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Original Article

The Ex-Ante Evaluation of the Vietnam – UAE CEPA Impact on Vietnam's Exports of Garments to the UAE

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Abstract: Using the SMART model, this paper aims at examining the ex-ante impact of the Vietnam – United Arab Emirates Comprehensive Economic Partnership Agreement (Vietnam – UAE CEPA), on Vietnam's garment exports, which is still under negotiation. Two scenarios are developed in accordance with the UAE's trade liberalization whose focus is on Asian countries including Vietnam. A positive effect of the assumed Vietnam – UAE CEPA on Vietnam's exports are found in two scenarios. However, the UAE's deeper engagement with other countries would cause a remarkable decrease in the export turnover of Vietnam's commodities, leading to some short-term and long-term recommendations of the author to promote Vietnam's export of garments to the UAE.

Keywords: Exports of garments, SMART model, UAE, Vietnam, Vietnam – UAE CEPA.

1. Introduction

The United Arab Emirates (UAE), with which Vietnam has officially established diplomatic ties since 1993, has been one of the most important exporting markets of Vietnam. In 2021, the UAE was ranked in the top 15 among approximately 150 Vietnam's exporters (ITC Trade map).

The Vietnam – UAE bilateral trade has strong complementarity. The UAE has been one of the world's energy powerhouses as the country was the 7th largest producer of crude oil in 2020 (Statistical Review of World Energy, 2021). Oil production has been a major industry in the UAE and its economic growth has been dependent on it. The significance of oil in the economic growth of the UAE can be gauged from the fact that mineral fuels (HS27) have always been its most important exports. The proportion of total exports for mineral oils ranged from 16.11% to 35.19% of the UAE's total export value from 2012 to 2019 and even reached more than 50% and 70% in recent years, 2020-2022. Being an oil-driven economy and the main country in the Gulf, the UAE is always in great demand of consumer goods (Al-Sayegh, 1998; Australian Government Department of Foreign Affairs and Trade, 2000). In its trade relation with Vietnam, the UAE has focused on

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exporting plastics (HS39), mineral fuels (HS27) and importing electrical machinery and equipment (HS85), machinery and mechanical appliances (HS84), garments (HS61-62-63), footwear (HS64), fruits and nuts (HS08), coffee and tea (HS09), fish and fishery products (HS03) and cereals (HS10).

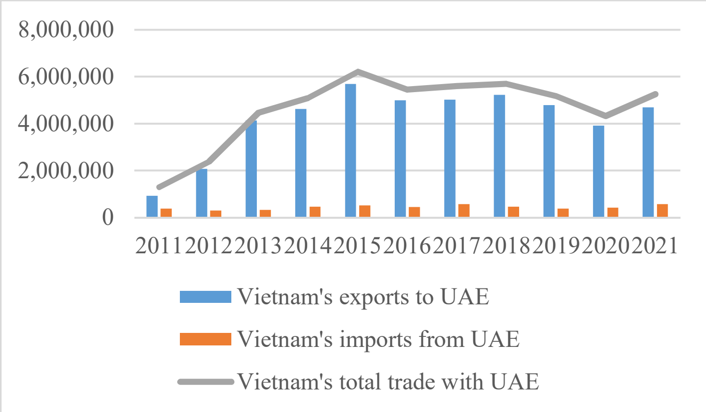

Figure 1: Vietnam and the UAE's bilateral trade (in USD thousand)
Source: ITC Trade map.

All of the above-mentioned achievements in the bilateral trade so far have laid the foundations for the establishment of the Comprehensive Economic Partnership Agreement (CEPA) between Vietnam and the UAE, which has been initiated since April 2023. The CEPA is expected to create a new era in the two countries' cooperation in trade. Vietnam's exports, which would be entitled to tariff elimination thanks to CEPA would further penetrate the UAE's market and vice versa. With a view to Vietnam's garments, the expected CEPA is believed to make their export value take off. Because firstly, the UAE has emerged as a major transshipment and textile hub of the Gulf Cooperation Council (GCC), whose textile market size was USD13.5 billion in 2022 and was anticipated to register a growth rate of over 4% during 2023-2028 (Mordor Intelligence, 2022). Therefore, garment imports are particularly important for the UAE, making Vietnam's garment exports a good supply. Secondly, Vietnam's garments only made up for less than 2% of the total UAE's imports from 2012 to 2021 (ITC Trade Map) leading to a potential surge in Vietnam's exporting garments to this market due to the expected tariff reduction to 0% of the CEPA. The Vietnam – UAE CEPA is supposed to be signed in 2023 on the occasion of the 30th anniversary of the diplomatic relation establishment between the two countries.

On these grounds, this article, by adopting the SMART model and Partial Equilibrium theory, aims at assessing the potential impact of the Vietnam – UAE CEPA on Vietnam's garments exports to the UAE and provides some recommendations to Vietnam to better prepare for the upcoming ambitious Vietnam – UAE CEPA.

2. Literature review

The SMART model, based on Partial equilibrium theory, is classified as an ex-ante evaluation of a trade policy. On the basis of simulation rather than estimation, the SMART model is considered appropriate to the assessment of a new trade agreement's potential impact (Plummer et al., 2010). Researches making use of the SMART model in Vietnam have not been prevalent and have mainly focused on the "new generation" FTAs of Vietnam. Ha and Nguyen (2022), with the usage of the SMART model combined with qualitative research methods, evaluated the impact of the UK – Vietnam Free Trade Agreement (UKVFTA) on Vietnam's textile and garment exports. The results in all 3 scenarios showed that Vietnam's textiles and garments industry could increase exports strongly to the UK thanks to their excellent price competition. Applying the same approach compared to Ha and Nguyen

(2022), Doan and Nguyen (2021) identified the effect of the EU – Vietnam Free Trade Agreement (EVFTA) on Vietnam's exports of agricultural products and came to the conclusion that the EU's tariff elimination would cause Vietnam's agricultural product exports to significantly rise. A similar positive impact of the EVFTA was discovered on Vietnam's apparel exports to the EU in the research of Vo et al. (2018), which was undertaken using the SMART model as well. Nguyen & Trinh (2020) were also in agreement with Doan & Nguyen (2021) about the useful impact of tariff elimination under the EVFTA on Vietnam's agricultural exports to the EU with 4 important products, witnessing the highest changes in trade value, according to Nguyen and Trinh (2020) were HS04, HS08, HS09 and HS20. However, in the opinion of Tran et al. (2021), although the trade flows of fruits between the two markets experienced a bounce due to the EVFTA, the flow of exports would only inch up by 0.955%, which was rather low compared to the increase in import value by 29.18% in 2021.

Regarding the Vietnam – UAE CEPA, there is not any paper assessing its potential contributions to Vietnam's economic development, mainly because it is still being negotiated. Therefore, this article determines to investigate the potential impacts of tariff elimination under the Vietnam – UAE CEPA on Vietnam's garment exports to the UAE.

3. Methodology and data

3.1. Partial equilibrium (PE) approach

PE is a model that equates supply and demand in one or more markets in order to analyze and assess a particular market under the changes of the policy (increase or decrease of the tariff) or other determinants affecting the demand or supply in a good. The PE model often eliminates the impacts of changes in relevant or replaceable sectors and suggests that the sector analyzed is a small niche in the economy so the changes of the sector could not affect to other sectors.

When an importing country J imports a commodity i of an exporting nation K. The demand curve would be as below:

$$M = \alpha_M PM^{\varepsilon}$$

α_M is a constant ($\alpha_M > 0$) and $\varepsilon < 0$ is elasticity of demand for imports. Similarly, the supply curve would be as below:

$$X = \alpha_X PX^{\eta}$$

$\alpha_M > 0$ is a constant and $\eta > 0$ is elasticity of supply for exports. When the exporting nation has a small economy, or the import turnover of i is smaller than the total international import turnover, η is the same as positive infinity.

The equal condition of the model requests: M = X.

The difference between import and export prices is caused by a tariff as below:

$$PM = PX\ (1 + T/100)$$

T is tariff on import (%).

The changes in the gains from exchange to the importing and exporting countries are:

$$\Delta WM = \int_{PM_0}^{PM_1} \alpha_M PM^{\varepsilon} dPM = \frac{\alpha_M}{\varepsilon+1}\left(PM_0^{\varepsilon+1} - PM_1^{\varepsilon+1}\right)$$

$$\Delta WX = \int_{PX_0}^{PX_1} \alpha_X PX^{\eta} dPX = \frac{\alpha_X}{\eta+1}\left(PM_0^{\eta+1} - PM_1^{\eta+1}\right)$$

These expressions complete a basic partial equilibrium model to simulate the economic impact of tariff changes in a single sector.

3.2. SMART model

On the basis of the theory of Partial equilibrium, the SMART tool can calculate changes in the trade turnover of a sector in the circumstance of tariff changes in an FTA. The SMART model is used on some assumptions of an export supply curve and import demand curve as follows:

- The export supply export curve is completely elastic and the elasticity of supply for exports is the same as positive infinity.
- The demand of a customer is divided into two steps: in the first step, the consumer decides on the total demand under the Consumer Price Index (CPI) and in the second step, the purchaser decides the demand of many types of goods under the total demands.
- The consumer has different interests in products imported from different countries. Thus, different countries could get involved in exporting such products even when an exporting

country has special preferential tariffs (Armington assumption).

3.3. Data

The SMART model calculates on 3 types of elasticity such as demand elasticity, supply elasticity and Armington elasticity. Import elasticity is 1.5 in the SMART model. The export elasticity is defined as the changes of the export supply when the price changes. As the garment imports of the UAE are slight and the garment market of the UAE is also subtle compared to other exporters, the assumption of perfectly elastic demand (99) is used in the SMART model.

The selection of the Armington elasticity plays a very important role in deciding the exactness of the measure in the SMART model. This study will use the Armington elasticity of Hertel et al. (2007), which would be 7.4 for wearing apparel.

This paper adopts the HS (Harmonized System) classification and assesses the potential impact of the Vietnam – UAE CEPA on Vietnam's exports of garments, namely HS61, HS62 and HS63. Data of bilateral trade turnover between the UAE and partners was in 2021 and extracted from UNCTADTRAINS by the SMART model.

3.4. Scenarios

Two scenarios are constructed based on the assumption that the UAE would eliminate the tariff on garment imports from Vietnam, which would be the UAE's commitment in the Vietnam – UAE CEPA. Moreover, the UAE is strengthening international ties with countries around the world to build on its position as a global trade and logistics hub, and signing CEPAs is the key to this goal. The UAE, then, signed its first bilateral trade agreements with India on February 18, 2022, Israel on May 21, 2022, Indonesia on July 1, 2022 and Turkey on March 3, 2023. Two among these four CEPAs, which are the UAE – India CEPA and the UAE – Israel CEPA, have been taken into effect. Moreover, because Asia has been considered a focus of its CEPA strategy, the UAE initiated talks with Malaysia and Thailand in May 2023 where they both reached an agreement to start preliminary negotiations on bilateral trade agreements. As a result, the UAE will have CEPAs, not only with Indonesia and Vietnam, but also Malaysia and Thailand. Besides, the UAE, as a part of the Gulf Cooperation Council, would finalize their FTAs with China and South Korea as soon as possible in 2023 or 2024 after a nearly decade-long negotiation. This means that the UAE would engage with China and South Korea in multilateral FTAs in the near future. All of this leads to the fact that Vietnam's exports of garments to the UAE under the assumed Vietnam – UAE CEPA would be influenced by other existing and potential CEPAs and FTAs of the UAE. All of these 8 countries have been competitors of Vietnam in the UAE's garments' market, especially China, India and Turkey, which were even ranked in the top 5 exporters providing the largest value of garments to the UAE in 2021. Meanwhile, Vietnam was placed behind at the 6th position (ITC Trade map). Thus, to get an overview of the potential impact of the assumed Vietnam – UAE CEPA on garment exports of Vietnam, the UAE's existing CEPAs with India, Israel, Indonesia, Turkey and potential CEPAs and FTAs with Malaysia, Thailand, China and South Korea should be taken into account.

- Scenario 1: The UAE would eliminate the tariff on garments imported from Vietnam without taking into consideration its other CEPAs or FTAs.

- Scenario 2: This scenario includes CEPAs and FTAs of the UAE in simulation, in which the UAE would provide tariff removal to garment imports from India, Israel, Indonesia, Turkey, Malaysia, Thailand, China, South Korea and Vietnam.

4. Results

Vietnam's exports of garments to the UAE, drawn from the SMART model, in accordance with the 2 assumed scenarios, are as follows:

Table 1: Vietnam's garment exports to the UAE in the 2 assumed scenarios

Indicators	**Scenario 1**	**Scenario 2**
Initial garment exports (in 1,000 USD)	290,215.506	290,215.506
Final garment exports (in 1,000 USD)	400,402.520	351,255.513
Total export value change (in 1,000 USD)	110,187.014	61,040.007
Trade creation effect (in 1,000 USD)	18,808.916	18,808.916
Trade diversion effect (in 1,000 USD)	91,378.094	42,231.089
Total trade effect (in 1,000 USD)	110,187.014	61,040.007

Source: The author's calculation in SMART model.

Thanks to the assumed Vietnam – UAE CEPA, Vietnam's exports of garments to the UAE would show an upward trend of USD110,187,014, equivalent to a nearly 38.0% increase in Scenario 1. Overall, Vietnam would have a total of USD400.4 million of garments exported to the UAE. The substantial growth in Vietnam's garment export value to the UAE can be explained with 2 reasons as follows: (i) garments which are of Vietnamese origin would be cheaper under the Vietnam – UAE CEPA because they would be open to a tariff reduction to 0% according to the UAE's assumed commitments, rather than the 5% import tariff rate currently (the SMART model); (ii) the UAE would prefer importing garments from Vietnam because of their more competitive price compared to that from the rest of the world. For example, China and its wearing apparel, which have been a superior source of the UAE to Vietnam, are subject to a duty rate of 5%, on average, granted by the UAE (the SMART model). They, as a result, would not be as competitive as Vietnam's garments, which would be duty-free owing to the assumed Vietnam – UAE CEPA. That is the reason why the UAE would shift garment imports from the rest of the world to Vietnam, which is demonstrated by the trade diversion effect of USD91,378.094 million.

Regarding Scenario 2, Vietnam's exports of garments to the UAE would experience a downturn of approximate USD49,147,007, which directly corresponds to the decline in the trade diversion effect in comparison with Scenario 1. This leads to the fact that in Scenario 2, the UAE's import value of garments of Vietnamese origin would go up at a lower rate at about 21.0%. This is because when the UAE would offer tariff exclusion to all 8 other partners (being India, Israel, Indonesia, Turkey, Malaysia, Thailand, China and South Korea) together with Vietnam, their exports of garments would enjoy lower prices and become as desirable as the ones from Vietnam, making the UAE change a part of its imports from Vietnam to these competitors. The export value reduction from which Vietnam's garments would suffer would be remarkable, reflecting that the UAE's expanded trade liberalization with Asian countries would greatly adversely affect Vietnam's bilateral trade relation with the UAE with regard to garment exports.

Actually, it cannot be denied that Vietnam has always played an important role as a garment supplier in the UAE's market for many years (top 6) (ITC Trade map), so the assumed tariff exemption for Vietnamese garments, thanks to the assumed Vietnam – UAE CEPA, would give them additional advantage in penetrating the UAE's market. This is proved by the trade diversion effect, which would make up for 82.9% of the total trade effect in Scenario 1. However, the dominance of the trade diversion effect in Scenario 1 also tells that it would be the privileged duty-free access to the UAE's market of Vietnam's garments rather than any other competitive advantages that would attract this country to transfer imports to Vietnam. Then, when the UAE would further integrate with other Asian countries in trade by CEPAs or FTAs and a preferential tariff at 0% would be provided to their products in Scenario 2, Vietnam's merchandise would be losing its only competitive strength. This would bring about a considerable fall in the trade diversion effect by 53.8% compared to Scenario 1.

Table 2: Export value of garments of 9 partners to the UAE

Partner	Scenario 1			Scenario 2		
	Initial export value (in 1,000 USD)	Total export value change (in 1,000 USD)	Total export value change (in %)	Initial export value (in 1,000 USD)	Total export value change (in 1,000 USD)	Total export value change (in %)
Vietnam	290,215.506	110,187.014	38.0	290,215.506	61,040.007	21.0
India	896,034.874	(12,803.549)	1.4	896,034.874	179,699.064	20.1
Israel	170.248	(2.356)	1.4	170.248	42.875	25.1
Indonesia	103,147.378	(2,787.491)	2.7	103,147.378	21,501.881	20.8
Turkey	325,938.895	(6,027.256)	1.8	325,938.895	33,046.210	24.2
Malaysia	16,315.591	(309.540)	1.9	16,315.591	3,468.763	21.3
Thailand	49,893.765	(1,489.969)	3.0	49,893.765	10,134.537	20.3
China	1,694,852.938	(27,856.955)	1.6	1,694,852.938	349,535.276	20.6
South Korea	13,061.718	(204.784)	1.6	13,061.718	2,875.018	22.0

Source: The author's calculation in SMART model.

On the basis of Table 2, Vietnam would be the only country being a beneficiary of the Vietnam – UAE CEPA in both Scenario 1 and Scenario 2, as its exports of garments would recognize a jump at 38.0% and 21.0% respectively. However, it is easy to see that even in the case of the UAE's tariff preference being given exclusively to Vietnam, thanks to the Vietnam – UAE CEPA in Scenario 1, the 8 other partners would be negatively affected in a minimal manner. For instance, China would experience the most serious effect, as its products would sink by more than USD27.8 million in export value. This figure, however, would be equivalent to only a 1.6% slip compared to its initial export turnover in case of no trade engagement between Vietnam and the UAE. India would suffer from the 2nd biggest absolute loss by more than USD12.8 million but this would only be a very small part of its exports to be transferred to Vietnam (1.4%). Thailand and Indonesia, instead, would be subject to the largest relative decreases, however, they would be modest at 3% and below. These findings can be explained by the fact that merchandise originating in Asian countries (except for one of Vietnamese origin) has already been entitled to a preferential duty rate, which is 5% thanks to their involvement in the WTO along with the UAE (the SMART model). Therefore, the tariff reduction to 0% applied to Vietnam's goods owing to the Vietnam – UAE CEPA would have a slight impact on the other Asian countries' export volume to the UAE. This answer should be further accepted when it comes to India, China and Turkey because of their existing stable and strong position in the UAE's garment market at present (top 5) superior to Vietnam at top 6 (ITC Trade map). As a result, in Scenario 2, when there would be a deeper trade linkage between the UAE and countries in the continent of Asia, China and India would witness the greatest absolute change in the export turnover of garments. Vietnam would be ranked in 3rd place regarding the absolute rise in its export value, followed by Turkey in 4th place. Israel, Malaysia and South Korea, on the contrary, would see a modest absolute upturn in the export value. This could be explained due to wearing apparel having not been major exports of the 3 foregoing countries in their trade relation with the UAE. Instead, Israel has been known for precious metal and stone (HS71), meanwhile Malaysia and South Korea have given their priority to exports of electrical machinery and electronics (HS85) (ITC Trade map).

In terms of export value changes of Vietnam's garments to the UAE by product, the product group HS61 and HS62 would have the highest absolute increase, making up for more than 94% of the total rising volume of Vietnam's commodities. This can be ascribed to the fact that the product group HS61 and HS62 have been Vietnam's forte in exports with their initial values ranging from USD99.2 million to USD174.8 million, accounting for over 94% of the whole country's export quantity. Therefore, when the import duty would be removed by the

UAE, their absolute growth would also be more noticeable than that of the product group HS63.

Table 3 shows that in Scenario 1, the assumed Vietnam – UAE CEPA would result in the highest jump in absolute export value under HS610910, followed by HS611020 and HS621210. However, in Scenario 2, when it comes to the UAE's linkage with all 9 Asian nations, Vietnam's exports under the 3 above-mentioned codes would see their increasing speed reduced at least by 40%, which makes it easy to understand that the UAE's stronger open trade policies would cause many difficulties for Vietnam's garments in penetrating the UAE's market even when they would take advantage of the assumed Vietnam – UAE CEPA.

Table 3: Top 20 HS 6-digit products experiencing the greatest upturn in absolute export value thanks to the Vietnam – UAE CEPA

Product code (HS code)	**Initial export value (in 1,000 USD)**	**Scenario 1**		**Scenario 2**	
		Export value change (in 1,000 USD)	Proportion in total change (%)	Export value change (in 1,000 USD)	Proportion in total change (%)
610342	9,690.363	3,398.330	3.1	1,857.172	3.0
610343	6,905.775	2,317.922	2.1	1,330.082	2.2
610462	5,946.000	2,139.465	1.9	1,134.514	1.9
610463	10,594.112	3,569.053	3.2	1,897.973	3.1
610510	11,103.619	3,567.116	3.2	1,923.901	3.2
610910	32,605.986	11,747.001	10.7	6,028.360	9.9
610990	12,915.104	4,615.969	4.2	2,325.348	3.8
611020	24,821.023	8,533.110	7.7	5,105.351	8.4
611030	8,342.687	3,035.401	2.8	1,545.514	2.5
611120	7,963.722	2,907.020	2.6	1,070.403	1.8
611241	1,621.266	1,597.488	1.5	1,270.911	2.1
611595	3,467.190	2,591.067	2.4	1,663.067	2.7
620193	8,246.644	2,558.342	2.3	1,508.906	2.5
620293	4,663.221	1,537.003	1.4	958.161	1.6
620342	8,300.126	3,642.359	3.3	2,781.632	4.6
620343	14,496.185	4,430.251	4.0	2,601.729	4.3
620462	5,129.107	3,052.844	2.8	2,401.796	3.9
620520	10,323.479	4,537.199	4.1	2,680.115	4.4
621210	14,724.689	5,054.641	4.6	2,213.258	3.6
630790	10,762.639	3,993.886	3.6	1,557.925	2.6

Source: The author's calculation in SMART model.

When it comes to the relative change, the biggest bounce ranging from more than 200% to nearly 400 would be registered in the product lines HS610799, HS611790 and HS630222 in both of the scenarios. Overall, HS611241 would take the most advantage of the Vietnam – UAE CEPA in both scenarios in terms of absolute and relative surge.

5. Conclusion

With the SMART model application, the paper examines the potential impact of the assumed Vietnam – UAE CEPA on Vietnam's garment exports to the UAE in 2 scenarios which are developed on the basis of the assumption that the UAE would promote its trade openness with Asian countries such as Malaysia, Thailand and Vietnam through CEPAs and China and South Korea by means of FTAs along with its 4 real CEPAs with India, Israel, Indonesia and Turkey. The findings point out that the assumed Vietnam – UAE CEPA would result in a remarkable increase in the export turnover of Vietnam's products, in both cases when the UAE would diminish tariffs only for garments imported from Vietnam or it would enlarge the scope of tariff removal to all 9 Asian partners. However, the further joint trade relation between the UAE and 8 competitors of Vietnam would cause Vietnam's export value to go down considerably in Scenario 2, by more than USD49.0 million, equivalent to nearly 50% of the rising quantity in Scenario 1. Besides, there would be an unfair distribution between types of commodities under 6-digit HS items exported from Vietnam to the extent that HS610910, HS611020, HS621210 and HS611241 would gain the most considerable absolute and relative growth from the assumed Vietnam – UAE CEPA.

On the basis of the foregoing results, some recommendations on Vietnam's merchandise trade with the UAE in general and in terms of garment trade flows given by the paper are as follows:

Firstly, the Vietnam – UAE CEPA negotiation process should be speeded up by the 2 parties because this trade agreement would bring benefit not only to Vietnam as a garment exporter to further penetrate the UAE's market but also to the UAE to have access to a huge source of supply. Next, the UAE's geographical location and infrastructure has always positioned it as an ideal supply and redistribution gateway for Asia, Europe and the Middle East. Therefore, the Vietnam – UAE CEPA' s benefits from which Vietnam would gain would not be limited to the above-mentioned increasing volume of exports of garments to the UAE but also to a new way for Vietnam's products to access new markets of the Gulf, Middle East and Africa.

Secondly, the only competitive advantage of garments of Vietnamese origin, thanks to the tax incentives provided by the UAE in the Vietnam – UAE CEPA, in comparison with their rivals, would last for very short terms. So, Vietnam should make good preparation right now to take full advantage of the bilateral trade agreement as soon as it would come into effect. For example, information on the upcoming Vietnam – UAE CEPA should be widely disseminated to businesses operating in the field of the textile and garment industry in Vietnam. Technical support in terms of the UAE market research and business networking should also be provided by Vietnam's Ministry of Industry and Trade and Ministry of Foreign Affairs and by Vietnam's Embassy in the UAE. Fortunately, the Dubai Chamber of Commerce, which will open in Ho Chi Minh City in 2023 acts as an excellent opportunity for enterprises in the 2 countries to reach an engagement and boost their trade flows as well as provide a springboard for the better implementation of the Vietnam – UAE CEPA in the near future. Meanwhile, in the long term, when the UAE would become further involved in different trade agreements and grant duty-free access to garments coming from other Asian partners, Vietnam's merchandise would rather find out another competitive advantage rather than rely completely on its competitive price.

It is also mentioned above that cotton T-shirts (HS610910), cotton pullovers (HS611020), brassieres (HS621210) and swimwear (HS611241) have been the most significant types of garments exported to the UAE. That's why this paper would like to recommend that the Vietnamese government and enterprises pay much more attention to exports of these product lines with a view to better taking advantage of the Vietnam – UAE CEPA.

It is also easy to determine from the SMART model findings that India has been the biggest competitor of Vietnam with regard to exports of the foregoing categories to UAE because Vietnam's export quantity to the UAE was less than a half of India's in 2021. In addition, India and the UAE have already engaged in a CEPA, the India – UAE CEPA, which has entered into force since May 1, 2022 and its merchandise has truly been exempted from the UAE's import duty as of the effective day of its trade agreement with the UAE. The SMART model also shows that the rising speed of India's export turnover of 4 above-mentioned items of merchandise would be more than 2 times higher than those of Vietnam when their commodities would both enjoy tariff elimination by the UAE. In order to compete with India in the UAE's garment market, Vietnam should enhance its quantity and quality of products exported to the UAE. Regarding the export quantity of garments, the main problem is the weakness of Vietnam's upstream industry that has not produced enough cotton and yarn for the domestic demand. In fact, regarding Vietnam's cotton production, in recent years, the cotton cultivation areas in Vietnam have crashed significantly. At the time of 2001-2002, the whole country had about 32,600 hectares of cotton producing area. However, by 2012, this number slumped to less than one third (10,000 hectares). Further, the 2014-2015 crop year continued to see the cotton producing areas shrink further to only 2,500 hectares (Vu & Pham, 2016). In 2020, although Vietnam was supposed to be home to 76,000 hectares of cotton planting areas according to the Decision No. 29/QD-TTG of the Prime Minister on approval of the program on Development of Vietnam's cotton until 2015, with orientation to 2020, its cotton output was only 0.1 thousand metric tons in the 3 consecutive years of 2018-2020, showing a dramatic plunge from the figure of 8.8 thousand tons in 2012 (Statista). Domestic cotton output only met about 1% of the garment industry's demand, leading to the fact that Vietnam has had to import nearly 100% of cotton from abroad. Moreover, with regard to the production of yarn, although its output has also taken off recently, from 680,000 metric tons in 2012 to more than 2.0 million metric tons in 2017 then reaching the highest point of 2.7 million metric tons in 2022, only up to 40% of the output in 2022 was used domestically. This has caused an increasing number of yarn imports, from nearly 650,000 thousand metric tons in 2012 to more than 1.0 million metric tons in 2022. This ironic situation could be explained by the quality and diversity of domestic yarn, which is short of expectation. Therefore, with a view to promoting the export volume of garments, Vietnam had better develop a stable and sustainable cotton producing area and satisfy domestic input material demand rather than depend on foreign supply. Accordingly, cotton producing areas having suitable soil and climate conditions in the Central Highland provinces (Dak Lak, Dak Nong, Gia Lai), Eastern provinces and South Central Coast (Ninh Thuan, Binh Thuan, Binh Phuoc, Dong Nai and Ba Ria – Vung Tau) and Northern Mountainous provinces (Dien Bien, Son La, Thanh Hoa, Bac Giang) must be restored. In contrast, specialized and intensive cultivation areas should be invested in new varieties and advanced farming technologies to improve productivity and economic efficiency of cotton as well. Although Vietnam would diversify its sources of cotton imports, Vietnam's garments would still meet the rules of origin specified in the Vietnam – UAE CEPA. In the case of the UAE's opening trade policies with other Asian countries, Vietnam's autonomous input material will boost its export quantity to the UAE in a sustainable manner in the long term.

With regard to the export quality of Vietnam's commodities, labor productivity improvement should be paid much more attention, especially in the case where that of Vietnam, which is measured by GDP per hour worked, is only superior to India's (USD10.22 vs. USD8.47) but far behind all of the 7 remaining competitors (ILO, 2021). Training programs, not only in the field of product design and product manufacturing, but also in marketing, sales and business management should be provided to textile workers by enterprises. The Ministry of Education and Training should also encourage cooperation between enterprises and vocational training institutions to trigger a win-win for both parties: (i) vocational training institutions and their learners will be trained for relevant knowledge and skills in line with practical professional requirements, and (ii) enterprises will have access to a stable and sustainable supply of high-quality human resources. In addition, Vietnam's enterprises should continue to upgrade their garment manufacturing lines of which the application of 4.0 technologies is inevitable. This paper would also like to suggest that the Ministry of Industry and Trade support businesses to invest in diversifying their exports to increase the value of Vietnam's garments in the global value chain, giving Vietnam's merchandise an additional competitive advantage. Fortunately, according to the SMART model's findings, India's wearing apparel would have to rely on the UAE's tariff removal, rather than any other competitive advantage to further enter the UAE's market, which is proved by the superiority of the trade diversion effect over the trade creation effect (65% vs. 35% in the total trade effect) in Scenario 2. As a result, product quality improvement would be the one and only fulcrum of Vietnam to compete against India in terms of garment exports to the UAE.

Thirdly, the UAE is an Islamic country. In 2 consecutive years, 2020 and 2021, the UAE was ranked in the top 4 countries with the highest Global Islamic Economy Indicator scores and the world's leading country with the highest Modest fashion indicator (DinarStandard, 2022). As a result, Vietnam's commodities, with a view to further penetrating the UAE's market, should be firstly Halal-certified. In fact, currently, unified Halal standards have not yet been available to be applied in all countries worldwide; instead, some countries have set Halal standards and built Halal certification of their own. For example, Malaysia's Halal standards are considered the leading ones among Islamic countries and its Halal certification, which is issued by the Department of Islamic Development Malaysia (JAKIM), is accepted globally. Indonesia, a top 4 country obtaining the highest Global Islamic Economy Indicator scores along with Malaysia and the UAE, has launched its Halal certification since 2014. Or even in the case of Thailand, only a minority of its population is Muslim (5%) but it has still appointed the Central Islamic Council of Thailand to set up regulations for Halal certification as a common nation standard. Vietnam, on the contrary, has not had Halal certification regulated by the government. Besides, in Vietnam, though Halal certification is quite familiar in foodstuffs it is completely strange in garments. As a result, this paper would like to propose to establish a national Halal certification center in Vietnam to unify the certification of Halal products and facilitate the recognition of international Halal certification organizations. In addition, Vietnamese businesses need to strictly comply with the UAE's Halal standards and Modest fashion concept in the production of wearing apparel exports. All of this will make it easy for Vietnam's commodities to have access to the UAE's market. The UAE as a key international trade hub, as mentioned above, will be a springboard for Vietnam's merchandise to penetrate the world's Halal Modest fashion market, which is expected to experience a 4-year growth rate of 6.1% and to reach US$375 billion in 2025 (DinarStandard, 2022).

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