electronic products and components and machinery, equipment, tools, spare parts, fertilizer, wheat ... In the context of Covid-19 epidemic, this is a remarkable figure.

Previously, in 2019, although the Agreement had only been implemented for less than a year, our turnover from countries in the CPTPP sector witnessed a decent growth, especially in the two countries that we haven't signed a FTA with before, which was Canada and Mexico. The turnover from both countries increased by 26-29%. Previously, with the overall CPTPP sector, we had a trade deficit of 0.9 billion USD, and a trade deficit of 1.6 billion USD in 2019. The country's export growth in 2019 had a positive contribution to the implementation of CPTPP.

According to the report published by the Ministry of Planning and Investment, this result is the impact of the overall reform. In the CPTPP Agreement, there are many terms that require Viet Nam to improve, thanks to this reform, we achieved a significant growth in export to CPTPP member countries. In particular, while our neighboring countries were facing many difficulties, we witnessed a relatively high export growth in general, especially in two new markets thanks to the CPTPP Agreement, which were Canada and Mexico.

Besides, the recent opportunity to increase exports of agricultural products to CPTPP member countries is huge. In order to support enterprises to take advantage of export potential and market potential, in addition to supporting enterprises with solutions to improve competitiveness and connectivity, the Ministry of Industry and Trade is strengthening the dissemination of information regarding the CPTPP agreement, trade promotion and market access.

Therefore, in June, the Ministry of Industry and Trade organized a training program for small and medium enterprises regarding the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) at the Ministry of Industry and Trade's Head Office. The subjects to be trained were officials of ministries, branches and business associations. The event was a part of a series of support and training activities of non-project technical assistance "Promoting inclusive and sustainable economic growth - Supporting SMEs in implementing the CPTPP agreement" funded by the Canadian government.

The member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement are all potential markets, capable of importing large quantities of goods from Vietnam. Vietnam's strength is in commodity groups such as agricultural products, textiles, footwear ... However, it should be noted that only when Vietnamese goods have a certificate of origin of Viet Nam and reach a certain localization rate can they receive those preferential tariffs. Therefore, besides the efforts of localization enterprises, it is necessary to prevent foreign goods from impersonating Vietnamese goods in order to be exported to CPTPP countries.

Furthermore, when the CPTPP came into effect, the tariff barriers were removed but more technical barriers were also raised, making us no longer able to take advantage of cheap labor and instead must compete using quality. Businesses also need to be more proactive in finding different sources for raw materials in order to meet the requirements of rules of origin so as to boost exports to CPTPP countries.

#### **IV. Appendixes**

**Table 1: List of companies manufacturing textile and garment in Ho Chi Minh City**

<b>No</b>	<b>Company's name</b>	<b>Main business areas</b>
1	Viet Nam Petrochemical and Fibre Joint Stock Company	Manufacturing fibres, yarns
2	Han Guk Fiber Co. Ltd	Manufacturing artificial cotton
3	Vang Duong Commercial Co. Ltd	Manufacturing blankets, sheets, pillows and cushions
4	Viet Thanh Embroidery Garment Co. Ltd	Embroidery
5	Wah Hai Garments Joint Venture Co. Ltd	Laundry Service
6	KORG Viet Nam Co. Ltd	Manufacturing musical instruments
7	Thien Ly Trading Joint Stock Company	Manufacturing industrial sewing thread
8	Hai Phong Garment And Embroidery Joint Stock Company	Embroidery
9	Dai Duong Manufacturing and Trading Service Joint Stock Company	Embroidery
10	Hoang Ha Trading and Service Co. Ltd	Machine Embroidery
11	Fulin Plastic Industry Joint Stock Company	Manufacturing PVC film, leatherette, canvas, PP non-woven fabric
12	Federal – Mogul (Viet Nam) Co. Ltd	Manufacturing Protective Products For Wiring Systems Of Cars And Motor Vehicle Parts
13	Yuni Co. Ltd	Knitting and crocheting service
14	Yoneda Viet Nam Co. Ltd	Manufacturing garment products

*Source: Preliminary statistical data of the General Statistics Office of Vietnam*

**Table 2: List of some prime example companies importing textile and garment products from CPTPP markets in June 2020**

<b>No</b>	<b>Company's name</b>
1	Brotex Viet Nam Co. Ltd
2	Texhong Renze Textile Joint Stock Company
3	Texhong Yinlong Technology Co. Ltd
4	Texhong Galaxy Technology Co. Ltd
5	Teijin Frontier Viet Nam Co. Ltd
6	Hyosung Dong Nai Co. Ltd
7	Formosa Industries Corporation
8	Hyosung Viet Nam Co. Ltd
9	Tainan Spinning Co. Ltd (Viet Nam)
10	Huafu (Viet Nam) Industrial Co. Ltd
11	Ha Nam Textile Co. Ltd
12	Xindadong Textiles Viet Nam Co. Ltd
13	Mei Sheng Textiles Viet Nam Co. Ltd
14	Kang na Vn Co. Ltd
15	Coats Phong Phu Co. Ltd
16	Tainan Textile Co. Ltd
17	Dong Khanh Textile Corporation
18	Ilshin Viet Nam Co. Ltd
19	Thien Nam Investment and Development Joint Stock Company
20	Viet Nam New Century Polyester Fibre Co. Ltd
21	Haosheng Vina Co. Ltd
22	Kyungbang Viet Nam Co. Ltd
23	Century Synthetic Fiber Corporation
24	Ha Hae Viet Nam Co. Ltd
25	Lu Thai Viet Nam Co. Ltd
26	Dong-II Viet Nam Co. Ltd
27	Yulun Viet Nam Spinning, Weaving, Dyeing Co. Ltd
28	Dai Cuong Thai Binh Textile Co. Ltd
29	Kuk II Viet Nam Co. Ltd
30	Sunrise Viet Nam Textile Joint Stock Company

*Source: Preliminary statistical data of the General Department of Vietnam Customs*