



Effects of EVFTA and TPP on Vietnam apparel exports: An application of wits-smart simulation model

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Submitted: August 03, 2017 - Accepted: October 05, 2017

Abstract

Apparel is one of the oldest and largest export industries in the world. Vietnam ranks it as the dominant supplier of textiles and apparel for the major economies in the world, including the European Union (EU) and the United States (US), the two biggest destination markets. Vietnam has actively negotiated in free trade agreements with strategic partners with the intention to strengthen and broaden the world markets. This paper is to examine the ex-ante impact of potential TPP and EVFTA on the export of Vietnam's apparel at three levels 2, 4, 6-digit HS, assuming full liberalization of imports from Vietnam into US and EU.

The analysis is undertaken using partial equilibrium model, WITS SMART at a HS six-digit disaggregated product classification in order to identify the change of Vietnam's apparel exports and most affected products in their trade post EVFTA and TPP if applicable. Trade creation, as well as trade diversion, is estimated for these products along with their source of imports and destination of exports. The most significant impact of the duty eliminations modeled in this study is the shift to Vietnam from other supplier countries as a source of the EU and US imports. Consequently, the vast majority of the increase in the EU and US imports from Vietnam attributable to duty elimination is offset by declines in the EU and US imports from the other sources. At a disaggregated level, Vietnam increase in exports to the EU mostly fall within the HS code of 62 while to the US the HS code of 61.

Keywords: *Smart, PE model, EVFTA, TPP, textile, apparel.*