

Analyzing the Apparel Export Competitiveness of Vietnam: A Competition for Second Place

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Introduction: Vietnam has emerged as a significant contender in the global textile and apparel industry (T&A), exporting apparel products valued at USD 44 billion in 2022 and engaging in fierce competition with Bangladesh to secure the position of the world's second-largest apparel exporter after China (Huynh, 2022; Swazan & Das, 2022). Indeed, in the latter half of the fiscal year 2019-2020, Vietnam surpassed Bangladesh to claim the title of the second-largest apparel exporter (Rahaman et al., 2021). The present advancements in Vietnam's T&A industry hold the potential to bless the country with employment opportunities, high export revenues, and an overall boom in economic infrastructure. However, Vietnam's T&A industry faces challenges that can make it vulnerable, such as competition from other Asian countries, a poor domestic supply chain, and a lack of diversity in export product categories (Huynh, 2022). Furthermore, the once advantageous lower labor cost is gradually increasing in Vietnam's T&A industry, reducing the industry's potential profitability (Hong, 2019). Considering the current market demands, it is crucial to identify the product categories that are gaining or losing comparative advantages and analyze the underlying factors contributing to their success or failure. Therefore, this study aimed to examine the comparative advantages of Vietnamese T&A industry by identifying and analyzing the apparel product categories that enabled the country to become the second largest exporter.

Literature Review: The revealed comparative advantage (RCA) is the most frequently used measure of competitiveness that was introduced by Balassa (1965). It is a widely adopted method in research for assessing a country's relative capability to produce goods in comparison to its trading partners. RCA offers insights into the comparative advantage of a country or sector by analyzing trade data, which embodies the effects of cost and non-price factors. Scholars found the RCA index to be providing inconsistent and deceptive results due to data asymmetry despite being widely used (Saki et al., 2019). Therefore, the normalized reveal comparative advantage (NRCA) index was developed to overcome the asymmetry problem (Yu et al., 2009). RCA and NRCA have gained popularity among scholars as measures to evaluate export competitiveness within the T&A industry (Kannan, 2018; Rundassa et al., 2019; Saki et al., 2019). Therefore, the study used the RCA and NRCA indices to achieve the following

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research objectives (RO): RO1 – to determine RCA and NRCA at two-digit, four-digit, and six-digit level sub-categories within Harmonized System (HS) over ten years (2011-2020) for Vietnam's T&A industry and RO2 – to determine major export destinations for the top sub-categories that indicate a comparative advantage at the four-digit level.

Methodology: The data utilized in this study were collected from the United Nations Comtrade database between 2011 and 2020. The data set includes category 61: knitted apparel and clothing accessories, and category 62: non-knitted apparel and clothing accessories. To address RO1, RCA, and NRCA were calculated for the two-digit, four-digit, and six-digit HS codes to determine the comparative advantage. The RCA values range from zero to ∞ , with a neutral point at 1, while the NRCA values range from -1 to +1, with a neutral point at 0. Bilateral trade data is sourced to address RO2 to identify the export destinations for sub-categories that demonstrate the highest contribution to Vietnam's comparative advantage.

Result: Vietnam maintained a consistent export comparative advantage in both HS61 and HS62 from 2011-2020. A closer analysis of the four-digit sub-categories of HS61 and HS62 revealed that fifteen out of seventeen sub-categories of HS61 and fourteen out of seventeen sub-categories of HS62 had a comparative advantage over ten consecutive years. HS6110 (sweaters, pullovers, sweatshirts, and similar articles) had the highest NRCA magnitude among all the four-digit categories of HS61 from 2011 to 2020, and 60.23% of products of this category were exported to the United States in 2020. Further analysis of NRCA into the six-digit sub-categories of HS6110 exposed that HS611020 (primarily made from cotton) and HS611030 (primarily made from artificial fibers) were the top collaborators to its comparative advantage. HS6203 (men's or boys' suits, ensembles, suit-type jackets, blazers, and trousers) contained the highest NRCA magnitude at HS62. The United States (35.55%) is this category's major export destination, followed by Japan (16.19%). At the six-digit levels, HS620333 (jacket and blazers made from synthetic fibers), HS620342 (trousers, and shorts made from cotton), HS620343 (trousers, and shorts made from synthetic fibers), and HS620349 (trousers, and shorts made from other textile materials) were the major participants to the competitiveness of this category.

Conclusion: The study findings have significant implications and contributions. They shed light on the distinctive comparative advantages of Vietnam's T&A industry, which can assist fashion retail companies in identifying product categories that offer advantages and opportunities. Findings can also serve as valuable evidence for stakeholders, including policymakers, in identifying scopes for resource development and investment in categories that did not demonstrate a comparative advantage. Future research should use surveys and interviews to gain insights into the impact of Vietnam's international trade policies on the export competitiveness of its T&A industries.

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