# The EU-Vietnam Free Trade Agreement: Implications for Bangladesh's Export Competitiveness

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# Executive Summary

## Background

The EU, which accounts for nearly half of Bangladesh's merchandise exports, remains a critical market where sustaining competitiveness, especially in the readymade garment (RMG) sector, is a top priority. The EU-Vietnam Free Trade Agreement (EVFTA), effective since 2020, grants Vietnam significant trade advantages, including zero-duty access to the EU market, replacing its earlier Standard Generalised Scheme of Preferences (GSP) tariffs. In addition to tariff eliminations, the EVFTA addresses non-tariff barriers, opens markets for services and investments, and aligns Vietnam with the EU's labour and environmental standards, collectively strengthening its competitiveness and investment appeal.

For Bangladesh, the withdrawal of duty-free access under the Everything But Arms (EBA) scheme post-LDC graduation presents a challenging landscape. This dual trade preference erosion, stemming from Vietnam's enhanced access under the EVFTA and the tariff hikes facing Bangladesh after its graduation, could significantly undermine the latter's export competitiveness in its most vital market. This paper examines these shifting dynamics, focusing on export trends, tariff profiles, and the broader implications of the EVFTA, to provide actionable insights for policymakers navigating this evolving trade environment.

## Comparative analysis of export performance and compositions of Bangladesh and Vietnam in the EU market

Until 2006, Bangladesh and Vietnam exported comparable volumes to the EU, but Vietnam's exports have since grown more rapidly, reaching US$50.7 billion in 2023 compared to Bangladesh's US$20 billion. Despite this disparity, Bangladesh remains dominant in apparel exports, accounting for 21.7% of the EU's non-EU apparel imports, largely due to duty-free access under the EBA scheme and relaxed Rules of Origin (RoO) requirements. In contrast, Vietnam, which operated under the Standard GSP with an average apparel tariff of 9.6% until 2020, has a diversified export basket led by machinery and equipment (HS 85).

Bangladesh absorbed much of the EU market share lost by China as Chinese RMG makers shifted away from low-value apparel production, while Vietnam benefited more from this shift in the US market. Bangladesh's share of the EU apparel market rose from 6% in 2010 to 21.7% in 2023, compared to Vietnam's modest growth from 2% to 4.7% over the same period. However, in the US, where both countries face identical tariffs, Vietnam captured a significantly larger market share, rising from less than 1% to 18% between 2010 and 2023, compared to Bangladesh's 3.3% to 9%.

Bangladesh's exports to the EU are heavily concentrated in apparel (90% of its total exports), primarily cotton-based products (69.1% of total apparel exports to the EU is cotton-based), while Vietnam's are more diversified, with only 10% of its apparel exports being cotton-based and 75.3% non-cotton-based. Bangladesh's top 15 apparel exports to the EU, at the CN 8-digit level, are entirely cotton-based and collectively account for one-third of the EU's total extra-EU imports of these products. In contrast, Vietnam's share of these items is only 3.1 per cent. This suggests that Bangladesh faces limited direct competition from Vietnam in the EU market for its primary cotton-based apparel exports. However, the dynamic shifts when man-made fibre (MMF) apparel is considered. Vietnam's top 10 MMF apparel exports hold a 10.6 per cent share of the extra-EU market, compared to Bangladesh's 13 per cent share for the same products. This indicates that both countries hold comparable positions in the EU market for MMF apparel, creating a competitive overlap. As tariffs on Vietnamese apparel are fully eliminated

under the EVFTA, Bangladesh is likely to face intensified competition in the EU market, particularly for its MMF apparel exports.

## Tariffs under the EU-Vietnam FTA and Bangladesh's LDC graduation

The EU-Vietnam Free Trade Agreement has significantly reduced tariffs for Vietnamese exports to the EU, with 71% of tariff lines eliminated immediately upon its implementation in 2020, and the remainder set to reach zero within seven years. For textiles and apparel, tariffs on sensitive items are being phased out over five to seven years, while less sensitive items saw immediate or early reductions. Vietnam's key export sectors, including knitwear (HS 61), woven apparel (HS 62), and footwear (HS 64), which previously faced weighted tariffs of 9.4%, 9%, and 8.9% under the Standard GSP, are benefiting from substantial price competitiveness gains under the EVFTA.

In contrast, Bangladesh, currently benefiting from duty-free access under the Everything But Arms scheme, will face significant tariff increases post-LDC graduation. After a three-year transition period, Bangladesh's apparel exports may face a 9.5% tariff under Standard GSP, with potential exclusion from GSP preferences due to the provision of safeguard measures for textile and apparel in the EU GSP scheme, resulting in MFN duties of around 12%. These tariff changes create a "reversal of tariff preferences," with Vietnam's tariffs declining to zero as Bangladesh's rise, posing a significant trade diversion risk for Bangladesh, particularly in the apparel sector, which accounts for over 90% of its EU exports.

This shift highlights the urgency for Bangladesh to adopt strategies to mitigate trade diversion risks and maintain export competitiveness in an increasingly competitive EU market.

## Effect of the EVFTA on Vietnam's exports to the EU market and implications for Bangladesh

- **Impact on Vietnam's Exports**

The EVFTA has progressively eliminated tariffs for Vietnamese exports to the EU, with apparel tariffs being phased out under four schedules: A (immediate elimination), B3 (over four years), B5 (over six years), and B7 (over eight years). By 2023, tariffs under schedules A and B3 were fully eliminated, leading to significant export growth in these categories. Between 2020 and 2023, Vietnam's apparel exports in tariff-free categories grew substantially, while exports under the B7 category declined. This indicates that Vietnam is strategically focusing on products where tariffs have been eliminated.

An econometric analysis using the Synthetic Control Method (SCM) showed that without the EVFTA, Vietnam's total exports to the EU would have been $44.8 billion in 2023, but actual exports reached $50.9 billion—a cumulative increase of 13% attributable to the agreement. In the apparel sector, actual exports were $4.1 billion compared to a counterfactual of $3.6 billion in 2023, reflecting a 13.6% growth directly linked to tariff reductions. As remaining tariffs under schedules B5 and B7 are phased out by 2025 and 2027, Vietnam's competitiveness in the EU market is expected to strengthen further.

- **Rules of Origin**

Despite tariff eliminations, the EVFTA imposes strict Rules of Origin (RoO) similar to the EU's GSP and the EU-Singapore FTA. For textiles and apparel products, this will mean fulfilling a double transformation process, meaning garments must be made from locally-produced yarn or fabric from local fibres. Vietnam faces challenges meeting these RoO due to its reliance on imported fabrics, primarily from China. Although Vietnam has increased its woven fabric production by 21.8% in early 2024 and improved

its value addition in textiles from 23.5% to 26.6% between 2019 and 2022, sourcing the necessary local content remains difficult. This limits Vietnam's ability to fully leverage the EVFTA's benefits in the short term but suggests potential for future competitiveness as domestic capacity grows.

- **Implications for Bangladesh**

Bangladesh currently benefits from relaxed RoO under the EU's Everything But Arms initiative but will face stricter requirements post-LDC graduation. Apparel exports will need to meet double transformation RoO to qualify for GSP+ or Standard GSP preferences, and the value addition threshold for non-apparel exports will increase from 30% to 50%. If safeguard measures are applied under the proposed EU GSP framework, Bangladesh's apparel exports could face MFN duties without the need to meet RoO, further complicating competitiveness.

- **EVFTA and EVIPA: Boosting Foreign Investment in Vietnam**

The EVFTA is complemented by the EU-Vietnam Investment Protection Agreement (EVIPA), which, although not yet enacted, is expected to enhance Vietnam's prospect for attracting more FDI.

## Impact of the EVFTA on Bangladesh

The EVFTA significantly enhances Vietnam's competitiveness through tariff reductions, non-tariff measure (NTM) facilitation, and investment promotion. To assess its impacts on Bangladesh, simulations using the GTAP model reveal the following key findings:

## Simulation Results

- Vietnam's Export Growth:
    - Without stringent RoO, the EVFTA could increase Vietnam's exports to the EU by 82%.
    - With RoO restrictions, export growth is simulated to increase by 47%.
- Bangladesh's Export Impact:
    - Under Scenario 1 (EVFTA only), Bangladesh's total exports to the EU are projected to decline by 3%.
    - Under Scenario 2 (EVFTA with RoO and LDC graduation), the decline is smaller at 1.8%, with apparel and leather exports dropping by 6.5% and 6.5%, respectively.
- Combined Impact of EVFTA and LDC Graduation:
    - Bangladesh's exports to the EU are simulated to decline by 21.2% under Scenario 1, and a decline of 20.3% under Scenario 2 due to Vietnam's RoO constraints.
    - Sector-specific impacts include a nearly 20% fall in apparel exports and a one-third reduction in leather, textiles, and processed food exports under Scenario 2.
    - Macroeconomic effects: Bangladesh's GDP is projected to decline by 1% driven by LDC graduation-related tariff hikes and trade diversion under the EVFTA.

## Caveats in Modelling Results

The modelling results, while insightful, rely on assumptions that may not fully capture the complexities of global trade dynamics or sector-specific nuances. Evolving policies, such as changes to the EU's GSP framework, and external factors like supply chain disruptions, could affect these simulation results. Hence, these findings should be complemented with qualitative assessments and continuous monitoring of real-world developments.

## Policy Recommendations

The EU-Vietnam Free Trade Agreement has shifted the competitive dynamics in the EU market, benefiting Vietnam through tariff eliminations, reduced non-tariff barriers, and increased foreign direct investment (FDI). For Bangladesh, the impending LDC graduation and loss of duty-free access under the EBA scheme necessitate strategic adjustments to mitigate export competitiveness challenges. The following recommendations are proposed:

### *Engage with the EU to secure favourable terms*

- Negotiate an extension of the post-LDC graduation transition period by 3–5 years to soften tariff hikes. And pursue relaxed Rules of Origin and safeguard provisions to retain apparel sector preferences under GSP+.
- Fulfil GSP+ eligibility requirements by aligning with the EU's 32 international conventions, with technical and financial assistance from the EU.

### *Pursue a Free Trade and Investment Agreement (FTIA)*

- Initiate discussions for an FTIA or Comprehensive Economic Partnership Agreement (CEPA) with the EU to secure long-term market access and attract FDI.
- Undertake reforms in labour standards, trade facilitation, and regulatory alignment to meet EU requirements and enhance competitiveness.

### *Enhance firm-level competitiveness*

- Support industrial upgrading and innovation with policies such as tax incentives, low-interest financing, and supply chain development for ancillary industries.
- Invest in domestic production of high-quality fabrics to reduce import dependency and production costs.

### *Diversify the export basket*

- Expand exports into non-apparel sectors like pharmaceuticals, machinery, processed food, and electrical goods, leveraging the lower tariffs in these categories.
- Develop capacity-building initiatives and market access facilitation to tap into the highly diversified EU market.

### *Improve trade infrastructure and logistics*

- Streamline customs processes, modernise ports, and invest in logistics and transport systems to reduce lead times and business costs.
- Leverage public-private partnerships to enhance infrastructure and logistics efficiency.

*Align with EU sustainability and carbon policies*

- Implement sustainability frameworks to comply with the EU's Corporate Sustainability Due Diligence Directive.
- Prepare for the Carbon Border Adjustment Mechanism (CBAM) by considering domestic carbon taxes and renewable energy investments, while advocating for flexibility in global carbon frameworks.

## Conclusion

For Bangladesh, the challenges presented by the EVFTA and LDC graduation highlight the urgency of strategic reforms and proactive engagement with its most critical trade partner, the EU. Securing GSP+ preferences offers a temporary reprieve but must be accompanied by efforts to negotiate long-term trade agreements, such as an FTA or CEPA, to maintain preferential access to the EU. While the short-term impacts of the EVFTA may seem daunting, they also present an opportunity for Bangladesh to recalibrate its trade and industrial strategies. By focusing on reforms, innovation, and strategic partnerships, Bangladesh can not only navigate the challenges posed by the EVFTA and LDC graduation but also position itself as a competitive player in the evolving global trade environment.

# I. Introduction

The EU, which absorbs almost half of the merchandise exports from Bangladesh, is a critical market where sustaining competitiveness remains a top priority.[1] Trade policies and agreements between the EU and other nations warrant close attention, particularly for the readymade garment (RMG) sector, which accounts for over 80 per cent of Bangladesh's total export earnings. In this context, the European Union–Vietnam Free Trade Agreement (EVFTA), effective since 2020, has provided Vietnam with significant trade advantages that could have far-reaching implications for its competitors.[2]

The comprehensive EVFTA deal eliminates nearly all tariffs on goods traded between the two partners, enhancing Vietnam's export competitiveness, particularly in sectors such as apparel where Bangladesh has been a major supplier. By securing zero-duty access to the EU market, Vietnam transitions from its earlier Generalised Scheme of Preferences (GSP) tariffs to a more advantageous trade regime. The EVFTA also provides Vietnam with a competitive edge through provisions that go beyond tariff reductions. It addresses non-tariff barriers by fostering greater transparency and regulatory cooperation, particularly regarding technical barriers to trade and sanitary and phytosanitary standards to facilitate smoother market access for Vietnamese exports to the EU, reducing compliance costs. Furthermore, the agreement opens up markets for services and investments, allowing EU businesses greater access to Vietnam's growing service sectors, such as finance, telecommunications, and transport. These provisions attract investments and strengthen Vietnam's trade position by enhancing its industrial and service capacities. In addition, commitments under the EVFTA to uphold international standards on labour rights and environmental protection align Vietnam with the EU's emphasis on sustainable development, further bolstering its appeal as a trading and investment partner.[3]

As against EVFTA developments, Bangladesh seems to be confronted with a challenging landscape. Bangladesh's export success in the EU market has been largely facilitated by the duty-free quota-free preferential market access under the Everything But Arms initiative. EU markets represent over 80 per cent of Bangladesh's trade preferences. Bangladesh also enjoys less stringent Rules of Origin to benefit from preferential access. Following graduation, Bangladesh's access to the EU market under LDC-specific preferences is likely to transition to a less advantageous Generalised Scheme of Preferences (GSP) framework, eligibility for which—whether under standard GSP or the more beneficial GSP+—will be contingent upon the country's adherence to a prescribed set of international conventions.[4] The transition thus could imply a substantial preference erosion for Bangladesh.

While Bangladesh may lose the most liberal unilateral trade preferences in the EU after graduation, its comparator countries, especially Vietnam, will gain competitiveness because of free trade agreements, making them more attractive supply sources and weakening Bangladesh's export competitiveness. The elimination of tariff rates on Vietnamese exports in the EU under the EVFTA will give a significant

[1] When the UK is added to EU countries, this share rises to 58.4 per cent.

[2] The UK also has an FTA with Vietnam, effective since January 2021. For the purpose of this paper, we have considered only the EU, excluding the UK.

[3] The EU also signed a Trade and Investment Agreement with Singapore in 2018, which entered into force in 2019. Several other negotiations are ongoing on behalf of the EU, including with India, Indonesia, Malaysia, the Philippines, and Thailand. The EU's trade agreements with major comparators of Bangladesh can be a cause of concern for the latter. Comparators' trade agreements involving major trading nations (like the EU) cause preference erosion for non-member countries like Bangladesh, causing trade diversion from non-members to FTA partners (Chang and Winters 2002; Freund 2010; He 2022).

[4] As per the current EU provisions, Bangladesh can continue to receive EBA duty-free access for its garment exports until three years after its graduation from LDC status.

cost advantage to Vietnam, while Bangladesh could face a tariff hike from the current duty-free rates after graduation, resulting in a further loss of competitiveness. The apparel sector is a critical area of competitiveness impacted by these dynamics. Although Vietnam, the third-largest global supplier of apparel after China and Bangladesh, has not significantly expanded its exports to the EU, the EVFTA positions it to capitalise on new opportunities. By contrast, Bangladesh's RMG exports, which currently enjoy duty-free access under the EBA scheme, will face higher tariffs post-graduation, creating a scenario of "dual trade preference erosion". This erosion stems from Vietnam's enhanced EU market access under the EVFTA and the tariff escalation Bangladesh will endure following its LDC graduation. These developments collectively threaten to undermine Bangladesh's export competitiveness in its largest market. Addressing these challenges requires a clear understanding of the shifting trade landscape and formulation of strategies to mitigate the potential adverse impacts.

Against this backdrop, this paper aims to examine the evolving export dynamics of Bangladesh and Vietnam in the EU market, with a focus on export trends, tariff profiles, and the potential implications of the EVFTA. It also evaluates the price competitiveness of these two competitors in EU apparel exports and assesses the impact of a reduction in Vietnamese apparel export prices (resulting from post-FTA tariff reductions) on Bangladesh's exports. Through this analysis, the paper seeks to offer valuable insights and actionable recommendations for policymakers and stakeholders in Bangladesh as they navigate the increasingly complex trade landscape.

This paper is organised as follows: After this introduction, Section II provides a comparative analysis of export performance, compositions, and competitive strengths of Bangladesh and Vietnam in the EU market. Section III analyses pre- and post-FTA tariffs for Vietnam, pre- and post-graduation tariffs for Bangladesh, and the rules of origin requirements for both countries, particularly in the apparel sector. Section IV assesses the impact of the EVFTA on Vietnam's export performance based on descriptive analysis and econometric models. Section V discusses the channels through which FTAs affect non-member countries, based on existing literature. Section VI explains the methodology used to estimate the impact of the EVFTA on Bangladesh's exports, while Section VII analyses the effects of the EVFTA and Bangladesh's LDC graduation on its exports to the EU market and on its price competitiveness. Finally, Section VIII presents a set of policy options for Bangladesh to mitigate the impact and maintain competitiveness in the EU market.

## II. A Comparative Analysis of Export Performance and Composition of Bangladesh and Vietnam in the EU Market

Bangladesh and Vietnam are both regarded as success stories in export performance. In the mid-1990s, each country exported less than $5 billion worth of merchandise goods. By 2023, Bangladesh's exports had risen to $55 billion, while Vietnam's exceeded $370 billion. Over the past two decades, Vietnam's exports have grown annually by 14.2 per cent, compared to 12 per cent for Bangladesh. After China, these two nations are key players in the global apparel market, holding shares of 9.2 per cent and 7.1 per cent in apparel exports for Bangladesh and Vietnam, respectively. Despite Vietnam's significant overall export growth, its expansion in apparel exports to the EU has been limited. Any tariff advantage for Vietnam in the EU market is likely to boost its apparel exports, potentially at the expense of competitors like Bangladesh. This section offers a comparative analysis of export trends, and compositions of Bangladesh and Vietnam in the EU market.

## Export performance and comparisons in the EU

Until 2006, Bangladesh and Vietnam maintained comparable export volumes to the EU. However, since then, and particularly following the recovery from the 2008 Global Financial Crisis, Vietnam's exports have grown at a much faster pace, outpacing Bangladesh's performance despite the latter's otherwise commendable growth. By 2023, Vietnam's exports to the EU reached $50.7 billion, significantly overshadowing Bangladesh's $20 billion (Figure 1). It is worth noting that, while Vietnam's total merchandise exports to the EU are more than double those of Bangladesh, the latter remains dominant in apparel exports, with volumes nearly five times larger than Vietnam's (Figure 2). This strength is largely attributable to the EU's unilateral trade preferences under the Everything But Arms scheme, coupled with much less stringent Rules of Origin requirements.

**Figure 1: Total exports of Bangladesh and Vietnam in the EU (billion $)**

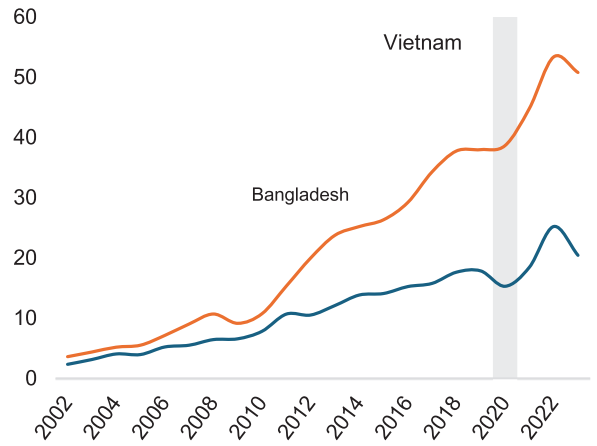
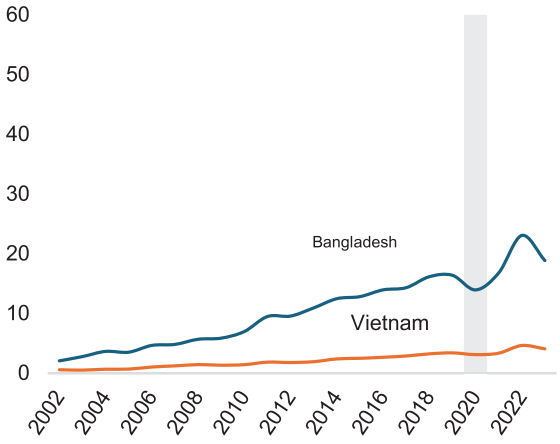



**Figure 2: Apparel exports of Bangladesh and Vietnam in the EU (billion $)**




Source: Authors' analysis using data from the EU Comext database.

**Box 1: Unilateral trade preference and relaxed Rules of Origin played a critical role in Bangladesh's export expansion**

LDC-specific trade preferences and relaxed Rules of Origin have been critical to Bangladesh's apparel export growth in the EU market, as shown by trends in apparel market shares in the EU and the US. Bangladesh is the second-largest source of apparel imports for the EU, accounting for 21.7 per cent of the bloc's apparel imports from non-EU countries.[5] As China shifts away from low-value-added apparel production, its market share in the EU and US has been steadily declining. In the EU, China's share of extra-EU apparel imports dropped sharply by 16 percentage points, from 42 per cent in 2010 to 26 per cent in 2023 (Figure 3). Similarly, in the US, China's share fell from 40 per cent to 21 per cent during the same period (Figure 4). In the EU, Bangladesh absorbed the largest share of China's decline, whereas in the US, Vietnam emerged as the primary beneficiary of China's reduced market presence (Figures 3, 4 & 5).

Between 2010 and 2023, Bangladesh's share of the EU apparel market, measured as a percentage of EU apparel imports from non-EU countries, increased substantially from approximately 6 per cent to 22 per cent, while its share of US apparel imports grew at a much-subdued pace from 3.3 per cent to 9 per cent over the same period (Figure 3 and 4).[6] In contrast, Vietnam's share of the EU apparel market rose modestly, from 2 per cent to 4.7 per cent, while its share in the US market surged from less than 1 per cent to nearly 18 per cent.

These contrasting trends highlight the advantage Bangladesh enjoyed in the EU market through duty-free access under the EBA scheme, compared to Vietnam, which operated under Standard GSP preferences and faced an average apparel tariff of 9.6 per cent. Bangladesh has long enjoyed duty-free market access in the EU accompanied by relaxed Rules of Origin conditionalities, allowing a single-stage transformation of apparel products. On the other hand, in the US, major rivals such as Bangladesh, China, India, and Vietnam do not have any preferential market access, meaning that both Bangladesh and Vietnam face the same tariff rates in that market. Facing the same competitiveness, Vietnam could significantly capture the US apparel market, whereas Bangladesh could not. Therefore, if Bangladesh and Vietnam were to face similar tariff structures in the EU under the EVFTA, Bangladesh's competitive edge could be significantly challenged, potentially leading to a loss of market share to Vietnam.

[5] Bangladesh is the world's second-largest exporter of apparel, trailing only China, with a share of approximately 10 per cent in the global apparel market. Vietnam ranks third, holding around 6 per cent of global apparel exports (Table A1).
[6] Bangladesh's comparator's share in EU's total apparel imports from EU and non-EU countries is provided in Table A2 and A3.

**Figure 3: Major suppliers' share in the EU apparel imports (% of total apparel imports from non-EU countries)**

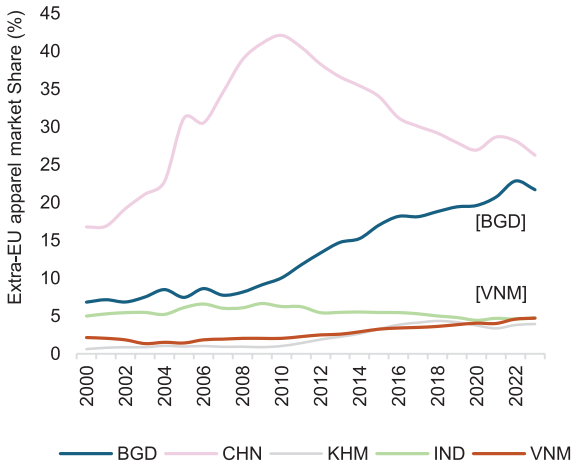
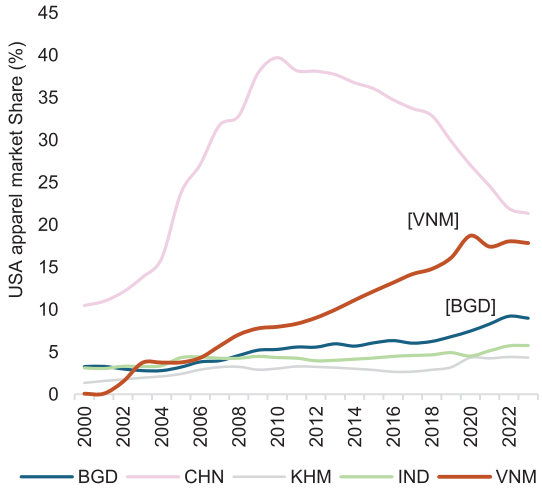
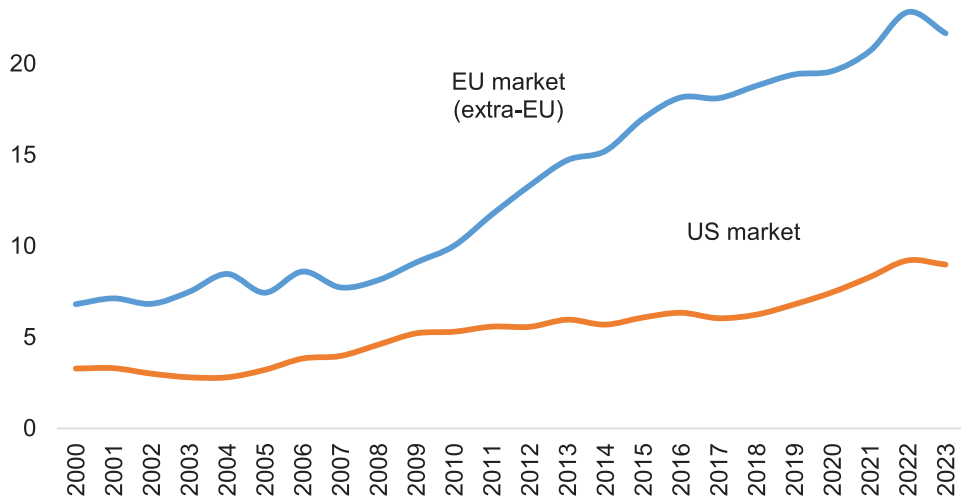



**Figure 4: Major suppliers' share in the US apparel imports (% of total apparel imports)**




Note: CHN = China, VNM = Vietnam, BGD = Bangladesh, IND = India, KHM = Cambodia
Source: Authors' representation using data from EU Comext and USITC.

**Figure 5: Bangladesh's apparel market shares in the EU and the US (%)**

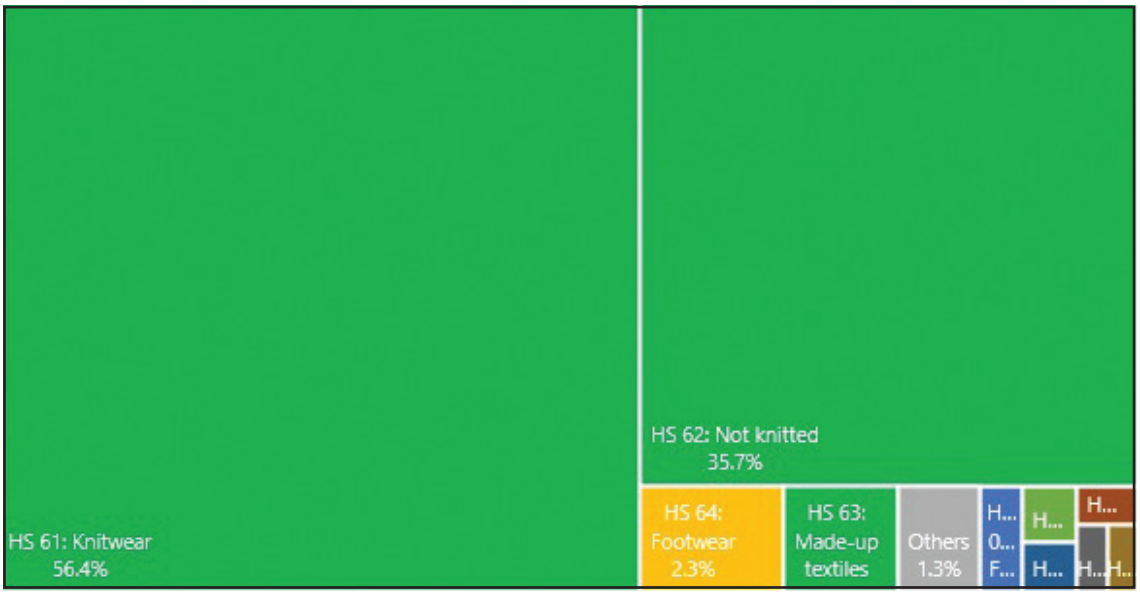



Source: Authors' representation using data from EU Comext and USITC.

Bangladesh's exports to the EU are highly concentrated in apparel, which accounts for over 90 per cent of its total exports to this market. In contrast, Vietnam's exports to the EU are more diversified, with apparel comprising less than 10 per cent. Vietnam's leading export to the EU is electrical machinery and equipment (HS 85), representing over one-third of its total exports, followed by footwear (HS 64), nuclear reactors,

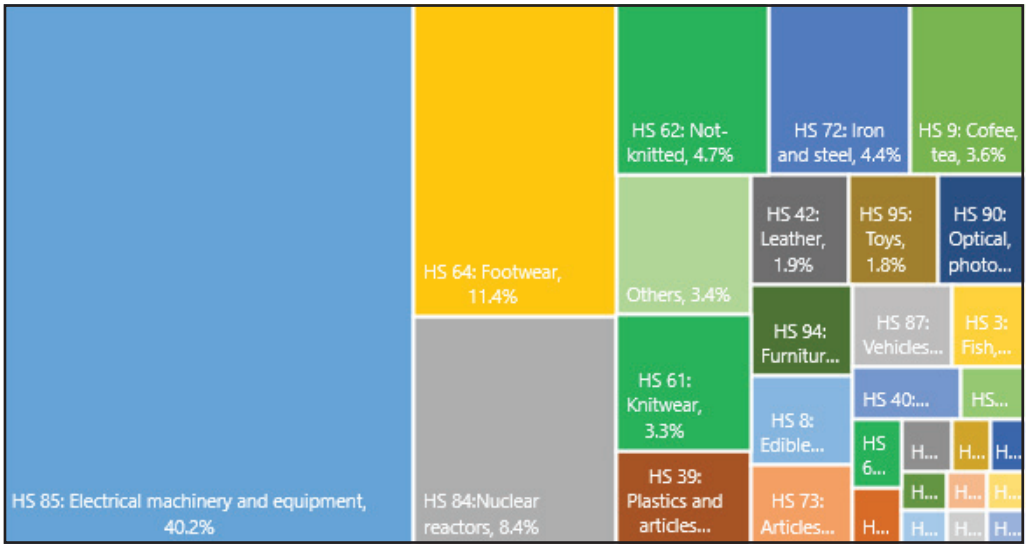
machinery, and mechanical appliances (HS 84).[7] Aside from apparel, Bangladesh's only other notable export to the EU is footwear, which contributes a modest 2.3 per cent of its total exports to the market.[8]

**Figure 6: Bangladesh's export composition in the EU, 2023**




Source: Authors' representation using data from the EU Comext database.

**Figure 7: Vietnam's export composition in the EU, 2023**




Source: Authors' representation using data from the EU Comext database.

[7] Bangladesh and Vietnam's exports and their shares to the EU market at HS 2-digit level are provided in Table A4.

[8] A product space analysis provides a snapshot of the location of a country's export items in connection to all possible export products. It depicts the nature of the diversification of a country's export basket and potential product lines in which export expansion can potentially take place. The analysis shows that Bangladesh's exports are largely centred on garments. The footwear products are closely linked to the garment cluster. Between 1995 and 2022, there has not been much diversification in Bangladesh's product space (Figures A1 and A2). There are no items in the centre of the product space, implying that moving into other sectors and diversifying export basket to boost exports is quite challenging. The product space of Vietnam clearly shows significant exporting activities in the garment cluster, but there are also many other export items in the centre of the product space. Between 1995 and 2022, the country significantly expanded its capacity by diversifying the export basket (Figures A3 and A4).

Even within the apparel sector, the composition of exports differs significantly between the two countries. Bangladesh's exports in the EU apparel market are predominantly cotton-based, making up around 69.1 per cent of its total clothing exports. By contrast, Vietnam's exports are largely concentrated on non-cotton-based apparel items, accounting for 75.3 per cent of its total in this category. Man-made fibre (MMF) apparel accounts for 22.5 per cent of Bangladesh's apparel exports to the EU, while this figure is substantially higher for Vietnam, at 55 per cent. Blended apparel holds a modest 7.8 per cent share in Bangladesh's EU exports, compared to 18.7 per cent for Vietnam. Over the years, Bangladesh has focused heavily on expanding its cotton-based exports. In contrast, Vietnam and other competitors have increasingly shifted towards MMF and blended apparel, aligning with growing global consumer demand for the advantages of man-made fibres, sustainable production practices, and policy shifts favouring non-cotton products. Major exporters worldwide are also moving away from cotton towards MMF-based apparel, (Razzaque et al., 2024). As the EU prioritises sustainable production and consumption, demand for non-cotton apparel is expected to grow, while demand for cotton-based apparel may decline. Without expanding its non-cotton apparel exports in response to this shift, Bangladesh's market position in the EU could face considerable pressure.

**Figure 8: Bangladesh's apparel export composition in the EU, 2023**

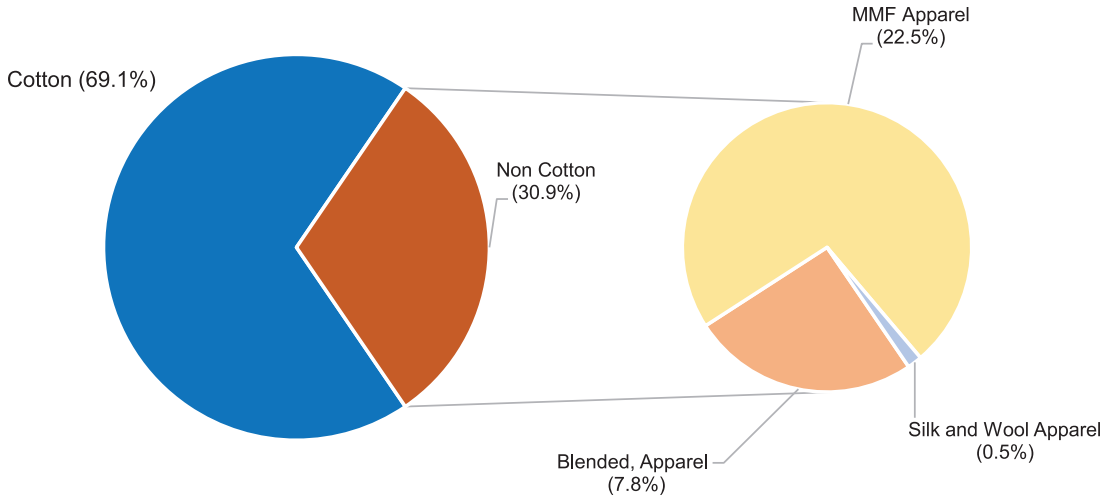
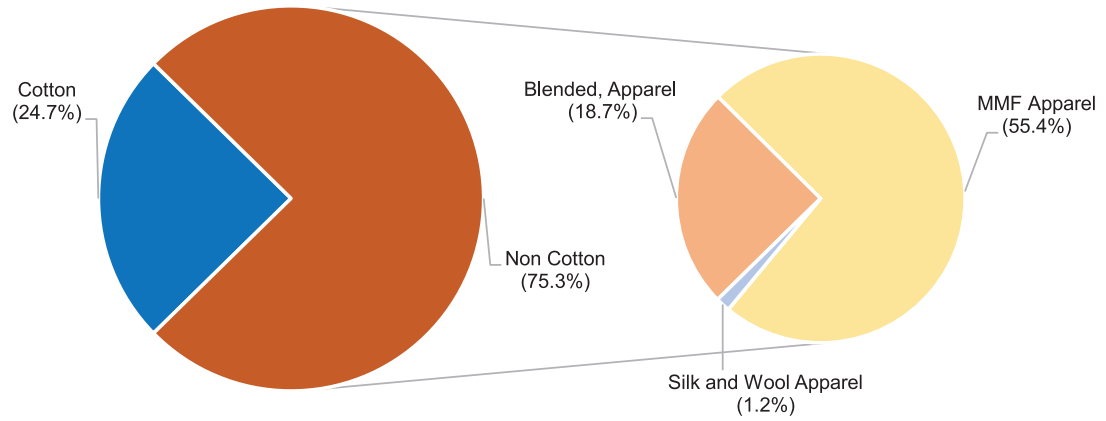



**Figure 9: Vietnam's apparel export composition in the EU, 2023**




Note: MMF=Man-Made Fibre, blended and silk and wool are the categories of non-cotton apparel.
Source: Authors' representation using data from the EU Comext database.

Bangladesh's main apparel exports to the EU consist of trousers, T-shirts, sweaters, shirts and blouses, and jackets and overcoats. These items account for 82.5 per cent of total apparel exports to the EU (Table 1). In these categories, Bangladesh's share in total imports of the EU from non-EU countries was 26.3 per cent in 2023, compared to Vietnam's 5 per cent. However, for high-value apparel products such as jackets and overcoats and swimwear, both countries hold comparable extra-EU import shares in the EU market.

**Table 1: Apparel export shares of Bangladesh and Vietnam to the EU market by major categories, 2023**

| | Bangladesh | | Vietnam | |
|---|---|---|---|---|
| **Categories** | Share in Bangladesh's total apparel exports to the EU (%) | Share in extra-EU apparel imports (%) | Share in Vietnam's total apparel exports to the EU (%) | Share in extra-EU apparel imports (%) |
| Trousers | 25.9 | 26.17 | 19.1 | 4.19 |
| T-shirts & knitted shirt | 21 | 40.93 | 8.8 | 3.73 |
| Sweaters | 17.2 | 25.45 | 8 | 2.57 |
| Shirts & blouses | 10.8 | 25.98 | 8.6 | 4.49 |
| Jackets & overcoats | 7.6 | 10.63 | 27.9 | 8.48 |
| Underwear | 4.7 | 17.06 | 6.7 | 6.21 |
| Shorts | 4.2 | 36.16 | 3.5 | 6.54 |
| Swimwear | 0.5 | 7.92 | 2.7 | 9.28 |
| Others | 8.8 | 9 | 14.7 | 3.27 |

Source: Authors' calculations using data from the EU Comext.

This paper examined key export similarities and differences in major apparel items. Bangladesh's top 15 apparel products at CN 8-digit level make up about two-thirds of its total apparel exports to the EU, while these same products account for only around a quarter of Vietnam's exports to this market. Bangladesh's share of these items in the EU's total imports from non-EU countries (extra-EU) is notably high, ranging from 15 to 50 per cent—consistently exceeding Vietnam's share, which spans only 1.3 to 6 per cent. Bangladesh holds approximately one-third of the extra-EU market share for these 15 items, compared to Vietnam's 3.1 per cent. Among these products, Vietnam's highest extra-EU import share is in HS 61099020 (T-shirts, singlets, and other vests made from wool, fine animal hair, or man-made fibres, knitted or crocheted), yet Bangladesh maintains more than double Vietnam's share in this category. This indicates that Bangladesh faces limited direct competition with Vietnam in the EU market, especially regarding its primary cotton-based apparel exports.

**Table 2: Top 15 Bangladeshi products in the EU market and their market share in extra-EU imports, 2023**

| Product code | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|
| | Exports to the EU ($) | Share in total apparel exports (%) | Share in extra-EU imports (%) | Exports to the EU ($) | Share in total apparel exports (%) | Share in extra-EU imports (%) |
| 61091000 | 3,372 | 19.1 | 50.4 | 166 | 4.3 | 2.5 |
| 61103099 | 999 | 5.66 | 25.8 | 93 | 2.4 | 2.4 |
| 62034235 | 817 | 4.63 | 40.1 | 35 | 0.9 | 1.7 |
| 61102099 | 816 | 4.62 | 33.5 | 48 | 1.3 | 2 |
| 61102091 | 766 | 4.34 | 29.2 | 76 | 2.0 | 2.9 |
| 61046200 | 760 | 4.3 | 43.3 | 55 | 1.4 | 3.1 |
| 62034231 | 717 | 4.07 | 30.3 | 37 | 1 | 1.6 |
| 61051000 | 578 | 3.27 | 45.6 | 70 | 1.8 | 5.5 |
| 62052000 | 561 | 3.18 | 29.7 | 117 | 3.1 | 6.2 |
| 62046231 | 487 | 2.76 | 25.0 | 13 | 0.3 | 0.7 |
| 62046239 | 477 | 2.7 | 31.4 | 20 | 0.5 | 1.3 |
| 62034290 | 398 | 2.25 | 48.5 | 15 | 0.4 | 1.8 |
| 61099020 | 313 | 1.77 | 14.9 | 163 | 4.3 | 7.8 |
| 61103091 | 312 | 1.76 | 26.9 | 49 | 1.3 | 4.3 |
| 61071100 | 289 | 1.64 | 29.6 | 31 | 0.8 | 3.2 |
| Top 15 items | 11,663 | 66.05 | 34.8 | 988 | 25.8 | 3.1 |

Source: Authors' analysis using data from EU Comext.

However, the dynamic shifts when considering man-made fibre (MMF) apparel. This study identified Vietnam's top 10 MMF apparel exports to the EU and compared their extra-EU apparel market share with Bangladesh's (Table 3). These 10 items represent 21 per cent of Vietnam's total apparel exports to the EU, while they account for only 5.58 per cent of Bangladesh's apparel exports. Vietnam's top 10 MMF apparel exports hold a 10.6 per cent share of the extra-EU market, compared to Bangladesh's 13 per cent share for the same products. This indicates that both countries hold comparable positions in the EU market for MMF apparel, creating a competitive overlap. As tariffs on Vietnamese apparel are fully eliminated under the EVFTA, Bangladesh is likely to face intensified competition in the EU market, particularly for its MMF apparel exports.

**Table 3: Vietnam's top 10 man-made fibre products exported in the EU market and their share in the EU market, 2023**

| Product code | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|
| | Exports to the EU ($) | Share in total apparel exports (%) | Share in extra-EU apparel imports (%) | Exports to the EU ($) | Share in total apparel exports (%) | Share in extra-EU apparel imports (%) |
| 61046300 | 197 | 1.1 | 11.8 | 149 | 3.9 | 8.9 |
| 62046318 | 115 | 0.7 | 10.2 | 112 | 2.9 | 9.9 |
| 62034319 | 141 | 0.8 | 17.9 | 104 | 2.7 | 13.2 |
| 62034311 | 126 | 0.7 | 19.4 | 80 | 2.1 | 12.3 |
| 62043390 | 53 | 0.3 | 6.9 | 76 | 2.0 | 9.9 |
| 61124190 | 39 | 0.2 | 5.4 | 74 | 1.9 | 10.4 |
| 62034390 | 70 | 0.4 | 18.9 | 64 | 1.7 | 17.5 |
| 62046390 | 52 | 0.3 | 16.5 | 49 | 1.3 | 15.6 |
| 61082200 | 119 | 0.7 | 17.6 | 49 | 1.3 | 7.2 |
| 61023090 | 72 | 0.4 | 14.8 | 47 | 1.2 | 9.8 |
| Top 10 items | 984 | 5.6 | **13** | 805 | 21 | **10.6** |

Source: Authors' analysis using data from EU Comext.

# III. Tariff Analysis under the EU-Vietnam FTA and Bangladesh's LDC Graduation

## *Tariff analysis under the EU-Vietnam FTA*

The EVFTA will remove tariffs on over 99 per cent of tariff lines for both the EU and Vietnam. For a limited number of tariff lines, the two parties have agreed to partial liberalisation through duty-free Tariff Rate Quotas (TRQs). Upon the agreement's entry into force, the EU immediately eliminated duties on 71 per cent of its imports from Vietnam, with the remaining tariffs gradually reduced to zero over a seven-year period. Meanwhile, Vietnam removed tariffs on 65 per cent of imports from the EU at the outset, with full tariff elimination on the remaining items phased in over a decade.

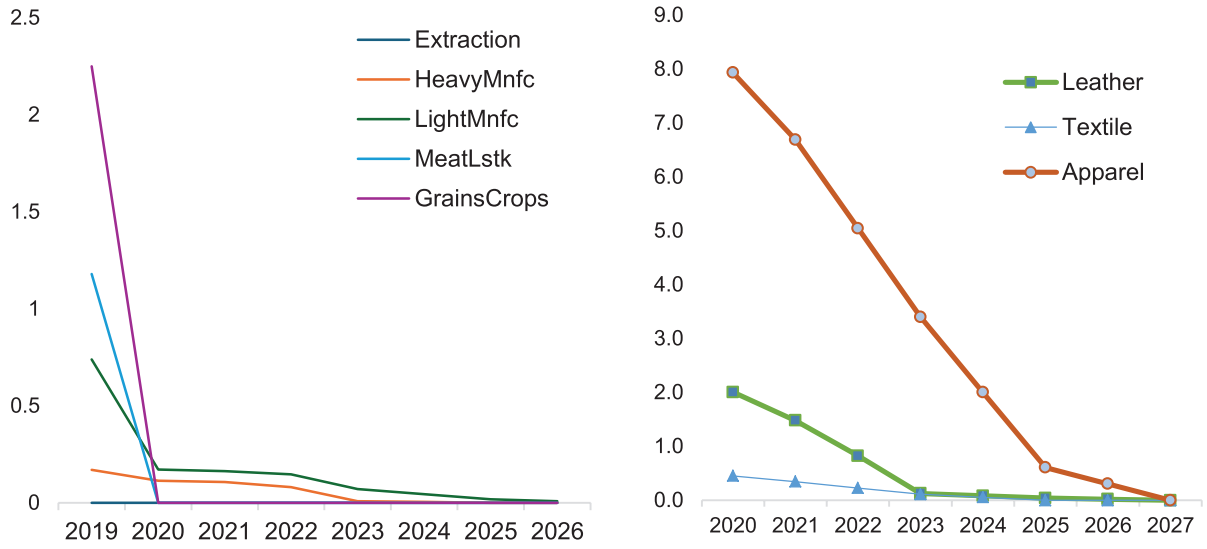
For textiles and apparel, tariffs on sensitive items are being phased out within five to seven years, while duties on less sensitive items were eliminated within the first three years or immediately upon the agreement's activation. Similarly, for footwear, tariffs on sensitive products are being removed over seven years, while less sensitive categories benefited from immediate or early elimination.

**Table 4: Summary of tariff liberalisation for important items**

| Tariff liberalisation for Vietnamese exporters | Tariff liberalisation for EU exporters |
|---|---|
| ➢ Duties for textile apparel will be eliminated within five to seven years for more sensitive items and within three years or at entry into force for less sensitive items.<br>➢ Tariffs on more sensitive footwear items will be liberalised in seven years. For less sensitive items, tariff elimination will be applicable within three years of entry into force.<br>➢ Duty-free tariff rates quotas (TRQs) will be applicable for rice, sweet corn, garlic, mushrooms, sugar and high-sugar-containing products, manioc starch, surimi and canned tuna.<br>➢ Tariffs on non-processed shrimps were liberalised at the entry into force, while for pangasius (catfish), the liberalisation will occur in three years. | ➢ Almost all exports of machinery and appliances, and textiles became duty-free upon entry into force.<br>➢ About half of the pharmaceutical exports are duty-free from the day one of the agreement's entry into force, and the remaining will be liberalised to zero within seven years.<br>➢ A number of fish items are duty-free from day one.<br>➢ Duties on about 70 per cent of chemical items were eliminated at the entry into force, and the rest within three to seven years.<br>➢ The existing WTO tariff rate quotas will be maintained for refined sugar, salt and eggs, which will be reduced to zero over ten years. |

Apart from Vietnam's apparel and leather and footwear sectors, Vietnam faced less than 1 per cent weighted average tariff on its other important exporting sectors to the EU in the first year of the EVFTA's implementation (Figure 10). Under the EU's standard GSP preferences, Vietnam's apparel sector was the most restricted, facing the highest weighted average tariff rate in the EU market before the EVFTA. However, this rate has come down to less than half by 2023. In contrast, Vietnam's largest export category is electric machinery and equipment, part of the heavy manufacturing sector, with a tariff rate of less than 1 per cent before EVFTA. This indicates that the low tariff rates in the heavy and light manufacturing sectors give Vietnam a comparative advantage. As a result, these products represented more than 50 per cent of the country's total exports before the implementation of the EVFTA. However, high tariff concessions in the apparel and leather manufacturing industries have constrained potential export growth. In this circumstance, EVFTA can help Vietnam to grow its leather and apparel industry in the EU market.

**Figure 10: Weighted tariff rates on Vietnam's exports to the EU by sector (%)**




Source: Authors' analysis using data from WITS and EVFTA agreement.

**Note:** Extraction represents the extraction of oil, gas and other mineral items; Heavy manufacturing items consist of computer, electronics, electrical equipment, machinery and equipment; Light manufacturing items consist of motor vehicles and parts, transport equipment and other light manufacturing items; Meat & Livestock consist of bovine meat products; Grains Crops consist of cereal grains and other crops.

Before the EVFTA, Vietnam's exports to the EU already benefited from the Standard GSP preferential scheme, but the agreement has introduced varying levels of additional gains across product categories:

- For Vietnam's largest export categories, such as electrical machinery and equipment (HS 85) and machinery (HS 84), weighted tariff rates under the Standard GSP were already near zero. Consequently, the EVFTA provides minimal incremental benefits for these items.

- In contrast, significant gains arise for key export sectors like knitwear (HS 61), woven apparel (HS 62), and footwear (HS 64), where pre-EVFTA weighted tariffs under Standard GSP were 9.4 per cent, 9 per cent, and 8.9 per cent, respectively. With the gradual elimination of these tariffs under the EVFTA, Vietnam stands to enhance its price competitiveness substantially in these categories as the agreement is fully implemented.

**Table 5: EVFTA tariff effects on key export products of Vietnam**

| HS-2 Digit | Description | Vietnam's export share to the EU in 2023 (% of total exports to the EU | EVFTA tariff (%) | GSP tariff (%) |
|---|---|---|---|---|
| 85 | Electrical machinery and equipment | 40.20 | 0 | 0.3 |
| 64 | Footwear | 11.40 | 0 | 5.4 |
| 84 | Machinery | 8.40 | 0 | 0 |
| 62 | Woven apparel | 4.70 | 0 | 9.1 |
| 09 | Coffee, tea, mate and spices | 3.60 | 0 | 0.1 |
| 61 | Knitted apparel | 3.30 | 0 | 9.3 |
| 39 | Plastic and articles thereof | 2.30 | 0 | 1.6 |
| 42 | Leather bags | 1.90 | 0 | 1.5 |
| 94 | Furniture | 1.70 | 0 | 0 |
| 08 | Edible fruit and nuts | 1.60 | 0 | 0.2 |
| 03 | Fish | 1.10 | 0 | 6 |

**Note:** Simple GSP tariffs based on WITS.
Source: Authors' analysis based on Eurostat, ITC, and Grumiller *et al*. 2018.

### *Bangladesh's post-graduation tariff implications in the EU*

Bangladesh, on the other hand, currently enjoys duty-free access to the EU under the Everything But Arms initiative for least-developed countries. However, following LDC graduation and a three-year transition period, Bangladesh will lose this preferential treatment.[9] Its future tariff regime will depend on qualifying for either the GSP+ or Standard GSP schemes, contingent on meeting specific eligibility criteria.

GSP+ is the second-best preferential tier after EBA, which provides duty-free access for 66 per cent of EU tariff lines. On the other hand, Standard GSP provides tariff concessions for certain products for developing countries. To be eligible for GSP+ preference, Bangladesh must meet two criteria: vulnerability criteria and sustainable development criteria. The vulnerability criterion requires the eligible country to have a non-diversified economy, where the country's seven largest sections of GSP-covered imports account for more than 75 per cent of its total GSP-covered imports to the European Union over the past three consecutive years. On the sustainable development criterion, a beneficiary country is required to ratify and effectively implement 32 international agreements and conventions related to human rights, labour rights, environmental protection, climate change, and good governance. Bangladesh has already fulfilled the vulnerability criterion, as the seven largest sections of GSP-covered imports account for more than 75 per cent of its total GSP-covered imports to the EU. To qualify for GSP+, it will be necessary for Bangladesh to ratify and effectively implement all 32 conventions.

Our analysis of the pre- and post-graduation tariff structure indicates:

- If Bangladesh qualifies for the Standard GSP, its apparel exports will face an average tariff of 9.5 per cent, while leather and processed food will be subject to weighted tariffs of 7 per cent and 5.8 per cent, respectively.

[9] The EU allows a three-year extension of EBA duty-free access for graduating LDCs for their smooth transition.

- Under the proposed EU GSP 2024–34, safeguard measures will exclude Bangladesh's clothing exports from any tariff preferences, forcing them to face most-favoured-nation (MFN) duties of around 12 per cent. This is significantly higher than the 9.5 per cent average under Standard GSP and, of course, a steep rise from the current zero tariffs under EBA and GSP+.

**Box 2: Post-graduation, Bangladesh's apparel products may lose preferential treatment in the EU market due to safeguard measures.**

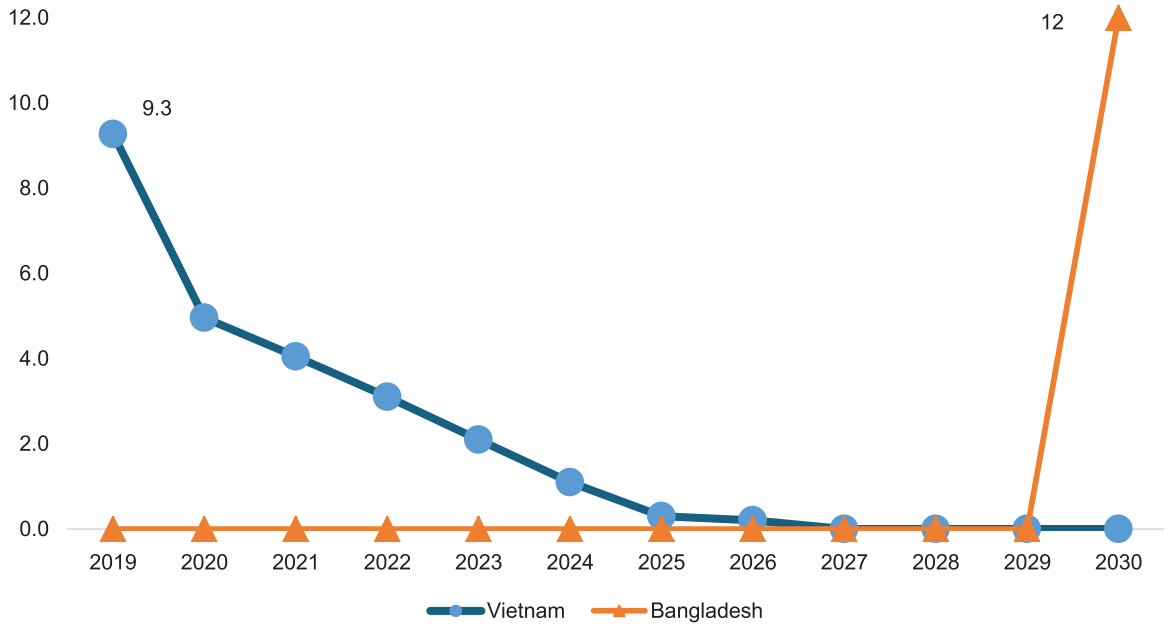
According to the proposed EU GSP 2024-34 provisions on "Safeguards in the Textile, Agriculture, and Fisheries Sectors" (Article 29 of the proposed EU GSP), clothing products from a GSP+ beneficiary will not receive preferential access if the share of the relevant products is above 6 per cent of total EU imports of the same products and exceeds the product graduation threshold during a calendar year. Bangladesh's current exports under GSP section S-11b (clothing items) are way above the threshold of 6 per cent market share in the EU. Under such circumstances, the share of those products as a percentage of EU GSP-covered imports of the same products cannot be more than 37 per cent to attract any tariff preference. However, Bangladesh's share is almost half of all GSP-covered clothing imports into the EU. Therefore, if the proposed GSP scheme 2024-34 is adopted, Bangladesh will be subject to an MFN tariff of 12 per cent for apparel items, even if it qualifies for GSP+.

However, the adoption of the newly proposed GSP scheme has been deferred until the end of 2027, meaning that LDCs are currently unaffected by this process. This delay provides an opportunity for Bangladesh to engage with the EU and advocate for the relaxation of some GSP+ provisions under the proposed scheme.

### *Reversal of tariff preferences*

The combined effects of the EVFTA and Bangladesh's LDC graduation create a stark contrast in tariff trajectories. Bangladesh's duty-free access to the EU market is set to expire in 2029 (given the EU's additional three-year transition period for graduating LDCs). Under the proposed EU GSP+ regime for 2024–2034, Bangladesh's apparel exports to the EU are projected to face an average tariff of around 12 per cent from the current duty-free access (Box 2). On the other hand, Vietnam will see its clothing export tariffs to the EU decline from an average of over 9 per cent to zero by the time Bangladesh transitions to a higher tariff regime (Figure 11). This reversal of tariff preferences could lead to significant trade diversion, with Vietnam becoming increasingly competitive in the EU market at the expense of Bangladesh. The implications for Bangladesh's export performance could be substantial, given that over 90 per cent of its exports to the EU consist of clothing.

**Figure 11: Tariff implication on apparel products for Bangladesh and Vietnam in the EU market (%)**




Source: Based on Razzaque and Rahman (2022).

In summary, the phased tariff reductions for Vietnam under the EVFTA, combined with the potential loss of preferential access for Bangladesh, will fundamentally alter the competitive landscape in the EU market. This shift underscores the urgency for Bangladesh to explore strategies to mitigate trade diversion risks and maintain its export competitiveness.

## IV. Effect of the EVFTA on Vietnam's Exports to the EU Market

The immediate impact of EVFTA on Vietnam's exports to the EU is challenging to isolate due to global disruptions, including the COVID-19 pandemic and the economic consequences of the Russia-Ukraine conflict. Despite these challenges, this paper examines the relationship between tariff reductions and export growth of Vietnam to understand the impact of the EVFTA on apparel exports to the EU. In addition, an econometric application of the Synthetic Control Method (SCM) provides an assessment of the impact of the EVFTA on Vietnam's overall exports and its apparel sector.

Vietnam's apparel tariffs in the EU market are being phased out under four reduction schedules: A (immediate elimination), B3 (phased over four years), B5 (phased over six years), and B7 (phased over eight years). Schedules A and B3 apply to non-sensitive items, while B5 and B7 are reserved for the most sensitive products. Apparel items under B5 account for the largest share of Vietnam's exports to the EU, followed by B7 and B3. By 2023, tariffs for schedules A and B3 were fully eliminated, while tariffs under B5 and B7 remain in the phase-out process, set to end in 2025 and 2027, respectively (Table 6). More than half (155 products out of 286) of Vietnamese apparel items were subject to zero tariff rates in the EU market in 2023. Interestingly, the number of apparel items has increased for non-sensitive items for which tariffs are already eliminated, while it has fallen for most sensitive items, which are still subject to significant tariff rates in the EU.

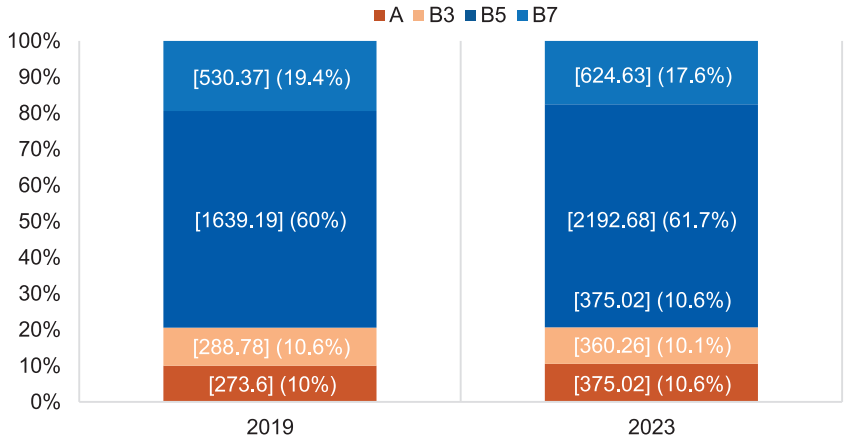
Between 2020 and 2023, export growth was strongest for tariff-free categories (schedules A and B3), while export growth of sensitive items under B7 declined in absolute terms. These trends suggest that Vietnam is strategically expanding its apparel exports in categories where tariffs have been eliminated. By 2027, when all apparel tariffs are phased out, Vietnam is likely to achieve substantial growth in the EU market for its apparel sector.

**Table 6: Vietnam's apparel exports growth by EVFTA tariff schedule, 2020-2023 (%)[10]**

| EVFTA tariff schedule | MFN tariff (%) | Standard GSP tariff (%) | EVFTA tariff in 2023 (%) | Exports growth during 2020-2023 (%) |
|---|---|---|---|---|
| A (immediate elimination) | 11.4 | 9.1 | 0 | 11.5 |
| B3 (reduced over four annual stages) | 11.7 | 9.3 | 0 | 8.8 |
| B5 (reduced over six annual stages) | 11.7 | 9.4 | **3.9** | **4.4** |
| B7 (reduced over eight annual stages) | 12 | 9.6 | **6** | **-13.8** |

Source: Authors' calculation using data from EU Comext.

**Figure 12: Vietnam's apparel export by EVFTA tariff schedule (%)**




Source: Authors' analysis using data from EU Comext.

**Note:** Tariff reduction schedules: A – immediate elimination, B3 – phased over four years, B5 – phased over six years, and B7 – phased over eight years.

## Effect of EVFTA on Vietnam export to the EU market: Analysis based on the Synthetic Control Method

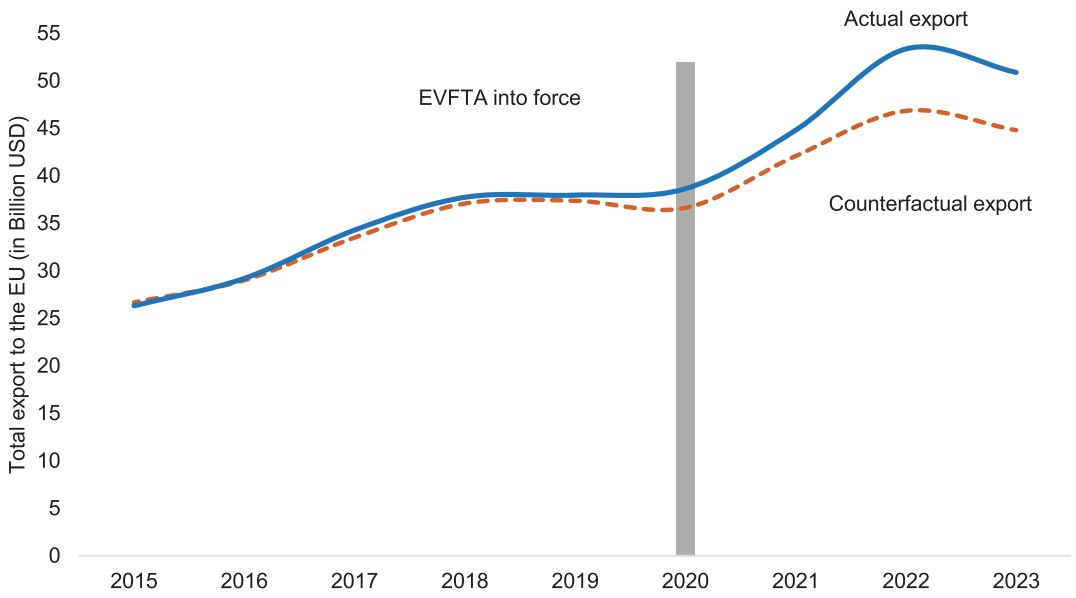
Since the implementation of the EVFTA coincided with the COVID-19 pandemic, distinguishing its specific impact on Vietnam's exports to the EU is challenging. It is difficult to isolate the impact of the COVID-19 shock and the EVFTA on Vietnam's actual exports to the EU, as exports decreased during the COVID-19 period and then significantly increased in the post-pandemic period due to economic recovery. To capture this challenge, this paper attempts to estimate the impact of the EVFTA on Vietnam's exports

[10] Pre- and post-FTA tariff rates on apparel products and tariff reduction schedules are provided in Table A5.

to the EU using the Synthetic Control Method (SCM). SCM is particularly well-suited in this context, as it constructs a counterfactual export scenario based on comparable countries without similar trade agreements, to estimate Vietnam's exports to the EU in the absence of the agreement. A detailed estimation methodology and the econometric model is explained in Annex B.

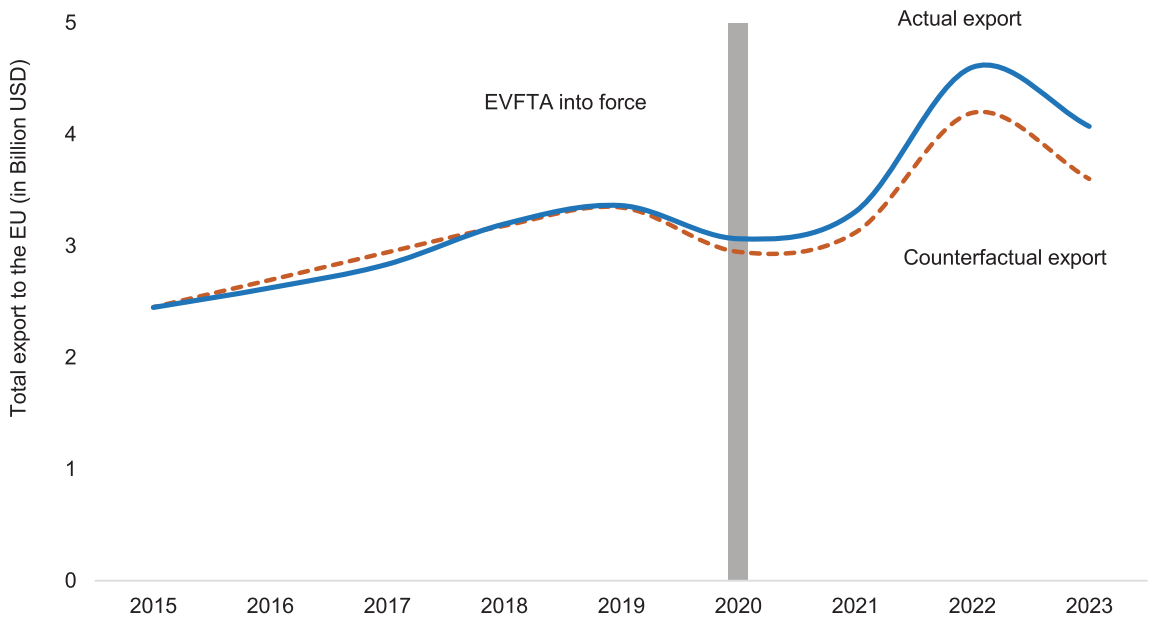
Figures 13 and 14 show the actual versus counterfactual exports of Vietnam to the EU. Without the EVFTA, Vietnam's counterfactual total exports to the EU would have been $44.8 billion in 2023, compared to actual exports of $50.9 billion, indicating a cumulative increase of 13 per cent during the first four years of the EVFTA. For apparel, the counterfactual value was $3.6 billion in 2023, while actual exports reached $4.1 billion, reflecting a cumulative growth of 13.6 per cent in the sector, directly linked to tariff reductions. These findings highlight the positive impact of the EVFTA on Vietnam's export performance, particularly in apparel. As remaining tariffs under schedules B5 and B7 are phased out, Vietnam's competitiveness in the EU market is expected to strengthen further.

**Figure 13: Vietnam's actual and counterfactual exports to the EU ($)**




Source: Authors' analysis using data from EU Comext.

**Figure 14: Vietnam's actual and counterfactual exports of apparel items to the EU ($)**




Source: Authors' analysis using data from EU Comext.

## Rules of Origin requirement

Although the EVFTA significantly reduces tariffs for Vietnam across nearly all export categories, it imposes strict Rules of Origin that must be met to access preferential rates. The EVFTA RoO requirements are similar to the EU GSP and the EU-Singapore Free Trade Agreement. To benefit from preferential access under the EVFTA, the goods a) must 'originate' in the EU or Vietnam; b) be accompanied by a certificate of origin; and c) fulfil certain additional requirements. Every HS sub-heading under the agreement has its own working or processing requirements which will provide the originating status of a product.

A set of product-specific rules (PSR) has been agreed upon by both parties which will be applied without discrimination or any differential treatment to all producers in both countries.

- Most agricultural products must be wholly obtained in Vietnam to benefit from tariff reductions. Processed agricultural goods require a change in tariff classification, with non-originating content subject to weight limitations ranging between 20 per cent and 60 per cent.

- For textiles and apparel, a double transformation rule applies, meaning that the fabric must be produced from locally-sourced fibre, or the garments must be made from locally-produced yarn to qualify for preferential tariffs. However, the FTA includes some flexibility for mixed fabrics, allowing for limited exemptions under specific conditions.[11]

- Footwear and gaiters must not use pre-assembled uppers attached to soles.

[11] Printed fabrics will benefit from the 'printing rule,' which allows printed fabric as originating if printing is accompanied by at least two preparatory or finishing, subject to the value of the unprinted fabric used does not exceed 47.5% of the ex-works price of the product.

- For other products, the RoO generally mandates either a change in tariff heading or a restriction on the value of non-originating materials, which must fall between 50 per cent and 70 per cent of the product's total value.

**Table 7: A summary product-specific rules of origin requirements for Vietnam under the EVFTA**

| Product categories | RoO requirement |
|---|---|
| Agricultural products | Wholly obtained |
| Processed agricultural products | 40 to 80% value addition |
| Fish | Wholly obtained |
| Leather handbags | 50% of value addition |
| Plastic products | 50% of value addition |
| Apparel (knitted) | Double-stage transformation |
| Apparel (not knitted) | Double-stage transformation (52.5% value addition for mixed fabric) |
| Footwear | Must not use pre-assembled uppers attached to soles |
| Other products | 30% to 50% value addition |

Source: Authors' representation using the EU-Vietnam agreement.

Unlike EU GSP, the EVFTA provides a narrower scope for bilateral and regional cumulation.[12] However, unlike Vietnam's other FTAs, the extended cumulation of EVFTA allows fabric from the Republic of Korea and other FTA partners of both the EU and Vietnam, like ASEAN, which excludes China. Regional value addition can be allowed up to 52.5 per cent for products from HS chapter 62.

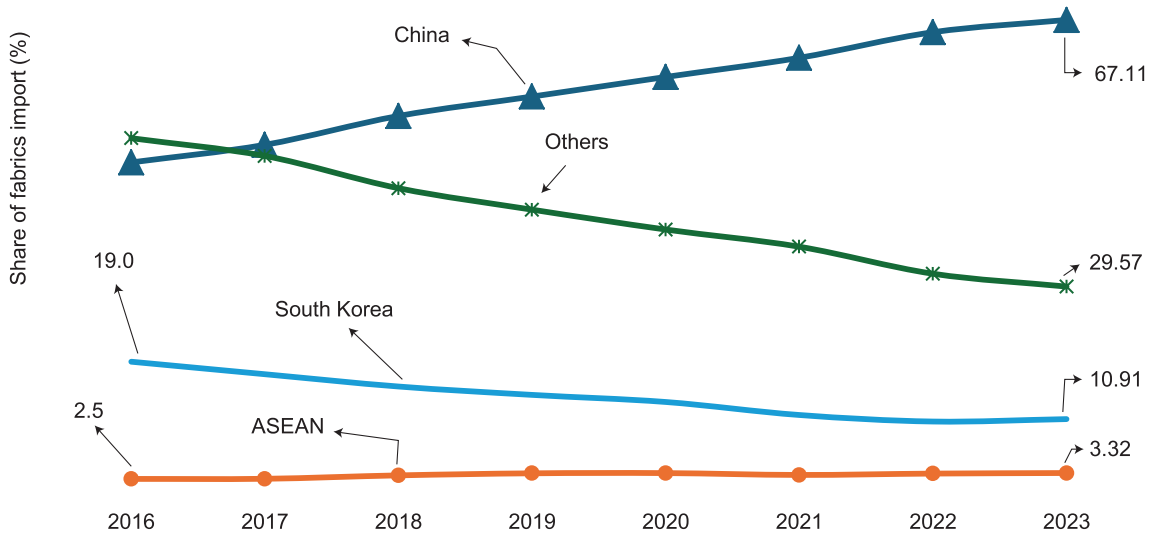
Vietnam's apparel backward linkage capacity is currently limited (Kastner 2022; Textiles focus 2022); approximately 65 per cent of the textiles raw materials are imported from the overseas market (Textiles focus 2022). Most of Vietnam's fabrics are outsourced from China, accounting for two-thirds of the total fabric imported in 2023, while the share of imported fabrics from the Republic of Korea and other countries has been declining over the years (Figure 15).

The double transformation requirement for apparel under the EVFTA presents significant challenges for Vietnam due to its reliance on low-cost fabric imports from China. This dependency limits its ability to meet the necessary value-addition criteria. Although Vietnam has made progress in developing its backward linkage capacity—evidenced by a 21.8 per cent increase in woven fabric production in the first quarter of 2024—achieving the required value addition remains a major hurdle. Between 2019 and 2022, Vietnam's gross value addition to total textile output rose by 3.1 percentage points, from 23.5 per cent to 26.6 per cent. Moreover, the utilisation of the trade preference under EVFTA gradually improved.[13] This upward trend indicates that while Bangladesh may not face immediate preference erosion due to the EVFTA, competitive pressure could increase in the future as Vietnam continues to enhance its domestic value-added capacity.

[12] Standard GSP allowed cumulation with EU member states along with Norway, Switzerland and Turkey which is limited to the EU member states only under the EVFTA. Regional cumulation with the ASEAN countries under the EVFTA is now limited to only two types of products in seafood: processed cuttlefish and squid, and octopus. A comparison of cumulation rules between the EU GSP and the EVFTA is provided in Table A6.

[13] This utilisation rate was initially 14.8 per cent in 2020 and increased to 20 per cent in 2021 and to 24.5 per cent in the first six months of 2022, according to a survey of 500 Vietnamese companies by the Vietnam Chamber of Commerce and Industry (VCCI 2023).

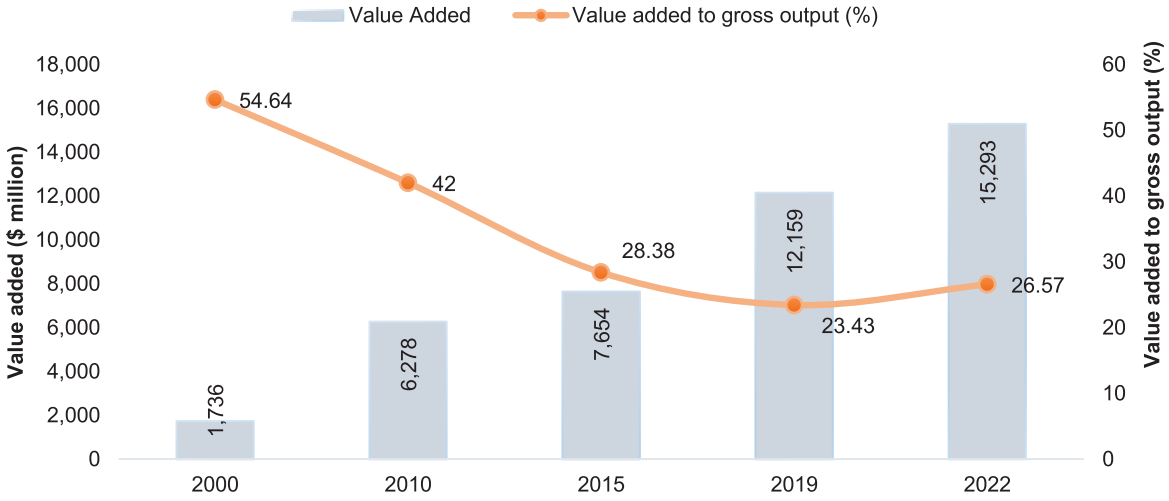
**Figure 15: Share of fabrics outsourced by Vietnam from its main suppliers (%)**




Sources: Authors' calculation using data from the ITC Trade Map.

**Note:** ASEAN = Association of Southeast Asian Nations, Others = Rest of the world.

**Figure 16: Vietnam's textile industry value added to gross output on the rise since 2019**




Source: Authors' calculation using data from Asian Development Bank (ADB, 2023).

**Note:** The total value added by the textile industry is represented in the bar chart, while the line chart shows the proportion of value added to the gross industrial output.

## *Post-graduation Rules of Origin for Bangladesh*

As an LDC, Bangladesh benefits from relaxed RoO under the EU's Everything But Arms initiative, requiring only 30 per cent domestic value addition for most products and a single-stage transformation for apparel. However, these rules will tighten after LDC graduation. Apparel exports will need to meet a double transformation requirement to qualify for GSP+ or Standard GSP preferences, while the value addition threshold for non-apparel exports will rise from 30 per cent to 50 per cent. If safeguard

measures under the proposed EU GSP framework are triggered, Bangladesh's apparel exports will face Most Favoured Nation (MFN) duties and will not need to meet RoO criteria, further complicating its trade competitiveness.

### *EVFTA and EVIPA: Implications for Foreign Investment in Vietnam*

The EVFTA is complemented by the EU-Vietnam Investment Protection Agreement (EVIPA), which, while not yet enacted, is expected to further bolster Vietnam's economic position. Research indicates that free trade agreements (FTAs), particularly those paired with investment agreements, create a stable and predictable trade environment that reduces uncertainties and encourages long-term investments. By eliminating tariffs and non-tariff barriers, FTAs attract foreign direct investment (FDI) as firms seek to capitalise on improved market access and reduced production costs in member countries.

The EVIPA is designed to enhance investor confidence through legal safeguards, offering protections such as dispute resolution mechanisms, which are vital for attracting and retaining foreign investments. This combination of trade liberalisation and investment protection within the EU-Vietnam agreements is projected to increase FDI flows into Vietnam by 10–20 per cent, particularly in sectors like manufacturing and services. These investments are anticipated to bring significant spillover effects, enhancing Vietnam's productive capacity, fostering technology transfer, and boosting its global trade competitiveness.

## V. Literature Review

The impact of Free Trade Agreements (FTAs) on third countries has been extensively studied in trade literature, highlighting the challenges these agreements pose for non-member states. Two primary channels through which FTAs influence third countries are the price effect and the volume effect.

- The volume effect refers to changes in trade patterns caused by the agreement, leading to trade creation or diversion among member and non-member countries. Member countries may redirect their trade from more efficient non-member suppliers to less efficient member countries due to reduced import costs, as noted by Winters (1997a, 1997b).

- The price effect, on the other hand, arises when preferential trade terms between FTA members alter relative prices, potentially disadvantaging third countries in competitive markets. This effect is reflected in terms of trade (ToT) gains for member countries and losses for non-members. Romalis (2007) found that while the establishment of agreements like NAFTA and CUSFTA led to higher prices and welfare for member countries and corresponding declines for non-members, the volume effect was more pronounced than the price effect.

### *Volume effect of trade agreements on non-member countries*

Numerous studies present evidence of Preferential Trade Agreements (PTAs) leading to trade diversion, shifting trade flows from non-member to member countries.[14] For instance, Kruger (1999) found that NAFTA countries imported 46 per cent less from non-NAFTA countries than predicted by a gravity model, a result that is statistically significant. He further noted that the reallocation of investment from China's textile industry to Mexico exemplifies a production shift driven by the advantages offered by NAFTA.

[14] Studies on the effects of FTAs/PTAs on non-member countries' volume and welfare can be categorised as ex-ante and ex-post analyses (Piermartini and Teh 2005).

Similarly, Cuyvers (1997) examined the trade impact of Austria, Finland, and Sweden (EFTA3) joining the EU12. His analysis concluded that trade diversion would occur at the expense of ASEAN countries, although the overall effect would be relatively limited. Borchert (2009), on the other hand, focused on the impact of the EU's less favourable Generalised System of Preferences compared to preferences for African, Caribbean, and Pacific (ACP) countries. His research estimated that a 1 per cent tariff reduction for ACP countries results in a disproportionately large decline—approximately 3 per cent—in exports from GSP beneficiary countries. This effect is most pronounced in industrial goods sectors such as machinery, textiles, and leather products, where price sensitivity is high and products are homogeneous with a high elasticity of substitution.

Furthermore, Borchert (2009) reported that GSP countries experienced export losses ranging from $15 million to $3 billion, depending on the size of the country, representing 2 to 20 per cent of their total exports to the European Community. Tunisia and Vietnam, in particular, forfeited over 20 per cent of their total non-agricultural export share due to ACP preferences. These findings underline the significant implications of trade preferences on export dynamics, particularly for labour-intensive industries.

In a product-level analysis, Russ & Swenson (2019) found that the Korea-US (KORUS) trade agreement benefited South Korea by diverting US imports from non-member countries, especially for consumption products. However, they found that this trade diversion is beneficial from a welfare perspective, as South Korea is the more efficient producer of the USA's new imports. Macphee & Sattayanuwat (2014) revealed that most of the RTA in developing countries failed to create intra-bloc trade creation. Moreover, developing countries' RTAs are reluctant to lower restrictions for non-member countries, which limits trade with the rest of the world. The Southern Africa Development Community (SADC), which is a relatively peaceful African RTA, is only able to create a favourable trade bloc between the member and non-member countries (Macphee and Sattayanuwat 2014).

Similarly, Urata & Okabe (2014) estimated that trade diversion from non-member countries is higher for developing countries' RTAs compared to developed country's RTAs. They pointed out that the main reason behind this high trade diversion in developing countries is high external tariff for non-member countries. Moreover, they found that out of 20 product categories in developed countries, RTAs work as a trade-creating effect for half of the products, while the trade diversion effect is only found for medical and pharmaceutical products. More recently, using Bertrand's duopoly pricing strategy, Ahmed et al. (2021) estimated the impact of the Pakistan-China FTA on the rest of the world (RoW). They estimated that RoW's exports to Pakistan exhibit an increase in differentiated products but a decline in inhomogeneous products.

Several studies used partial equilibrium and general equilibrium models as ex-ante analyses to assess the impact of forming FTA on non-member countries through the trade diversion effect. Seti and Daw (2016) adapted WITS-SMART partial equilibrium analysis to see the impact of the African Continental Free Trade Area (ACFTA) on South Africa under agriculture trade liberalisation and revealed that South Africa will earn a total trade value of roughly $199 million, while the overall trade diversion from other countries will stand at $42 million. Using the same methodology, Fathelrahman et al. (2021) estimate that food trade liberalisation in India, Egypt, Pakistan, Saudi Arabia, and the United Arab Emirates (UAE) would lead to a total trade diversion of approximately $22.33 million from non-member countries. This trade diversion would redirect trade towards the exporting countries, specifically India, Egypt, and Pakistan.

Thu *et al*. (2018) estimated the impact of preferential tariff liberalisation for Vietnamese apparel export under EVFTA on non-member apparel exporting countries. This agreement would divert significant apparel exports from China and Bangladesh to Vietnam based on 2016 data. Zhao (2020) used the

GTAP model, a computable global general equilibrium model, to estimate the trade effects of the post-TPP (Trans-Pacific Partnership Agreement), which excludes China. He concluded that TPP countries would experience greater trade effects and welfare gains at the expense of non-TPP members, with the United States shouldering a larger portion of these costs.

## *Price effect of trade agreements on non-member countries*

Several studies attempted to assess the terms of trade effects of PTA on export prices and welfare of third countries. Mundell (1964) provided theoretical justification of terms of trade (ToT) shocks to the excluded countries for the formation of the PTA, whereas a ToT gain to the preferred member countries was observed. One of the early studies by Kreinin (1961) showed that the import tariff concession in the United States leads to a considerable reduction in the prices of exporters. He estimated that one-third of the tariff is passed to the consumer through reduced import prices.

The seminal contribution to this literature by Winters & Chang (2000) and Chang & Winters (2002) provide ex-post assessments of the ToT shock on export prices for non-members of the PTA. Winters and Chang (2000) analysed the ToT costs to non-member countries of Spanish accession to the EU. They concluded a relative price reduction for non-European suppliers, including Japan and the United States. They estimated that Spain's accession to the European Communities (EC) would reduce the relative post-tariff export price of the US/EC by 0.56 per cent and Japan/EC by 0.42 per cent for every 1 per cent reduction in EC's export cost.[15] Non-member countries of a trading bloc are adversely affected due to their exclusion (Chang and Winters 2002). This arises from the non-members decreasing their prices to compete with the suppliers within the trading agreement.

Chang and Winters (2002) evaluated that the formation of MERCOSUR and the associated tariff preferences granted to the members caused a substantial decline in export prices received by non-members who exported to Brazil. [16] They found that Germany, Korea, and the US reduced their pre-tariff price while Chile and Japan kept the pre-tariff price the same despite tariff concessions to member countries e.g. Argentina. Schiff & Chang (2003) extended Chang & Winters' (2002) work by incorporating the presence and contestability of Argentina in the Brazilian markets.[17] In the presence of Argentina's product in Brazil, the US incurs a greater loss in ToT, whereas Brazil gains. When Argentina is not exporting to both Brazil and the rest of the world (RoW), the price in the US remains stable, unaffected by MERCOSUR's preferential rates. However, if Argentina does not export to Brazil but continues to export to the RoW, the US changes its price by 37.1 per cent. Furthermore, when Argentine exporters have already established a presence in the Brazilian market, US exporters change their prices by 40% to 50% in response to any changes in the preferential tariff, but this does not change any further due to Argentina's exports to the RoW. Following CW's work, Razzaque (2008) estimated the ex-ante price and welfare effect on Bangladesh for the formation of NAFTA. He estimated that Bangladesh would face a direct price shock of 0.3 per cent for a 1 per cent decrease in Mexico's price. Romalis (2007) also investigated the effect of NAFTA on excluded countries' ToT using the difference-in-difference methodology. He found that ToT is lower than Chang and Winters (2002). He also found that member countries squeezed the imports from excluded countries. Thus, the welfare loss of excluded countries would be greater if the volume effect is considered rather than the ToT effect.

[15] Export cost consists of input cost: wages, exchange rates, and tariffs.
[16] MERCOSUR is the preferential trade area between Argentina, Brazil, Paraguay, and Uruguay.
[17] The presence of Argentina in Brazil's market means that Argentina exports products to Brazil, which is subject to preferential rates. Contestability means whether Argentina's export to the RoW affects the US price behaviour in the Brazilian markets.

Kreinin and Plummer (1992), in an ex-ante impact assessment, found that the integration of the CUSFTA and the EU may lead to a decline in ToT for ASEAN and South Korea. They estimated this ToT effect would be 4 per cent of ASEAN exports, 5 per cent of South Korean exports to North America, and 8 per cent and 5 per cent of their respective exports to the EC. Similar to that, Winters (2009) estimated the welfare loss on excluded countries for the possible FTA between the EU and India. He found that SAARC countries are more vulnerable to that potential FTA due to similar exporting products to the EU, but the negative effect is limited because of a 3 to 4 per cent competitive edge to India. Additionally, Nepal, Bhutan, and Sri Lanka are particularly vulnerable in India's market as the EU could gain a 20 per cent competitive edge through the FTA. Felbermayr et al. (2013) argue that an FTA might limit the competitiveness of specific sectors in third countries when the FTA causes prices in those sectors to fall (in countries that are party to the FTA).

Excluded countries can be unaffected by the formation of an FTA if members of the FTA charge a uniform external tariff on excluded countries as well, and trade between them remains unchanged. This novel theory was first proposed by Kemp and Wan (1976). However, in a study, Mrazova (2009) concluded that a lower degree of competition among oligopolistic firms minimises the trade diversion effect, resulting in higher Kemp-Wan external tariffs.[18] On the contrary, Winters (1997a) observed that the welfare and export prices of a third country have no connection with the Kemp-Wan Theorem.

Unlike what a few other studies have observed, PTAs do not significantly harm non-members. Using industry-level data on preference margin and MFN tariff, Freund and Ornelas (2010) found greater preference margins do not imply a significant reduction in imports from third countries. In fact, PTAs can create trade and produce reverse trade diversion for non-member (Magee 2008). Acharya (2011) provided the evidence of Magee's findings and concluded that FTAs enable trade with third countries. Using a theoretical framework, Kawabata & Takarada (2015) concluded that the welfare effect of PTA on members and non-member countries depends on the type of competition and degree of product differentiation. They revealed that FTA not only increases welfare for member countries but also for non-member countries under both Bertrand and Cournot competition. However, when products are nearly substitutes, member countries compete by reducing external tariffs in the Bertrand model, which eventually benefits non-member countries, but the result sharply contrasts with Cournot's oligopoly competition.

Using gravity model estimation, an ex-post analysis, several studies have also found that FTAs do not harm third countries by diverting trade volumes from non-member countries; in fact, FTAs can sometimes act as trade-creating blocs for non-member countries. Although Kruger (1999) found that the NAFTA agreement diverted trade from non-member countries. he observed that Mexico's maquiladora industries' exports to the US grew rapidly both before and after NAFTA. However, this growth did not divert trade from the rest of the world but instead increased exports from the rest of the world to the US in the same product categories. Freund (2010) took six large RTA blocs in Latin America and the EU and concluded that RTA does not significantly harm imports from third countries. In addition, he found that higher preference margins do not only reduce imports from third countries but also reduce the external MFN tariff for third countries, which eventually creates a trade-creating effect for non-member countries. Deme & Ndrianasy (2017) found that smaller trade blocs like the Economic Community of West African States (ECOWAS) have a neutral effect on non-member countries, but there is variation based on income levels. They discovered that the formation of ECOWAS had a positive trade-creation impact on both member countries and low-income non-member countries.

[18] Kemp and Wan concluded that the customs union chooses its external tariff to leave the prices and quantities of all non-members' trade unchanged and hence to leave non-members indifferent to the integration arrangement.

Using the gravity model, Yang & Martinez-Zarzoso (2014) found that the ASEAN-China FTA (ACFTA) is a pure trade-creation agreement for both member and non-member countries, especially for manufacturing and chemical industry products. Similarly, the formation of the India-ASEAN FTA (IAFTA) has boosted both exports and imports from non-member countries, although trade between the member countries remains significantly higher (Singh 2021). Hossain (2018) found that the impact of the removal of the SAARC Preferential Trade Agreement (SAPTA) is negligible for non-member countries. Lee et al. (2023) conducted a firm-level analysis and explored how RTAs, of which Costa Rica is not a member, affect its exports to RTA member countries. They found a positive spillover effect, which articulates that if Costa Rican firms had previously exported to a country that engaged in a new RTA, they also started to export to a new RTA partner's country. This effect is even more pronounced when the RTAs include non-discriminatory regulatory provisions that apply to both member and non-member countries. Overall, their study identified non-member countries benefit through reduction in entry cost as non-member countries previously traded with other countries in RTAs.

Integration of FTA affects not only the import price or quantity of non-member countries but also other factors, e.g. liberalisation of MFN rate by both member and non-member countries. Although the formation of an FTA initially benefited member countries by diverting trade from efficient countries to non-efficient partner countries, studies found that the FTA induced member countries to reduce their external tariff, which eventually benefited the non-member countries (Bohara, Gawande, and Sanguinetti 2004; Estevadeordal, Freund, and Ornelas 2008; Richardson 1993; Saggi, Stoyanov, and Yildiz 2018).[19] Bohara et al. (2004) tested this theory empirically with the MERCOSUR agreement and found that when the ratio of internal imports to value-added increases by 0.10, it leads to a reduction of 0.302 percentage points in external tariffs. This indicates that an increase in trade diversion induces partner countries to reduce their external tariffs for non-partner countries.

Estevadeordal et al. (2008) found that if preferential tariff reduction is given to a specific sector, then it also reduces external tariff (MFN) of that sector. Reduction in external tariff is greater if a preferential tariff is given to an important supplier. Similarly, Saggi *et al*. (2018) found that excluded countries lose their ability to improve their ToT in the presence of FTA, which induces them to lower their external tariffs towards FTA member countries. Moreover, the liberalisation of external tariffs will be greater when trade flows among member countries are larger. Missios *et al*. (2016) found that FTAs are more effective than customs unions (CUs) in reducing external tariffs for non-member countries, as CUs require unanimous agreement from all member countries before allowing any reduction in external tariffs for non-members.

Using 76 countries' tariff data provided by the World Bank, Magee (2017) found that the average MFN rate in these countries fell by 4.9 percentage points in 2012 from 12.1 per cent in 1996. He also noted that RTAs are no longer a threat to non-member countries. Therefore, a key policy recommendation is that countries should select RTA partners whose imports will not displace those from non-RTA countries (Magee 2017). Urata & Okabe (2014) also provided a similar recommendation, suggesting that RTAs with a larger number of members and lower external tariffs should be chosen to minimise trade diversion. Forming an FTA not only reduces external tariffs but also encourages member countries to reduce anti-dumping (AD) activity (Silberberger and Stender 2018). However, they also found that FTA increases the likelihood of AD activity by non-member countries. Moreover, if tariff benefits are unevenly distributed among RTA members compared to non-members, AD measures may still be applied within member countries. Forming an FTA also has a positive spillover effect by increasing investment in member countries, diverting it from non-member countries. A study found that PTAs with investment provisions

[19] External tariff measures: the tariff imposed on the non-member countries by the member countries of a PTA and vice versa.

lead to investment discrimination, prompting excluded countries to sign new PTAs that include investment provision (Baccini and Dür 2015).

Although there is debate regarding the trade diversion on third countries because of PTAs, the pass-through literature provides empirical justification for the price reduction on exports from the members. One early contribution is by Feenstra (1987), who investigated the tariff pass-through for US imports using product-level import data and provided evidence of the existence of a tariff pass-through, which is similar to the exchange rate pass-through. Other studies in literature, e.g. (Cadot et al., 2005; Cirera, 2010; Hayakawa et al. 2019, 2022; Hayakawa & Ito, 2015; Ludema & Yu, 2016; Mallick & Marques, 2008; Olarreaga & Özden, 2005; Özden & Sharma, 2006; Rezitis & Brown, 1999), have found an incomplete tariff pass-through, meaning that post-agreement prices declined relative to the post-tariff export prices.

### *Motivation and contribution to the existing literature*

Formation of PTA is beneficial for member countries through greater exploitation of market power with an improved ToT, but it can potentially underutilise the efficient outcome of multilateral negotiations by violating the GATT's principles of reciprocity and non-discrimination (Bagwell and Staiger 1999).[20] Apart from the LDC scheme, the EU has had varying trade agreements with numerous trade partners over the years; thus, discriminatory tariff preferences have existed in the EU market for excluded countries. The above theoretical reasoning and empirical evidence act as motivating factors for examining the price and volume effect of tariff treatment in the EU market. Although the EU's preferential treatment did not discriminate against LDCs, erosion of LDCs may create price shock as well as trade diversion for graduating LDCs like Bangladesh. Moreover, the EU-Vietnam FTA could potentially cause a price shock for Bangladesh, as Vietnam is a significant competitor for Bangladesh in the textiles and clothing export sector to the EU. Although the price effect of EVFTA has a crucial impact on Bangladesh's RMG export to the EU, there are only three years of available observations since the implementation of FTA to carry out any meaningful empirical evidence.

Following Chang & Winters (2002) and Winters & Chang's (2000) pricing strategy model in an imperfectly competitive market, we can examine the impact of the EU-Vietnam FTA on Bangladesh export prices in the EU. In imperfectly competitive settings, a firm's pricing depends not only on the tariff charged on its own product but also on that charged on its rivals'. If a member country firm receives a preferential tariff concession, it becomes more competitive in FTA markets, and non-member firms are likely (although not bound) to reduce their prices. In addition, this paper will conduct an ex-ante analysis using the GTAP model to assess the volume effects and welfare loss for Bangladesh under the scenario of full tariff liberalisation for Vietnam in the EU market and the erosion of Bangladesh's GSP benefits.

## VI. Data and Methodology

This study adopts both ex-ante and ex-post analysis to capture the impact of EVFTA on Bangladesh. As part of ex-ante analysis, a general equilibrium analysis based on Global Trade Analysis Project (GTAP) model has been utilised to understand the potential impact of both EVFTA on Bangladesh's exports.

Conversely, this paper employs an ex-post econometric model to analyse price competitiveness between Bangladesh and Vietnam, providing insights into the potential implications of Vietnam's anticipated

[20] Reciprocity neutralises the world-price effects of a country's trade policy decisions. Non-discrimination ensures that tariffs conform to efficient outcomes.

price reductions for apparel products following the full implementation of the EVFTA. This paper used four different estimation methods which can be separated as single equation estimating techniques and simultaneous equation estimating techniques. IV-GMM and EC-2SLS methods are used for single equation estimating approaches, whereas dynamic GMM, along with SUR, is used for simultaneous equation approaches. This estimating method has been elaborately discussed in literature, and can be a useful tool to handle various panel data estimation issues, including endogeneity problems.

## 4.1 Methodology for estimating the volume effect

*General equilibrium analysis*

To analyse the impact of the EU-VNM FTA on Bangladesh, we employed a Computable General Equilibrium model, more specifically, a standard version of the Global Trade Analysis Project (GTAP) model. The GTAP model is impactful in performing a comprehensive evaluation of policy or regulatory reforms. On the production side, the model assumes perfect competition and constant returns to scale. The production for every sector and every region in the model is identified and represented by a Constant Elasticity of Substitution (CES) function. It also works based on the Armington assumption, so each firm employs a CES composite of domestic and imported intermediate goods in fixed proportions with endowment factors or value-added commodities like land, labour, capital, natural resources, etc.

On the demand side of the model, total income is distributed following a fixed share across households, government, and savings expenditure. The model captures supply-demand linkages and equates them by accounting for changes in production, consumption, exports, and imports. The behavioural equations in the model dictate production, private consumption, exports, imports, and market-clearing conditions that equate supply with demand. Elasticities determine the substitution between various input and output parameters in the production and consumption behavioural equation. Elasticities used by the GTAP model are determined from data and literature.

A general equilibrium framework has been utilised to analyse the impact of the EU-VNM FTA on Bangladesh economy. A general equilibrium framework allows inter-sectoral interactions in an economy. It captures the linkages between markets in which goods from one sector can be used as inputs for production, as well as forward and backward linkages. The impact of the reallocation of resources between sectors as a result of tariff/subsidy changes in one or more sectors can also be studied under this framework. In exploring the possible effects of tariff/subsidy and trade policy changes as a result of LDC graduation, one of the most useful Computable General Equilibrium (CGE) frameworks is the Global Trade Analysis Project (GTAP) model.[21] GTAP is a multiregional, multisector model and accounts for linkages between economic agents—including households, governments, and the rest of the world. The GTAP model is widely employed to analyse the impact of global and regional trade policy changes.

The GTAP 11.0 database used for this analysis draws on several internationally recognised data sources, including national input-output (I-O) tables and data from the FAO, IMF, IEA, and OECD. It takes input from specialists who develop regional and country-specific I-O tables. GTAP 11.0, the latest publicly available version, provides global data for 160 regions/countries, 65 sectors, and seven factors of production, referenced to the year 2017. These sectors cover 45 goods and 20 services. For the purposes of this study, the 65 sectors have been aggregated into 15 product/service categories, the regions into 21, and the factors classified into five groups: land, skilled labour, unskilled labour, capital, and natural

[21] This widely used modelling approach was designed and developed by the Centre for Global Trade Analysis, Purdue University (Hertel 1997).

resources. To reflect the pre-FTA global scenario, the GTAP database was updated in 2019 using GDP data from the World Development Indicators (WDI) of the World Bank. Detailed information on GTAP's regional aggregation and commodity classification is available in Table A7 and A8 in Annex.

## 4.2 Methodology for analysing the price effect

For ex-post analysis, the theoretical background of this paper is based upon the Bertrand Duopoly price-setting game. In Bertrand's setting, two firms produce the same product and sell in a specific market. The theoretical model is derived from Chang & Winters (2002) and Winters & Chang's (2000). We consider an export price-setting model where two firms – Bangladesh and Vietnam in this case – supply differentiated products to a particular market – the European Union – and maximise their respective profits. In our case, the demand for the 'i' country's? product (i=Bangladesh, Vietnam) in the EU is denoted by $x_j(\mathrm{P}_j, \mathrm{P}_j, \mathrm{Q}, \mathrm{Y})$ is a function of its own price $P_j$, rival's price $P_j$ $(i \neq j)$, the aggregate price index, Q, and the aggregate national income of the EU, Y. The exporter i's profit is denoted by $\pi_i = P_i x_i(P_i, P_j, Q, Y) - C_i\left(x_i(P_i, P_j, Q, Y)\right)$, where $C_i$ is the cost of producing the product in country i.

The objective function of the two exporters (i.e. i and j) can be written as suggested by Chang and Winters (2002):

$$\max_{P_i}\left[\frac{e_i}{\tau_i}P_i x_i(P_i, P_j, Q, Y) - C_i\left(x_i(P_i, P_j, Q, Y)\right)w_i\right] \quad (1a)$$

$$\max_{P_j}\left[\frac{e_i}{\tau_i}P_j x_j(P_j, P_i, Q, Y) - C_j\left(x_j(P_j, P_i, Q, Y)\right)w_j\right] \quad (1b)$$

The first-order conditions are:

$$P_i\left[1+\frac{1}{\eta_{iP}}\right] - \frac{w_i\tau_i}{e_i}C_{ix}\left(x_i(P_i, P_j, Q, Y)\right) = 0; \qquad \eta_{iP} = \frac{\partial \mathrm{x}_i}{\partial \mathrm{P}_i}\frac{P_i}{x_i} \quad (2a)$$

$$P_j\left[1+\frac{1}{\eta_{jP}}\right] - \frac{w_j\tau_j}{e_j}C_{jx}\left(x_j(P_j, P_i, Q, Y)\right) = 0; \qquad \eta_{jP} = \frac{\partial \mathrm{x}_j}{\partial \mathrm{P}_j}\frac{P_j}{x_j} \quad (2b)$$

Where, $\tau = 1 + t$ is ad-valorem tariff factor and $e_i$ is the exchange rate of country i. $\eta_i$ and $\eta_j$ are the price elasticities of demand, $e_i$ and $e_j$ are supplier country's exchange rate against per USD. The first-order condition implies that the marginal cost can increase for an increment in tariff or a decrease in exchange rate.

Considering the strategically separable assumption – two supplying countries are segmented, and they have independent cost functions – we can develop two price equations for the suppliers from the F.O.Cs:

$$P_i = f_i\left(\frac{w\tau_i}{e_i}, P_j, Q, Y\right) \quad (3a)$$

$$P_j = f_j\left(\frac{w\tau_j}{e_j}, P_i, Q, Y\right) \quad (3b)$$

Equation 3a and 3b are the reaction functions of country *i* and country *j*. The price reaction curves are homogeneous of degree one in cost, competitors' price, aggregate consumer price and nominal national income. An increase in production cost would positively affect suppliers' prices. A rise in competitors' prices and aggregate consumer prices implies an increase in suppliers' prices. It is expected that an increase in nominal income would lead to a rise in price. However, this statement is not always valid.

To analyse the price reaction between Bangladesh and Vietnam in the EU apparel market, we start log-linearising equations 3a and 3b:

$$LnP_i = \beta_1 + \beta_2 ln\ \frac{w_i \tau_i}{e_i} + \beta_3 lnP_j + \beta_4 lnQ + \beta_5 lnY + v_1 \quad (4a)$$

$$LnP_j = \gamma_1 + \gamma_2 ln\ \frac{w_j \tau_j}{e_j} + \gamma_3 lnP_j + \gamma_4 lnQ + \gamma_5 lnY + v_2 \quad (4b)$$

It is also important to note that the prices of major extra-EU rivals also affect the pricing behaviour of Bangladesh and Vietnam. The intra-EU suppliers' price also can have implications on the prices of other suppliers; however, as goods and services enjoy free movement facilities within the EU single market, it is expected that their combined effect will be captured by the aggregate price index, . Bangladesh enjoys duty-free quota-free access in the EU under Everything But Arms initiative of the EU, causing the log of tariff factor to turn into one. On the other hand, Vietnam has been enjoying preferential access under Standard GSP. The Standard GSP tariff on apparel items is 9.6 per cent and there is hardly any variation until 2020. However, the EU-Vietnam FTA came into force on 1 August 2020. Therefore, only Vietnam has been facing little variation in tariff since 2020. Thus, we are ignoring the ad-valorem tariff in equation 4a. Taking these into account, the empirical model for this analysis turns out to have the following forms:

$$LnP_{BGD} = \beta_1 + \beta_2 ln\ \frac{w_{BGD}}{e_{BGD}} + \beta_3 lnP_{VNM} + \beta_4 lnP_{RoW} + \beta_5 lnQ + \beta_6 lnY + \beta_7 \phi + v_1 \quad (5a)$$

$$LnP_{VNM} = \gamma_1 + \gamma_2 ln\ \frac{w_{VNM}}{e_{VNM}} + \gamma_3 \tau_j + \gamma_4 lnP_{BGD} + \gamma_5 lnP_{RoW} + \gamma_6 lnQ + \gamma_7 lnY + \gamma_8 \phi + v_2 \quad (5b)$$

The export prices of apparel items from each supplier are measured as the unit value (i.e. export value divided by quantity exported). The harmonised index of consumer price (HICP) is considered the aggregate price index, denoted as $Q$. Y is the aggregate nominal GDP of the EU countries, and $\phi$ captures the product's fixed effect.

For the empirical investigation, panel time series data for the period 2000-2023 have been used. Required data for the empirical model have been collected from different sources. For the unit price, export value and quantity have been collected from the EU Comext database at the Combined Nomenclature (CN) 8-digit level. The disaggregated data have major advantages – there are more than 400 apparel items each year, which helps minimise heterogeneity of unit value under each heading, improving the quality of the data. The information on harmonised index of consumer price has been gathered from Eurostat database. It measures the changes in overall consumer prices of goods and services in the EU. Finally, EU GDP data have been collected from the World Development Indicator of World Bank.

The wage rates are difficult to obtain for both Bangladesh and Vietnam at the highly disaggregated 8-digit level. Following Chang and Winters (2002) and Razzaque (2008), the GDP deflator has been used as the proxy for wages and labour costs. One advantage of using a GDP deflator is that it accounts for both labour and non-labour cost of production. The nominal exchange rates are defined as local currency per US dollar. The information on GDP deflator and exchange rates was collected from the World Development Indicator (WDI) and the Global Economic Monitor (GEM) of the World Bank.

The variable unit price of the major extra-EU rivals has been calculated as the weighted average of the unit price of Cambodia, China, India, Pakistan, and Turkey – the major comparators of Bangladesh and Vietnam in the EU apparel market. The reason for this consideration is that Bangladesh and Vietnam's prices and export sales are expected to depend on comparators' prices. Moreover, Bangladesh and Vietnam, along with these major comparators, accounted for more than 78 per cent of the total extra-EU import share in 2023.

It is important to determine the scale of Bangladesh's price adjustment in response to Vietnamese prices – we call it the price effects or the terms of trade shock on Bangladesh. This requires modelling the price-setting behaviour of Bangladesh and Vietnam in the EU market. Finally, we estimate the following two equations derived from the Winters-Chang framework:

$$LnP_{kt,BGD} = \beta_1 + \beta_2 ln\ \frac{w_{t,BGD}}{e_{t,BGD}} + \beta_3 lnP_{kt,VNM} + \beta_4 lnP_{kt,RoW} + \beta_5 lnQ_{t,EU} + \beta_6 lnY_{t,EU} + \beta_6 RoO + \beta_7 \Phi + v_1 \quad (6a)$$

$$LnP_{VNM} = \gamma_1 + \gamma_2 ln\ \frac{w_{t,VNM}}{e_{t,VNM}} + \gamma_3 \tau_j + \gamma_4 lnP_{kt,BGD} + \gamma_5 lnP_{kt,RoW} + \gamma_6 lnQ_{t,EU} + \gamma_7 lnY_{t,EU} + \gamma_7 \Phi + v_2 \quad (6b)$$

A dummy variable has been added in Bangladesh's equation to capture EU's derogation of Rules of Origin requirements for clothing under the EBA. Until 2011, EU Rules of Origin required 'double transformation' of clothing items as a precondition for tariff-free market access. The derogation of EU RoO in 2011 allowed a single transformation for LDC clothing exports. The derogation has greatly aided Bangladesh's export performance in the EU. To capture this policy-induced impact, we have added the RoO dummy in the regression equation.

Estimation of equations 6a and 6b are problematic as the unit prices are endogenous and are correlated through the disturbances. Estimation using OLS and conventional fixed effect, as well as random effect models, will give inconsistent results, as they assume that explanatory variables are independently distributed, i.e., variables are not endogenous. To tackle the endogeneity problem, the estimation techniques of system equations – often referred to as simultaneous equations – are used. The estimation of simultaneous equations consists of limited information estimation and a complete information system. The limited information system estimates single equations one by one, while a complete equation system estimates all equations in a simultaneous manner. One approach to a single equation system could be using an instrumental variable approach, which gives consistent estimates. The two-stage least squares can also solve the problem of endogeneity. Baltagi (2021) suggested the error component two-stage least squares (EC2SLS) as an alternative to the 2SLS, where the system is adjusted to account for the error-component structure within the variance-covariance matrix of the system equation.[22] It is worth pointing out that for simultaneous equation systems, IV-GMM can be an alternative to the conventional two-stage least squares method (Wooldridge 2010). Turning to the complete information system, three-stage least squares (3SLS)[23] and full-information maximum likelihood (FIML) can be applied to estimate all the parameters of all the equations simultaneously. Another approach is to apply seemingly unrelated regression (SUR) equation methods to solve the system equation (Zellner, 1962). Cornwell *et al.* (1992) have shown that the equation-by-equation model and complete information system model, i.e., the simultaneous-equations model, give essentially the same result for the case of individual fixed effects.

For this exercise, we have undertaken two approaches – i) a single equation estimation using error component two-stage least squares (EC2SLS) and IV generalised method of moments (IV-GMM), and ii) a simultaneous equation estimation using GMM and SUR. We have considered lagged variables of Vietnam's unit price as an instrument for equation (6a). Similarly, lagged variables of Bangladesh's unit price were used as an instrument for equation (6b). Moreover, we considered the lagged variable of Vietnam and major comparators' unit prices as instruments in the simultaneous GMM method.

[22] Baltagi (1984) proved that the EC2SLS can account significant efficiency gains over the 2SLS model.
[23] The 3SLS is the extension of the 2SLS where the third stage involves the application of generalised least squares.

### *Data description*

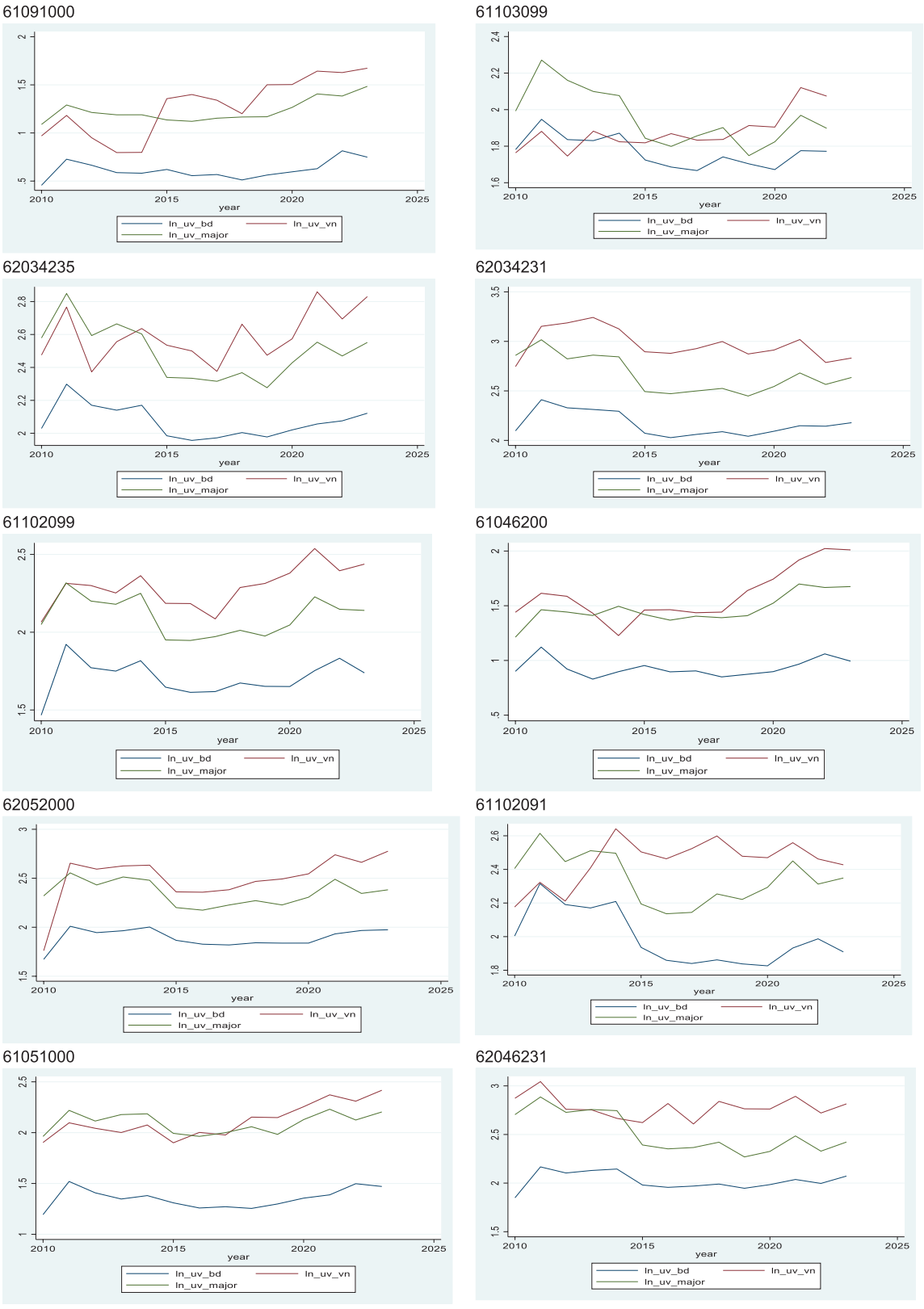
We start observing the properties of the variables being used for the empirical investigation. We have a total of 408 unique HS 8-digit items within the sample period for which export information is available for both Bangladesh and Vietnam. We have developed an unbalanced panel data for 6,883 observations with all available information.

The descriptive data analysis shows that the average unit price of Bangladesh's apparel exports to the EU stood at $1.90 in 2023, increasing from $1.42 in 2000. The same price for Vietnam expanded from $1.34 to $2.64 during the sample period – a 97 per cent increment, while the weighted average unit price of Cambodia, China, India, Pakistan, and Turkey – major extra-EU comparators of Bangladesh and Vietnam – increased by 43 per cent to reach at $2.44 in 2023. This reflects that Bangladesh offers the lowest price among the major comparators in the EU market. However, these findings should be interpreted with caution as the aggregate price may not capture the product differentiation, which can have implications on the unit value prices.

Although the average price provides a snapshot at the aggregate level, it does not reflect product differentiation and heterogeneity. A visualisation of the price competition and/or price-setting behaviour for the top 10 items of Bangladesh at the CN 8-digit level is provided in Figure 17. It is observed that between 2010 and 2023, the prices of all items increased for all major comparators. Therefore, a positive relationship among the prices of them is perceived – which is valid in Bertrand's oligopolistic competition. One striking feature of prices is that Bangladesh has much lower unit prices than other comparators. This might be attributed to the fact that Bangladesh enjoys tariff-free access to the EU, and a part of this preference has been passed through to the consumers/importers in terms of lower import prices. Another striking feature of price is that Vietnam also received a higher unit price than other major comparators in recent periods for most of the top exporting products of Bangladesh.

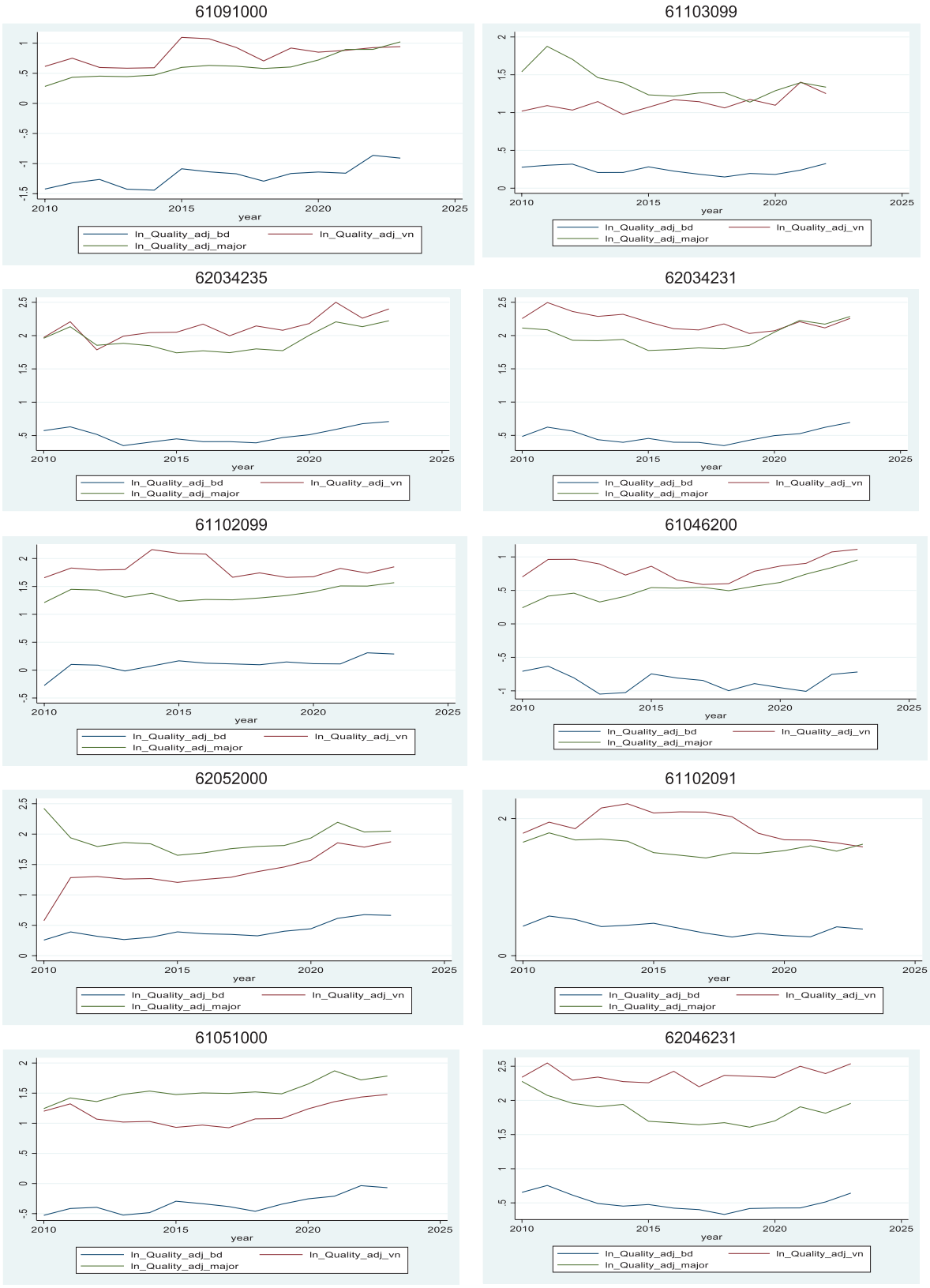
At this level of disaggregation, it is expected that there is not much differentiation in products, and the variation in prices is anticipated to be due to bargaining power, price-setting behaviour, and quality differentiations. However, in this paper, we have estimated quality-adjusted prices for Bangladesh and Vietnam, and weighted price of their other major comparators as well. The quality-adjusted price represents what each country actually receives, given that product quality is constant. A similar price relationship between Bangladesh's top 10 products and its major comparators in terms of quality-adjusted price is portrayed in Figure 18. It depicts that Bangladesh receives an even lower price for their product when the quality-adjusted price is considered rather than the unadjusted price of other major comparators.

**Figure 17: A snapshot of price relationships for major export products of Bangladesh**




Source: Authors' calculation and presentation using EU Comext data.

**Figure 18: A snapshot of the quality-adjusted price relationship for major export products of Bangladesh**




Source: Authors' calculation and presentation using EU Comext data.

# VII . Impact of the EVFTA on Bangladesh

Trade agreements with major partners often benefit member countries, but can negatively impact non-members through trade diversion driven by price and volume effects. Using the outlined methods, this paper evaluates the implications of the EVFTA on Bangladesh's exports to the EU, focusing on the challenges posed by enhanced price competitiveness of Vietnamese apparel products in the EU market due to reduced post-FTA prices.

## 7.1 Impact of EVFTA: Results from a general equilibrium analysis

### *Simulation design*

With the enactment of the EU-Vietnam Free Trade Agreement (FTA) in 2020, tariffs on exports between the two trading partners have begun to decline and will gradually reduce to zero by 2027. In addition to tariff reduction, the two partners agreed to address certain non-tariff measures (NTMs) and improve trade facilitation. Key provisions of the FTA include reducing NTMs, such as technical barriers to trade and complex certification processes, to ease market access for Vietnamese goods. These measures, along with tariff elimination, will help enhance Vietnam's competitiveness and expand its exports to the EU. However, many experts have pointed out that the Rules of Origin provisions for qualifying for zero-tariff benefits under the FTA pose a significant challenge for Vietnamese apparel exports to the EU. Before the FTA, Vietnam benefited from the Standard GSP, which provided tariff reductions on specific products, including apparel. However, the Rules of Origin under both the Standard GSP and the FTA remain nearly identical, requiring apparel exports to meet the double-stage transformation criteria to qualify for tariff preferences. Several studies have identified these stringent Rules of Origin as a significant barrier to increasing Vietnam's apparel exports to the EU, potentially limiting the benefits of the FTA in this sector.

An accompanying investment agreement, which has not been enacted yet, further strengthens the EU-Vietnam FTA. Several ex-ante assessments projected a 10-20 per cent increase in foreign direct investment (FDI) inflows to Vietnam as a direct outcome of the EU-Vietnam free trade and investment agreements. This inflow of investment and associated spillover effects are expected to significantly enhance Vietnam's productive capacity and global trade competitiveness. Meanwhile, Bangladesh's graduation from LDC status in 2026 will result in a loss of LDC-specific preferential market access.

These developments pose a significant risk of trade diversion, potentially shifting export demand from Bangladesh to Vietnam. As Vietnam benefits from zero-tariff access under the EU-Vietnam FTA while Bangladesh will face rising tariffs post-LDC graduation, the latter's export competitiveness could be severely undermined, leading to a substantial loss of market share to Vietnam in key sectors like apparel.

To account for the above issues, the study considered two simulations for estimating the impact of EU-VNM FTA and Bangladesh's graduation from LDCs on exports to the EU. Each simulation considered two shock scenarios.

**Simulation 1: Potential impact of the EVFTA alone**

In this scenario, the free trade agreement between the two partners has been modelled by eliminating tariffs for exports between these countries. The EU and Vietnam will eliminate their tariff on more

than 99 per cent of their respective tariff lines.[24] Some of this tariff will be abolished over time with specific timetable – within 7 years on Vietnamese exports to the EU and within 10 years for EU exports to Vietnam – and with specific quota restrictions. Our analysis is based on a static model; we consider immediate tariff elimination from both sides.

The agreement aims to eliminate unnecessary trade barriers and enhance Vietnam's technical and institutional capacities regarding trade standards, going beyond the WTO's TBT requirements. Vietnam commits to using internationally recognised standards, like those from the ISO and Codex Alimentarius, as foundations for its technical regulations and to ensure these regulations are no more restrictive than necessary to meet national objectives, such as health and safety. The agreement also enhances transparency by requiring technical regulations and conformity assessment procedures to be available online for free.

Additionally, Vietnam has agreed to relax conformity assessment regulations and, notably, will allow the "Made in EU" label for non-agricultural goods (except pharmaceuticals), simplifying the approval of EU exports. Overall, the agreement streamlines import/export licencing, customs procedures, and trade in plant and animal products, supporting competitive trade between the two nations.

A favourable business environment as a result of the investment agreement is expected to expand foreign direct investment from the EU to Vietnam. In addition, the zero tariff benefit in the largest export market in the world is expected to drive export-oriented investment from other countries, including China, Japan, the Republic of Korea, the United States, and other countries in Vietnam. A review of the literature suggests that FDI inflows to Vietnam can expand by 10-15 per cent. The investment shock is added to the above simulation to develop this scenario. Therefore, this scenario considers tariff elimination for trading between these nations, stringent Rules of Origin provision for Vietnamese apparel exports to the EU, and a rise in investment due to the EU-Vietnam Free Trade and Investment Agreement.

The RoO provisions are strict, requiring that goods achieve RoO status only through processing within Vietnam. The EVFTA's Rules of Origin are modelled after the EU's Generalised Scheme of Preferences (GSP) and its agreement with Singapore. For goods to qualify for preferential access, they must (a) originate in the EU or Vietnam, (b) be accompanied by a certificate of origin, and (c) meet specific additional criteria. Each HS sub-heading includes processing requirements that confer originating status. The agreement also establishes product-specific rules (PSR) applied equally across producers. Agricultural products must generally be wholly obtained in the EU or Vietnam, while processed goods require a change in tariff classification with limits on non-originating content. In textiles and apparel, a "double transformation" is required for preferential tariffs, but there is flexibility for mixed and printed fabrics. For footwear, the rules are more straightforward, while other products require either a change in tariff heading or a non-originating material value limit between 50 per cent and 70 per cent. The stringent rules of origin may act as a barrier to benefit from the tariff preferences and thus hamper export expansion. Therefore, the RoO is modelled by introducing a negative shock in the technological variable for Vietnamese exports to the EU.

The simulation considers tariff elimination, removal of non-tariff barriers and measures, FDI inflows to Vietnam, and stringent rules of origin requirements. The two scenarios are explained in Table 8.

[24] As soon as the EVFTA came into effect, 85.6% of the tariff lines were eliminated immediately (equivalent to 70.3% of Vietnam's exports to the EU). 99.2% of tariff lines (equivalent to 99.7% of Vietnam's exports turnover to the EU) will be eliminated within the next 7 years.

**Simulation 2: Potential impact of EVFTA and Bangladesh's LDC graduation combined**

Upon graduating from the Least Developed Country status, Bangladesh will no longer benefit from the existing duty-free market access designed for LDCs, which will be replaced by either a less favourable GSP scheme or no preference. This will result in a hike in tariff rates, including the largest export destination, the EU. In addition, Bangladesh's policy flexibility in adhering to the WTO rules and agreements will shrink. As such, the export incentives the government provides on export performance will be non-compliant with the Agreement on Subsidies and Countervailing Measures (SCM). Therefore, post-graduation, it will also no longer be able to provide export subsidies. The loss of preferential market access and export subsidy could affect Bangladesh's export competitiveness and reduce incentives for exporting.

The above discussion shows that when Bangladesh's tariff will rise in the EU after graduation, Vietnamese tariff will decline to zero. To account for these dynamics, this scenario considers Bangladesh's LDC graduation and the rise in tariff rates in major destination countries. The loss of LDC graduation-induced tariff hike and removal of export subsidy have been modelled along with the EU-VNM trade and investment. Shocks have been introduced by replacing the current tariff (preferential tariff) with post-graduation tariff rates for all sectors in major preference-granting countries. Another shock has been introduced to remove the export subsidy. These shocks are added to the above simulation to get the overall impact of the EU-VNM FTA and Bangladesh's apparel exports.

Simulation 2 examines the impact of tariff increases on Bangladesh's exports to the EU, due to preference erosion following its LDC graduation. These tariff changes are analysed in conjunction with the shocks introduced in Simulation 1. The specific scenarios are detailed in Table 8.

**Table 8: Simulation design and scenarios**

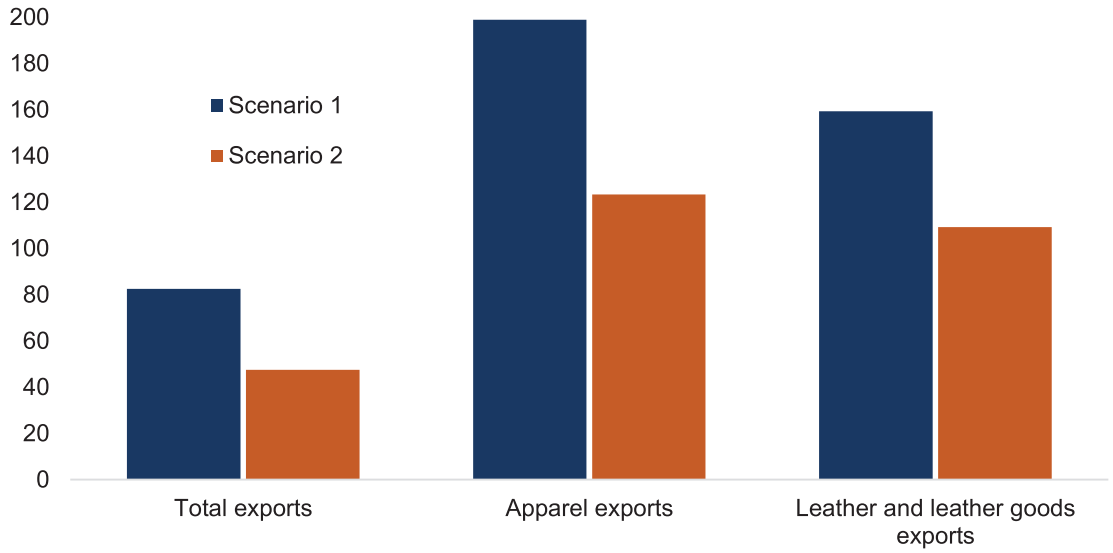
| | **Simulation 1: Potential impact of the EVFTA alone** | **Simulation 2: Potential impact of EVFTA and Bangladesh's LDC graduation combined** |
|---|---|---|
| Scenario 1<br><br>(Without Rules of Origin shock) | **EVFTA**<br>-Tariff elimination by both parties – Vietnam and the EU<br>-A reduction in non-tariff measures by both parties and bilateral trade facilitation<br>-An increase in investment in Vietnam under EVFTA and EVIPA | **EVFTA**<br>-Tariff elimination<br>-Reduction in non-tariff measures and trade facilitation<br>-Investment promotion due to EVFTA and EVIPA<br><br>**Bangladesh's LDC graduation**<br>-Standard GSP preferences in the EU |
| Scenario 2<br><br>(Including stringent Rules of Origin shock) | **EVFTA**<br>-Tariff elimination<br>-Reduction in non-tariff measures and trade facilitation<br>-Investment promotion due to EVFTA and EVIPA<br>-Implementation of stringent rules of origin for Vietnamese exports to the EU | **EVFTA**<br>-Tariff elimination<br>-Reduction in non-tariff measures and trade facilitation<br>-Investment promotion due to EVFTA and EVIPA<br>-Implementation of stringent rules of origin for Vietnamese exports to the EU<br>**Bangladesh's LDC graduation**<br>-Standard GSP preferences in the EU |

### *General equilibrium simulation results*

**Simulation 1: Potential impact of EVFTA**

The general equilibrium simulation using the GTAP model indicates that under Scenario 1, where tariffs are fully removed, and non-tariff barriers are significantly reduced under the EVFTA, Vietnam's total exports to the EU could increase by 82 per cent from the baseline export value. In a more realistic scenario (Scenario 2), where stringent rules of origin are required to be met by Vietnam for duty-free access, its overall exports to the EU are projected to grow by 47 per cent. Under this scenario, exports of apparel, leather, and leather goods are expected to more than double under the EVFTA. This growth is attributed to trade creation from tariff removal and trade diversion away from competitor countries. These findings align with other impact assessment studies on the EVFTA (European Commission, 2019).

**Figure 19 : Impact of EVFTA on Vietnamese exports to the EU (% change from the baseline)**

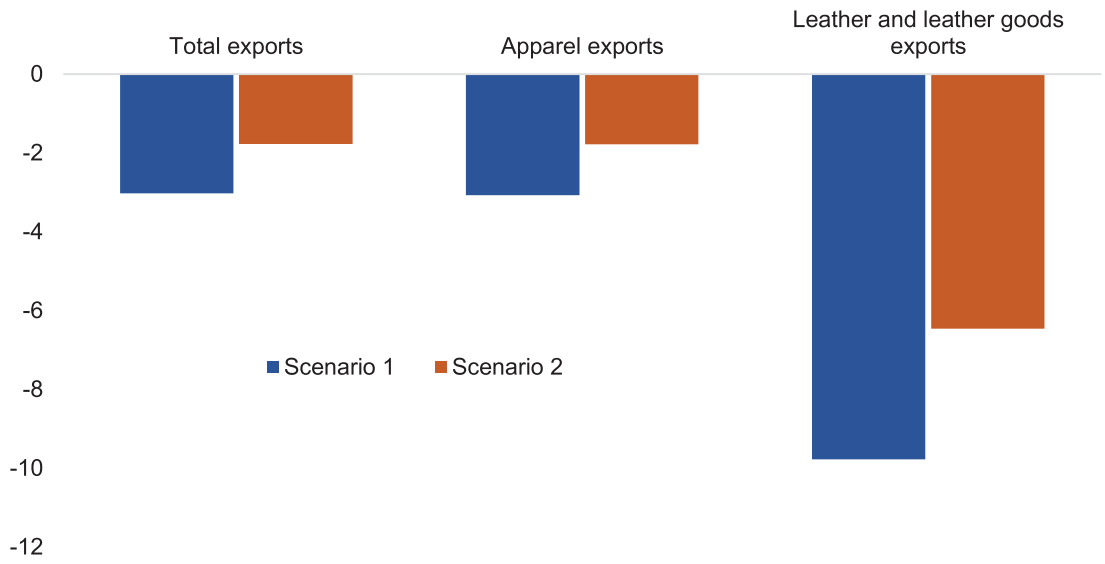



Source: Authors' simulations using the GTAP model.

The EVFTA is expected to create trade diversion from non-member countries, reducing Bangladesh's total exports to the EU by 3 per cent under Scenario 1 and by 1.8 per cent under Scenario 2. Apparel exports will experience the largest volume decline, with an estimated 3.1 per cent reduction from baseline export levels in Scenario 1. Given the EU's stringent rules of origin requirements under the EVFTA, the impact on trade diversion will be smaller in Scenario 2, with Bangladesh's apparel exports to the EU simulated to decline by 1.8 per cent and leather and leather products by 6.5 per cent.

Other product categories are likely to see minimal or no trade diversion, as exporters can shift focus to the sectors where competitiveness losses are smaller. The disproportionately high diversion in apparel and leather stems from their pre-FTA tariff rates for Vietnam, averaging 9.6 per cent for apparel and 6.6 per cent for leather under the GSP. Under the EVFTA, Vietnam will benefit from complete tariff elimination on these items, causing significant competitiveness loss for Bangladesh in its two primary export categories, which represent more than 90 per cent of its exports.

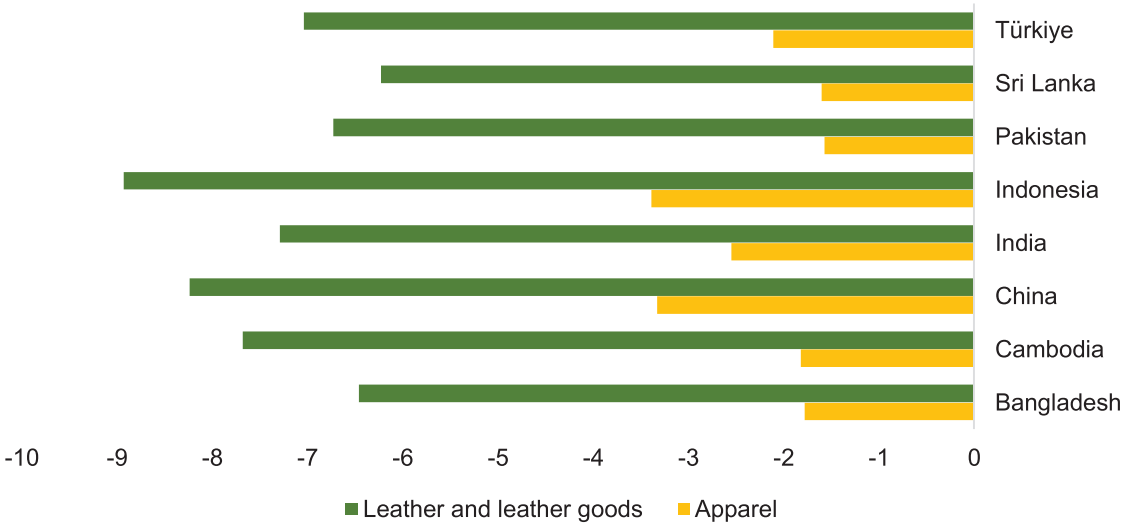
**Figure 20: Impact of EVFTA on Bangladesh's exports to the EU (% change from the baseline)**




Source: Authors' simulations using the GTAP model.

In addition to Bangladesh, other apparel and leather exporters to the EU will also experience significant trade diversion due to the EVFTA. Figure 21 illustrates that Chinese apparel exports are estimated to decrease by 3.3 per cent, with leather and leather product exports declining by 8.2 per cent under Scenario 2. Similarly, Cambodia, India, Indonesia, Pakistan, Sri Lanka, and Turkey are expected to face apparel trade diversions of 1.5 to 3.4 per cent, while their leather and leather product exports could see reductions ranging from 6.2 to 8.9 per cent.

**Figure 21: Potential impact of EVFTA on comparator's exports to the EU - apparel and leather goods (% change from the baseline) - in Scenario 2**

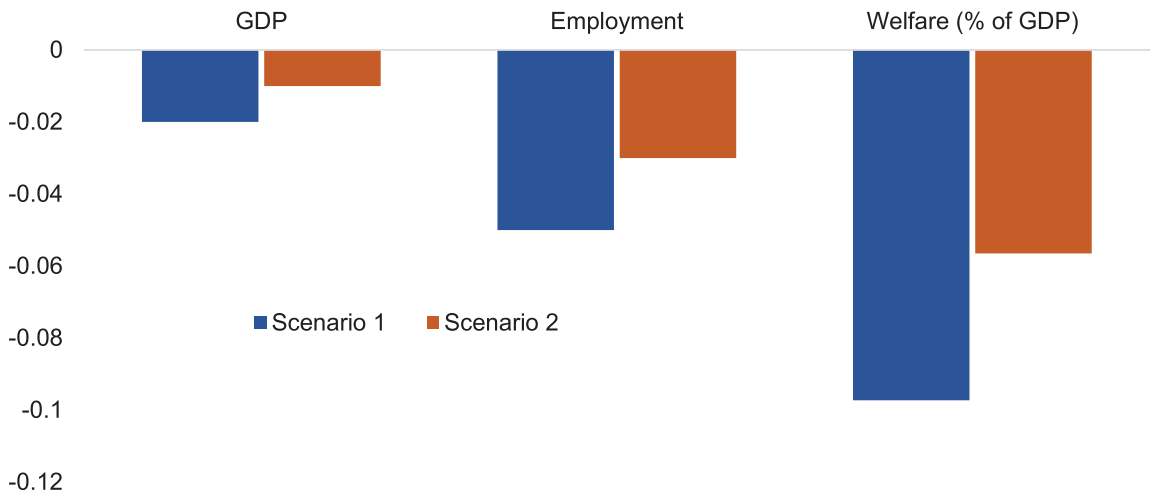



Source: Authors' simulations using the GTAP model.

Trade diversion and the resulting decline in Bangladesh's exports to the EU will lead to a contraction in its overall export volume. Bangladesh's global exports are projected to decrease by 0.3 per cent, with apparel and leather goods expected to decline by 0.6 per cent and 2.1 per cent, respectively. This export shock will also reduce imports across nearly all categories, with total imports estimated to shrink by about 0.5 per cent. Capital goods, especially machinery, will experience the largest absolute import decline, followed by textiles—such as cotton and other raw materials used in apparel manufacturing.

The downturn in exports and imports will negatively impact domestic economic activity in Bangladesh. Under Scenario 2, it is estimated that 0.03 per cent of skilled and unskilled workers, predominantly from the apparel and leather sectors, may lose their jobs. This trade diversion and reduced economic activity are projected to cause a 0.01 per cent decline in Bangladesh's GDP. These impacts align with findings from the European Commission study on the EU-Vietnam FTA, which suggests that ASEAN LDCs could experience a GDP loss of 0.1 per cent, with other LDCs seeing a 0.02 per cent reduction. For Bangladesh, the EVFTA is expected to result in a welfare loss equivalent to 0.06 per cent of GDP.

**Figure 22: Impact of EVFTA on Bangladesh's GDP, employment, and welfare (% change from the baseline)**

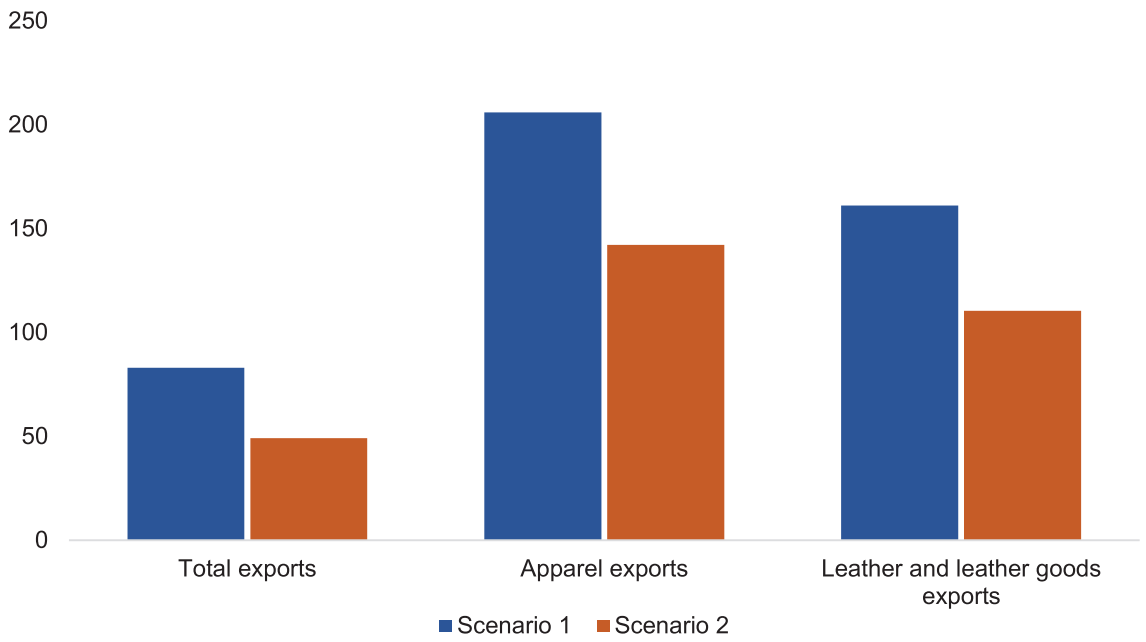



Source: Authors' simulations using the GTAP model.

**Simulation 2: Potential impact of EVFTA and Bangladesh's LDC graduation**

The second simulation examines the combined impact of the EVFTA and Bangladesh's LDC graduation-related preference erosion in the EU. In Scenario 1, which includes tariff increases for Bangladesh after graduation and full tariff elimination for Vietnam under the EVFTA, Vietnam's exports to the EU are simulated to increase by 84 per cent. In Scenario 2, where stringent rules of origin apply for Vietnamese exports to qualify for the FTA benefits, Vietnam's export growth to the EU is estimated to be at 49 per cent. Apparel exports in this scenario are projected to rise significantly by 142 per cent, with exports of leather and leather products also more than doubling.

**Figure 23: Impact of EVFTA and Bangladesh's LDC graduation on Vietnamese exports to the EU (% change from the baseline)**




Source: Authors' simulations using the GTAP model.

Bangladesh's LDC graduation and the resulting preference erosion in the EU market, along with competitiveness losses from the EVFTA, are likely to reduce Bangladesh's exports to the EU by 21.2 per cent under Scenario 1. In Scenario 2, which accounts for Vietnam's stringent rules of origin, Bangladesh's exports to the EU are estimated to decline by 20.3 per cent. Apparel exports from Bangladesh to the EU are simulated to fall by nearly 20 per cent post-graduation and EVFTA implementation. Around one-third of leather, leather goods, and textile exports are expected to contract. Processed food and light engineering exports are projected to decline by 12–16 per cent, as these products currently attract relatively low tariffs under Standard GSP and MFN. For certain categories, including grains, crops, and heavy manufacturing, where post-graduation tariff changes will be minimal or zero, Bangladesh's exports to the EU are likely to increase. Exports of all service sectors are also expected to grow, though the increase will be minor given their current low export volumes.

Since this study centres on preference erosion and competitiveness loss in the EU market alone, the model assumes that competitiveness in other markets will remain unchanged. Consequently, as Bangladeshi exporters lose competitiveness in the EU, they are expected to redirect some exports to alternative markets, leading to a relatively lower overall impact on total exports compared to the decline in exports to the EU. The simulation results indicate that, under Scenario 2, total exports are estimated to decline by 4.4 per cent relative to the baseline,[25] with apparel, leather and leather goods, and textiles decreasing by 6.5 per cent, 5.2 per cent, and 3.9 per cent, respectively.

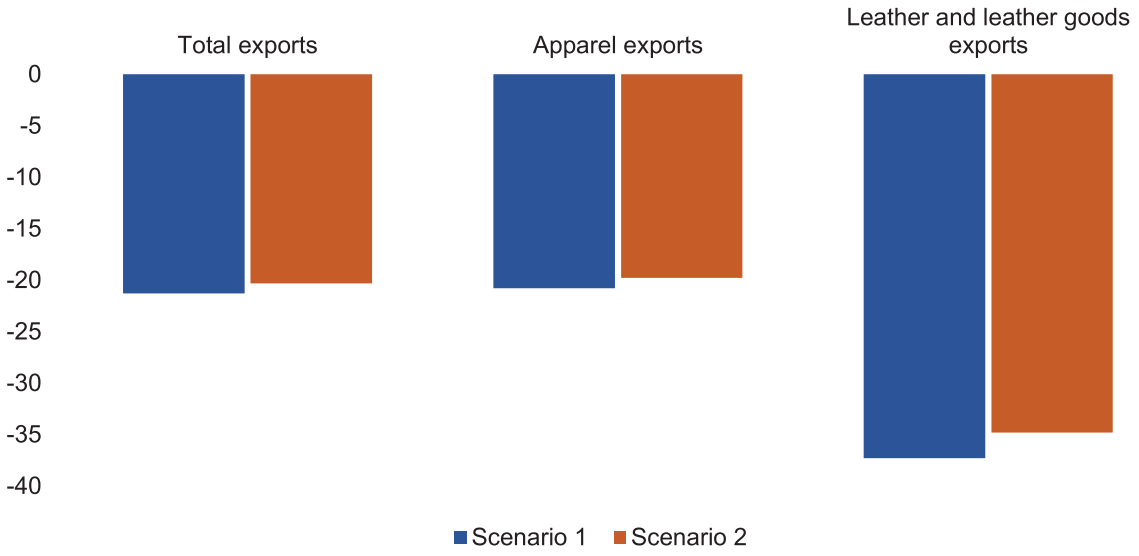
This reduction in exports will also impact imports, as lower export volumes mean a reduced need for capital machinery and raw materials. Furthermore, declining exports will restrict import financing, which

[25] Post-graduation Bangladesh will also lose preference to other markets; thus, the overall impact can be much higher. Given the scope of this study, this paper analyses the impact of eroding competitiveness due to EU-VNM FTA and post-graduation preference erosion in the EU market only.

is also accounted for in the GTAP model. In Scenario 2, Bangladesh's total imports are projected to decrease by 5 per cent, with the largest absolute declines in heavy machinery and textile products, including cotton and fibres/fabrics.

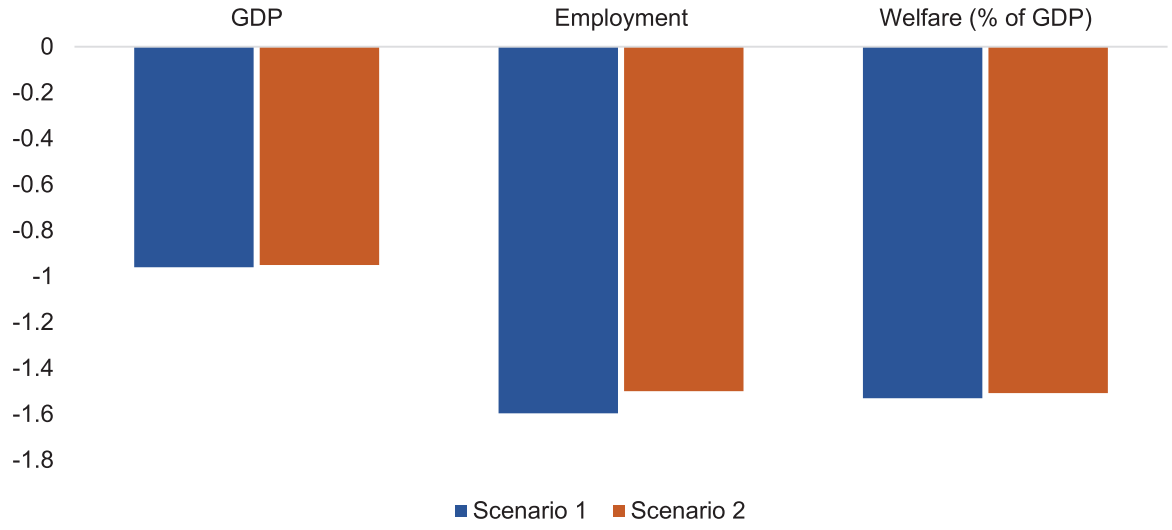
LDC graduation-related tariff hikes in the EU and EVFTA will affect Bangladesh's GDP, which is estimated to decline by nearly 1 per cent from the baseline in Scenario 2. Additionally, about 1.5 per cent of workers, primarily unskilled, are expected to face unemployment. The loss of welfare will be equivalent to 1.5 per cent of GDP.

**Figure 24: Impact of EVFTA and LDC graduation on Bangladesh's exports to the EU (% change from the baseline)**




Source: Authors' simulations using the GTAP model.

**Figure 25: Impact of EVFTA and LDC graduation on Bangladesh's GDP, employment, and welfare (% change from the baseline)**




Source: Authors' simulations using the GTAP model.

**Caveats in interpreting modelling results**

The results from the modelling exercises provide valuable insights into the potential impacts of the EVFTA on Bangladesh. However, these findings should be interpreted with caution, as they are subject to several limitations. Firstly, the model relies on theoretical frameworks and assumptions that may not fully reflect the complexities of global trade and economic dynamics. Additionally, dynamic shifts in trade patterns, supply chain disruptions, and evolving policy measures—such as potential changes to the EU's GSP provisions—could affect the underlying assumptions of the simulations. The results are also dependent on the accuracy of input data, which may not adequately capture sector-specific intricacies or variations in firm-level behaviour. For industries like apparel, where market power and global production networks play a significant role, these aspects are often difficult to represent within empirical modelling frameworks. Therefore, while the modelling results provide a robust foundation for policy discussion, they should be supplemented with qualitative insights and ongoing monitoring of real-world developments.

## 7.2 Price-setting mechanism between Bangladesh and Vietnam in the EU: an empirical analysis

The tariff elimination under the EVFTA is expected to enhance Vietnam's price competitiveness in the EU market. To estimate EVFTA's impact on Bangladesh's apparel export prices, a dynamic panel data econometric model was employed. The upper panel of Table 12 presents the estimated price equation for Bangladesh. Almost all variables are statistically significant at 1 per cent level for all estimated models. The findings indicate that the cross-price elasticity of Bangladesh with respect to Vietnam's price and the price of other comparators in the EU is positive, meaning that the prices set by other comparators have a significantly positive impact on the export price of Bangladesh. The coefficient of Vietnamese price in Bangladesh's equation implies that a 10 per cent reduction in Vietnamese apparel prices leads to only a 0.4–0.9 per cent decrease in Bangladesh's export prices. The impact is relatively low compared to the coefficient of the prices of other comparators in Bangladesh's equation, which reflects that a 10 per cent decline in the other comparators' price will lead to a 0.9-7.1 per cent decline in Bangladesh's apparel export prices.

This limited effect suggests that even if Vietnam lowers its apparel prices in line with the tariff preferences it gains under the EVFTA, the overall impact on Bangladesh's export prices will remain minimal. The modest price effect is attributed to Vietnam's relatively low market power in the EU apparel market compared to other major competitors. In contrast, the prices of other significant exporters with larger market shares exert a stronger influence on Bangladesh's export prices. Consequently, the direct welfare loss for Bangladesh from Vietnam's tariff-driven price competitiveness under the EVFTA is expected to be minimal.

The EU derogation of rules of origin has a positive effect on Bangladesh's export price, contributing to the impressive export performance in the EU. EU's GDP and price level positively and significantly improve Bangladesh's export performance by increasing its unit price. The estimated coefficients are almost similar for all estimation methods.[26]

[26] The cost component—wage costs adjusted for exchange rates—shows a negative and significant relationship with Bangladesh's export prices in all models except the simultaneous GMM model, where the coefficient remains negative but statistically insignificant. However, the expected relationship should be positive, as observed in earlier studies by Chang and Winters (2002) and Razzaque (2008). This anomaly may be attributed to Bangladesh's limited bargaining power and the price-setting mechanisms governing its apparel exports to the EU market.

The second panel of Table 9 represents the estimated results of the Vietnamese price equation. The elasticity of cost–wage adjusted for the exchange rate is positive and statistically significant. The high coefficient implies, to some extent, that a small devaluation in Vietnamese currency against USD has been translated into high prices of exports. The coefficient of Bangladesh's price is positive and statistically significant at a 1 per cent level for all models except for the simultaneous GMM model. The coefficient reflects that a 10 per cent decline in Bangladesh's price will reduce the Vietnamese apparel export price by 0.6-7.6 per cent. Bangladesh, the second largest exporter in the EU apparel market, has a significantly large impact on the prices of other comparators. The other comparator's price has a substantially positive impact on Vietnam's price. Likewise, in Bangladesh's equation, the domestic price of the EU has a positive and significant impact on Vietnam's export price.

The negative income elasticity of Vietnam can be explained by the Walmart effect**.** Even as income rises, consumers may continue to demand these goods at lower prices due to the downward pressure exerted by large suppliers like China and Bangladesh, resulting in a negative relationship between income (EU GDP) and Vietnam's export unit prices.

**Table 9: Estimated results for export price**

| | Single equation estimation | | Simultaneous equation estimation | |
|---|---|---|---|---|
| | EC2SLS | IV-GMM | SUR | GMM |
| | (1) | (2) | (3) | (4) |
| **Dependent variable: log of price of Bangladesh** | | | | |
| Ln(W/e) BGD | -0.346*** [0.060] | -0.413*** [0.059] | -0.351*** [0.059] | -0.088 [0.071] |
| ln_UV_VNM | 0.062* [0.033] | 0.087** [0.040] | 0.038*** [0.009] | 0.071*** [0.022] |
| ln_UV_RoW | 0.086*** [0.021] | 0.177*** [0.033] | 0.099*** [0.019] | 0.714*** [0.026] |
| ln_HICP | 0.381** [0.193] | 0.971*** [0.224] | 0.536*** [0.198] | 0.779*** [0.229] |
| ln_GDP_EU | 0.418*** [0.081] | 0.252*** [0.088] | 0.283*** [0.076] | -0.613*** [0.092] |
| RoO dummy | 0.139*** [0.038] | 0.091** [0.040] | 0.141*** [0.035] | 0.006 [0.042] |
| _cons | -15.043*** [2.083] | -13.807*** [1.988] | -11.609*** [1.834] | 14.977*** [2.177] |
| **Dependent variable: log of price of Vietnam** | | | | |
| Ln(W/e) VNM | 1.360*** [0.095] | 1.449*** [0.091] | 1.591*** [0.080] | 1.431*** [0.095] |
| ln_UV_BGD | 0.768*** [0.053] | 0.430*** [0.059] | 0.061*** [0.017] | 0.066 [0.063] |
| ln_UV_RoW | 0.248*** [0.032] | 0.604*** [0.046] | 0.191*** [0.026] | 0.981*** [0.054] |
| ln_HICP | 0.245 [0.342] | 0.529** [0.269] | -0.363 [0.303] | 1.017*** [0.354] |
| ln_GDP_EU | -1.235*** [0.134] | -1.598*** [0.150] | -0.973*** [0.104] | -1.994*** [0.141] |
| _cons | 43.868*** [4.346] | 53.829*** [4.625] | 36.990*** [3.335] | 63.247*** [4.417] |

**Note:** ***, **, * denote statistical significance at 1%, 5% and 10%, respectively.

# VIII. Policy Recommendations

The EU-Vietnam Free Trade Agreement (EVFTA) has introduced significant shifts in the competitive dynamics of the EU market, particularly for apparel exports. With the phased elimination of tariffs and reduced non-tariff barriers, Vietnam's competitiveness in the EU has been strengthened, supported further by its efforts to enhance domestic value addition and attract foreign direct investment. For Bangladesh, the impending LDC graduation and the associated loss of duty-free access under the EU's Everything But Arms scheme present critical challenges. Coupled with Vietnam's growing presence in the EU market, these developments underscore the urgency for Bangladesh to adapt its trade and industrial strategies to improve export competitiveness, consider options for seeking extended trade preferences, and address any potential broader economic impacts. In this regard, this paper proposes a set of policy recommendations to continue market access and improve competitiveness in the EU market.

*Actively engage with the EU to secure favourable post-graduation trade terms.*

- After graduation and a three-year transition period, Bangladesh will no longer qualify for EBA benefits and may instead transition to GSP+ or Standard GSP, each having significant tariff implications. The GTAP simulation shows that due to the EVFTA and post-graduation tariff hikes, Bangladesh will lose significant export earnings, which will be diverted to close competitors, especially Vietnam. To mitigate the adverse shock arising from post-graduation tariff hikes, Bangladesh should seek an extension of the transition period by 3-5 years, in addition to the existing three years allowed under the EU-GSP regime for the graduated LDCs. The study found that Bangladesh's preference erosion will negatively affect the EU's consumer welfare due to declining apparel imports from Bangladesh. The EVFTA alone cannot compensate for the welfare loss of the EU consumers. This can create a ground for the EU to allow extended transition periods for EBA benefits for Bangladesh.

- The EU has extended the operation of its current GSP scheme until the end of 2027, offering Bangladesh a valuable window of opportunity to engage with the EU to seek favourable provisions. This extension allows Bangladesh time to advocate for critical adjustments that would ease its transition following LDC graduation, particularly in securing preferential market access. Key areas for engagement include:

    - Removal or relaxation of Article 29 in the proposed EU GSP provisions not to impose safeguard measures on textiles and clothing for non-LDC GSP beneficiaries: This would enable Bangladesh to retain duty-free access for apparel exports even after graduating from LDC status under the GSP+ scheme. Given the importance of apparel exports to Bangladesh's economy, this would significantly help the country maintain its competitiveness in the EU market.

    - Relaxation of the rules of origin requirements: a 50 per cent value addition for non-apparel exports and double-stage transformation for apparel exports are required as a precondition for preferential market access for non-LDCs. However, this threshold is too stringent, especially in the current era of global value chain (GVC)-led trade, where countries often specialise in specific tasks or stages of production rather than the entire product. Relaxing these rules would allow Bangladesh to benefit from GSP+ preferences more broadly. Therefore, Bangladesh, along with other graduating countries, should collectively request the EU to apply for EBA-type liberal RoO terms for graduated LDCs.

*Bangladesh must prioritise comprehensive reforms to align with international standards on labour rights, environmental sustainability, and good governance, ensuring eligibility for preferential trade schemes like GSP+ and enhancing its global competitiveness.*

- To secure preferential access under schemes such as the EU's Generalised Scheme of Preferences Plus (GSP+), Bangladesh must demonstrate full compliance with the 32 international conventions related to human rights, labour rights, environmental sustainability, and good governance. While significant progress has been made in some areas, a comprehensive strategy is required to address remaining gaps and strengthen alignment with these international standards.

- Firstly, immediate steps should be taken to enhance labour rights protections. This includes ensuring freedom of association, improving workplace safety, and addressing wage disparities. Labour reforms should be supported by robust enforcement mechanisms and greater engagement with worker representatives to meet EU requirements.

- Environmental compliance represents another critical area. As the EU prioritises sustainable production, Bangladesh must adopt policies that encourage resource-efficient and low-carbon manufacturing processes. Implementing renewable energy solutions, waste management practices, and eco-friendly production technologies in the apparel and other export sectors will help meet the EU's stringent environmental standards.

- Moreover, governance reforms aimed at enhancing transparency, accountability, and anti-corruption measures will be vital to demonstrate commitment to good governance. Technical and financial support from development partners, including the EU, should be leveraged to address capacity gaps in these areas.

Lastly, continuous engagement with EU stakeholders and monitoring mechanisms will be essential to ensure compliance is sustained and improvements are effectively communicated. These steps will not only strengthen Bangladesh's eligibility for GSP+ but also enhance its reputation as a responsible and competitive trading partner in global markets.

*Pursuing a Free Trade and Investment Agreement (FTIA) with the EU.*

Bangladesh should explore the possibility of a full-fledged Free Trade and Investment Agreement (FTIA) or a Comprehensive Economic Partnership Agreement (CEPA) with the EU to secure long-term market access and attract foreign direct investment (FDI). While seeking GSP+ preferences post-LDC graduation is a viable interim solution, this approach is inherently temporary. As Bangladesh aspires to achieve upper-middle-income status, it will no longer qualify for unilateral trade preferences from the EU. Establishing an FTIA or CEPA is therefore critical for maintaining duty-free access to the EU market, particularly for the apparel sector. Additionally, such an agreement with Bangladesh's largest export destination would enhance the country's appeal to FDI. Securing an FTIA with a developed economy like the EU would, however, necessitates undertaking extensive reforms and liberalisation commitments. These may include:

- Labour standards and environmental regulations: Meeting EU expectations by adopting and effectively implementing international labour and environmental standards, which can also enhance the sustainability of exports.

- Trade facilitation and regulatory alignment: Improving customs procedures, addressing non-tariff barriers, and aligning domestic regulations with EU standards to ensure smoother market access.

- Sectoral competitiveness: Upgrading domestic industries to meet stringent Rules of Origin and enhance value addition, particularly in the textiles and apparel sectors.

- Investment and services liberalisation: Opening up select sectors for foreign investment and integrating them into global value chains, fostering productivity and competitiveness.

These reforms, though challenging, would strengthen Bangladesh's economic foundation and global competitiveness while enhancing its appeal for foreign investment. However, negotiating an FTA with the EU would be a complex and lengthy process, requiring extensive preparation, including institutional capacity building, feasibility studies, and stakeholder engagement. The EU's high standards in labour rights, environmental protection, and trade facilitation must be met, alongside potential short-term sectoral adjustments. Despite these challenges, the long-term benefits—sustained market access, enhanced export competitiveness, and increased FDI—make pursuing an FTA a strategic necessity for Bangladesh.

*Enhancing firm-level competitiveness to mitigate preference erosion.*

Various studies have previously found that preference erosion arising from LDC graduation will significantly undermine Bangladeshi firms' competitiveness.[27] This paper shows that LDC graduation along with EVFTA, will put pressure on Bangladesh's EU-bound exports. Improving firm-level competitiveness through industrial upgrading and innovation is critical to mitigating the impacts of tariff changes resulting from Bangladesh's LDC graduation in the EU market.

Businesses in Bangladesh can benefit significantly from industrial upgrades aimed at improving both processes and products. Process upgrading involves enhancing manufacturing techniques by integrating cutting-edge technologies and developing a skilled workforce. Product upgrading, on the other hand, focuses on creating more complex and sophisticated goods. Automation and the deepening of capital-intensive production processes are already underway in the country's garment industry. However, evidence suggests that Bangladesh's garment sector has a lower level of capital intensity compared to Cambodia, China, India, and Vietnam. This indicates substantial potential for increasing labour productivity through further industrial upgradation.

Advancing production processes with modern technologies, skilled labour, and a focus on higher-value products will strengthen business resilience and export competitiveness. In the apparel sector, boosting local production of high-quality fabrics is essential to reducing import dependence and lowering production costs. This can be achieved through targeted policies such as tax incentives, low-interest financing, and cash subsidies for textile and accessory manufacturers. Modernising textile mills with advanced machinery will further ensure globally competitive output. Additionally, fostering ancillary industries like zippers, buttons, and packaging will enhance supply chain efficiency and resilience, contributing to the overall competitiveness of Bangladesh's apparel exports.

[27] The United Nations Conference on Trade and Development (UNCTAD) estimated a 5.5–7.5 per cent fall in Bangladesh's total exports due to the loss of preferential access after graduation (UNCTAD 2016). Rahman and Bari (2018) derived an 8.7 per cent decline in Bangladesh's total exports (equivalent to $2.7 billion). Razzaque and Rahman (2020) estimated the export loss would be approximately $2 billion for apparel sector only. The WTO-EIF (2020) study estimated a 14 per cent decline in Bangladesh's exports due to preference erosion after graduation.

*Promoting backward linkage to boost apparel export competitiveness.*

There is evidence to suggest that Bangladesh's domestic yarn is often costlier than that of neighbouring country, India, deepening the lower backward linkage capacity. Sourcing lower- cost imported raw materials and implementing robust supply chain management strategies will decrease production costs and improve overall efficiency. However, after LDC graduation, if Bangladesh's apparel exports are going to be subject to MFN tariffs due to safeguard measures, focusing on lower-cost imported raw materials can enhance competitiveness compared to using higher-priced domestic inputs. While this may serve as a short-term strategy, developing a strong backward linkage could be a more sustainable option, benefiting both from the next GSP scheme and future engagement with the EU through an FTA. While there has been a reduction in tariffs, Vietnam's relatively weaker performance in the apparel sector is partly explained by the strict rules of origin under the EVFTA. Nevertheless, Vietnam has incrementally enhanced its capacity in textile production. It is expected that Bangladesh will emulate this by investing in its backward linkages in fabric production lines to reduce dependence on imported raw materials and comply with more stringent RoO requirements following graduation from LDC status. Key areas to increase backward linkage capacity include:

- Increasing locally produced high-quality fabrics will reduce import dependence, thereby reducing production lead times and enhancing cost efficiency. This can be achieved by ensuring proper electricity, gas and other supplies to the domestic textile industry.
- How support measures compatible with World Trade Organization (WTO) rules can be deployed to attract investment into the backward linkage industries should be a key policy consideration.
- The industry needs to renovate textile mills with cutting-edge machinery and updated technology so that the market can be provided with better quality and different varieties of fabrics and yarns that can compete with imported alternatives.
- Supporting local chemical and dye manufacturing to feed the demand in textile processing and finishing that is presently substantially reliant on imports. In this way, this will make sure that delivery is faster and prices are cheaper in the apparel industry.
- Establishment of research and development facilities for innovation in fabrics, state-of-the-art dye technology, and engineering textiles will upgrade quality and variety of indigenously produced raw materials to international competitiveness.
- Developing a vertically integrated supply chain where spinning, weaving, dyeing, and garment manufacturing all take place in a single facility can reduce the lead times as well as production cost, thereby rendering it responsive on a global scale.

Perhaps stimulating collaboration between textile producers and garment manufacturers to synchronise their respective production cycles would prevent delay and ensure a smooth flow along the value chain.

*Maintaining cotton apparel dominance in the EU while expanding MMF production and exports.*

Bangladesh is the largest exporter of cotton apparel to the EU, commanding an impressive 34.7 per cent share of the EU's total imports from non-EU countries. In comparison, the market shares for other competitors are 14.9 per cent for China, 14.4 per cent for Turkey, 7.4 per cent for India, and 2.3 per cent for Vietnam. This remarkable success has established Bangladesh as a global leader in cotton apparel

exports. However, to ensure sustainable growth and mitigate risks associated with over-reliance on a single product category, diversifying into man-made fibre (MMF) apparel is essential.

Heavy dependence on cotton apparel leaves Bangladesh vulnerable to sector-specific shocks, such as supply chain disruptions, global cotton price fluctuations, or shifts in consumer preferences. MMF apparel, with its unique properties, caters to changing global demands and offers a pathway to buffer against these uncertainties. Diversification, however, is not about pivoting away from cotton but expanding the product portfolio. Strengthening the cotton sector while strategically developing MMF production can ensure balanced and resilient growth. Abrupt shifts driven by policy changes may risk destabilising the established cotton industry. Therefore, a judicious strategy that nurtures and expands the strengths of the cotton sector while fostering growth in MMF apparel would be the most prudent course of action.

### *Diversifying the export basket to mitigate trade preference erosion.*

Diversifying exports is critical to reducing the adverse effects of trade preference erosion in the EU market. While apparel dominates Bangladesh's exports, the highly diversified EU market offers significant opportunities in sectors such as machinery, electrical products, agricultural goods, processed food, pharmaceuticals, and plastics, which collectively account for billions of dollars in imports. Post-LDC graduation, tariffs for these products will remain relatively low, and Vietnam's gains under the EVFTA in these categories are minimal. Expanding non-apparel exports can help offset potential trade losses from the EVFTA and LDC graduation. A previous FES-RAPID study identified several promising sectors beyond apparel with growth potential in the EU market (Razzaque *et al*., 2024). The government should introduce targeted policies to support these industries, including export incentives, capacity-building initiatives, and market access facilitation, to help them thrive in the competitive EU landscape.

To promote export diversification and ensure equal opportunities for all sectors, discrimination between the RMG and non-RMG industries needs to be eliminated. Extending bonded warehouse facilities to all sectors is also essential, as many non-RMG sectors serve both domestic and foreign markets. In fact, all exporting firms, regardless of their sales distribution, should have access to bonded warehouse facilities, allowing import duties to be collected based on the proportion of goods produced for export and domestic consumption. This would enable non-traditional sector exporters to receive cash assistance and access duty drawback schemes. Additionally, non-apparel sectors should have equal access to export credit guarantee schemes and other financing initiatives. Simplified access to utilisation declaration for non-apparel sectors should be ensured to streamline the process and save time.

### *Enhancing trade infrastructure and reducing costs to boost competitiveness.*

Efficient trade infrastructure and logistics are essential for maintaining Bangladesh's export competitiveness, particularly in the face of heightened competition from countries like Vietnam, which have leveraged trade agreements to streamline market access. Enhancing infrastructure will reduce costs, minimise delays, and improve the reliability of exports, factors critical to retaining and expanding market share in the EU.

Investments in modernising ports, upgrading customs facilities, and expanding transport networks should be prioritised to improve the overall efficiency of trade operations. For instance, adopting digital systems for customs clearance and integrating electronic data interchange (EDI) solutions can significantly reduce lead times and enhance transparency in trade processes.

Bangladesh should also develop intermodal transport systems that seamlessly connect road, rail, and sea transport to facilitate the efficient movement of goods across domestic and international markets. Such connectivity can ease bottlenecks, especially during peak trade seasons, ensuring uninterrupted supply chains. In addition to physical infrastructure improvements, logistics services should be made more competitive through policy measures that encourage private sector participation. Promoting public-private partnerships (PPPs) can mobilise the necessary resources for large-scale infrastructure projects and foster innovation in logistics management.

Furthermore, adopting green logistics practices, such as optimising supply chains for energy efficiency and reducing emissions, can align Bangladesh's trade operations with the EU's sustainability priorities. This dual focus on efficiency and environmental compliance will enhance Bangladesh's appeal as a responsible and reliable trading partner. By improving trade infrastructure and logistics, Bangladesh can address its current operational challenges and create a more resilient trade environment, critical for sustaining export growth in the EU and beyond.

### *Ensuring compliance with ESG and EU Sustainability Due Diligence regulations.*

The importance of climate change and sustainable development is growing in international trade and investment attraction. Western consumers are increasingly prioritising sustainable consumption, and foreign investors are actively seeking sustainable projects. Consequently, Environmental, Social, and Governance (ESG) compliance has become crucial for investors and EU-linked global supply chain leaders. Compliance scrutiny will continue to rise as climate campaigns gain momentum. While non-compliance issues persist in Bangladesh's clothing industry, non-garment export industries and import-competing sectors face even greater challenges.

To maintain and enhance export competitiveness in the EU market, Bangladesh must align with the European Commission's proposed Directive on Corporate Sustainability Due Diligence. Proactively implementing robust human rights and environmental due diligence frameworks within supply chains is essential. Adopting sustainable production practices and adhering to ESG-related regulations will be critical for long-term success. There is a need for supporting businesses, particularly in high-risk sectors such as textiles, by providing clear guidelines, training programmes, and resources to ensure compliance with EU standards. Additionally, promoting sustainability, enhancing transparency, and fostering collaboration with international partners will help exporters align with EU guidelines. These measures will safeguard market access, strengthen Bangladesh's competitive position, and attract sustainable investments.

### *Align with the EU's Carbon Border Adjustment Mechanism (CBAM).*

Bangladesh must prepare to align with the EU's Carbon Border Adjustment Mechanism (CBAM) to safeguard its export competitiveness in the evolving global trade landscape. Introduced in October 2023, CBAM imposes carbon taxes on imports to account for their embedded emissions. While Bangladesh is not currently affected, the scope of CBAM may expand to include the apparel sector, posing significant challenges alongside the loss of tariff preferences due to LDC graduation and rising competition from countries like Vietnam. Competitors such as China, India, and Vietnam are already making progress by increasing renewable energy use and establishing domestic carbon markets, putting Bangladesh at risk of being disproportionately affected if it fails to act proactively.

To address these challenges, Bangladesh should consider introducing a domestic carbon tax and establishing a carbon market to reduce greenhouse gas emissions and align with CBAM requirements.

These measures would also improve climate resilience and enhance the country's position as a responsible trade partner. However, physical constraints, such as limited land for renewable energy infrastructure, make compliance particularly challenging. Bangladesh should therefore advocate for greater flexibility in international frameworks, including CBAM, for countries with similar limitations. Additionally, seeking technical and financial assistance from development partners will be critical to implementing effective carbon reduction strategies and ensuring long-term competitiveness in the EU market.

# IX. Conclusion

The EU-Vietnam Free Trade Agreement (EVFTA) has significantly altered the competitive dynamics in the EU market, granting Vietnam substantial advantages in tariff preferences, non-tariff barrier reductions, and investment facilitation. These developments pose considerable challenges for Bangladesh, particularly as the country approaches its LDC graduation and the associated loss of preferential market access under the EU's Everything But Arms scheme. The reversal of tariff preferences in favour of Vietnam underscores the urgency for Bangladesh to adopt proactive measures to mitigate trade diversion risks and maintain its export competitiveness in the EU market.

This study has demonstrated that while Bangladesh continues to dominate EU apparel exports, particularly in cotton-based products, Vietnam's growing foothold in man-made fibre (MMF) apparel and its diversified export structure present a formidable challenge. The econometric and simulation analyses highlight the potential decline in Bangladesh's export volumes and competitiveness post-LDC graduation, compounded by Vietnam's increasing access to the EU market under the EVFTA. These findings underscore the critical need for Bangladesh to enhance its industrial competitiveness, diversify its export base, and pursue favourable trade agreements.

It is important to note the inherent limitations of empirical analyses of this nature. Bangladesh's well-established capacities in bulk production, supported by a robust network of buyers and retailers, could offer a degree of resilience against potential export shocks. Additionally, the declining market share of China in the EU presents opportunities for Bangladesh to further expand its presence in this critical market. These and other evolving dynamics, such as shifts in global consumer preferences and supply chain reconfigurations, have not been fully captured in the empirical framework. Nevertheless, the findings of this paper provide valuable insights into the significant pressure that the EVFTA is likely to exert on Bangladesh's export competitiveness, underscoring the need for timely and strategic interventions.

The global trade landscape is undergoing rapid transformation, driven by the rise of regional trade blocs, increasing protectionist measures, and the reconfiguration of global supply chains. For Bangladesh, these shifts present both challenges and opportunities. While regional agreements such as the Regional Comprehensive Economic Partnership (RCEP) could influence trade flows, they also offer pathways for deeper integration within Asia. Simultaneously, the growing emphasis on sustainability and fair trade practices, particularly in the EU, necessitates proactive adaptation to emerging trends. Positioning itself strategically within this evolving landscape will be critical for Bangladesh to safeguard its market share and explore untapped trade corridors.

Enhancing export competitiveness requires addressing critical structural challenges within Bangladesh's domestic economy. Inefficiencies in energy supply, inadequate infrastructure, and limited access to affordable financing for small and medium-sized enterprises (SMEs) continue to impede the export

sector's growth potential. Targeted reforms to improve energy efficiency, modernise transport and logistics networks, and strengthen financial inclusion for exporters are essential. Additionally, fostering a business-friendly regulatory environment and streamlining bureaucratic processes could enable exporters to respond more dynamically to global market demands and maintain a competitive edge.

The complexity of global trade dynamics necessitates a robust framework for evidence-based policymaking. Regular monitoring of trade agreements, coupled with scenario-based analyses, can provide insights into potential risks and opportunities for Bangladesh. Building institutional capacity for trade analytics, such as the ability to model the impacts of tariff changes or shifts in global demand, is crucial. These tools will enable policymakers to adapt strategies in real-time, ensuring that trade policies remain aligned with Bangladesh's long-term development goals and its ambitions for deeper global integration.

Looking forward, several strategic considerations merit further exploration. First, future research could investigate the potential for Bangladesh to integrate sustainability and carbon compliance measures into its trade strategy, aligning with the EU's Corporate Sustainability Due Diligence Directive and the Carbon Border Adjustment Mechanism (CBAM). Second, deeper analyses of the implications of stricter rules of origin post-graduation could provide insights into building resilient supply chains and fostering upstream industries, particularly in non-cotton textiles. Third, the potential for Bangladesh to expand into non-traditional sectors such as pharmaceuticals, electronics, and processed food remains an area of untapped opportunity requiring further examination.

Finally, this paper underscores the importance of dynamic trade policy adjustments and continuous engagement with key stakeholders, including the EU, industry representatives, and multilateral organisations, to ensure Bangladesh's transition to a post-LDC trade regime is both competitive and inclusive. By addressing the structural and policy-related gaps identified herein, Bangladesh can not only navigate the challenges posed by the EVFTA and LDC graduation but also chart a pathway towards sustained export growth and diversification in an increasingly competitive global trade environment.

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# Annex

## Annex A

**Table A1: Top 10 global apparel exporter and their market share**

| Years | China | Bangladesh | Vietnam | Italy | Germany | Türkiye | France | India | Spain | Netherlands |
|---|---|---|---|---|---|---|---|---|---|---|
| **2001** | 17.5% | 2.2% | 1.0% | 7.1% | 3.8% | 3.4% | 2.8% | 2.7% | 1.1% | 1.3% |
| **2002** | 18.7% | 2.1% | 1.3% | 6.9% | 4.0% | 3.9% | 2.9% | 2.8% | 1.4% | 1.3% |
| **2003** | 20.5% | 2.3% | 1.5% | 6.9% | 4.1% | 4.3% | 3.0% | 2.7% | 1.5% | 1.4% |
| **2004** | 22.0% | 2.5% | 1.7% | 7.0% | 4.3% | 4.3% | 3.0% | 2.6% | 1.6% | 1.5% |
| **2005** | 24.5% | 2.5% | 1.7% | 6.6% | 4.3% | 4.2% | 3.0% | 3.0% | 1.6% | 1.4% |
| **2006** | 29.2% | 2.7% | 1.8% | 6.2% | 4.3% | 3.8% | 2.9% | 3.0% | 1.7% | 1.4% |
| **2007** | 31.8% | 2.7% | 2.1% | 6.3% | 4.4% | 3.9% | 3.0% | 2.7% | 1.7% | 1.6% |
| **2008** | 31.3% | 3.3% | 2.3% | 6.5% | 5.1% | 3.6% | 3.0% | 2.8% | 2.0% | 1.6% |
| **2009** | 31.8% | 3.9% | 2.6% | 5.8% | 5.3% | 3.5% | 3.0% | 3.6% | 2.3% | 1.8% |
| **2010** | 34.8% | 4.3% | 2.9% | 5.3% | 4.9% | 3.6% | 2.7% | 3.0% | 2.1% | 1.7% |
| **2011** | 35.2% | 4.7% | 3.1% | 5.3% | 4.8% | 3.3% | 2.5% | 3.4% | 2.3% | 2.0% |
| **2012** | 36.6% | 4.8% | 3.5% | 5.0% | 4.4% | 3.4% | 2.4% | 3.2% | 2.4% | 1.8% |
| **2013** | 37.7% | 4.5% | 3.8% | 4.9% | 4.2% | 3.5% | 2.3% | 3.6% | 2.5% | 1.9% |
| **2014** | 36.9% | 6.2% | 4.2% | 4.9% | 4.1% | 3.6% | 2.3% | 3.5% | 2.5% | 2.0% |
| **2015** | 37.2% | 6.1% | 4.9% | 4.4% | 3.7% | 3.4% | 2.2% | 3.9% | 2.6% | 1.7% |
| **2016** | 34.3% | 7.7% | 5.2% | 4.6% | 3.8% | 3.4% | 2.3% | 3.9% | 2.8% | 1.8% |
| **2017** | 32.5% | 7.8% | 5.4% | 4.8% | 4.5% | 3.3% | 2.4% | 3.9% | 3.1% | 1.9% |
| **2018** | 30.6% | 8.3% | 5.9% | 4.9% | 4.9% | 3.2% | 2.5% | 3.3% | 3.0% | 2.2% |
| **2019** | 29.2% | 8.7% | 6.4% | 5.1% | 5.0% | 3.4% | 2.5% | 3.4% | 3.0% | 2.4% |
| **2020** | 29.7% | 8.7% | 6.4% | 5.0% | 5.4% | 3.6% | 2.5% | 2.9% | 2.8% | 2.6% |
| **2021** | 30.9% | 9.1% | 5.8% | 5.0% | 5.1% | 3.6% | 2.5% | 3.0% | 3.0% | 2.7% |
| **2022** | 30.2% | 10.5% | 6.1% | 4.8% | 4.7% | 3.5% | 2.5% | 3.0% | 2.8% | 2.5% |
| **2023** | 29.8% | 9.6% | 5.8% | 5.4% | 5.3% | 3.5% | 3.0% | 2.8% | 2.8% | 2.7% |

Source: Authors' calculation using data from ITC trade map.

**Table A2: Major suppliers' share in the EU apparel imports (% of total apparel imports from EU and non-EU countries)**

| Year | China | Germany | Bangladesh | Italy | Netherlands | Spain | Poland | Türkiye | Belgium | France |
|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | 11.0% | 7.5% | 3.2% | 8.7% | 4.3% | 2.5% | 1.9% | 8.0% | 5.2% | 4.2% |
| 2003 | 12.1% | 7.8% | 3.6% | 8.5% | 4.3% | 2.6% | 1.8% | 8.6% | 5.1% | 3.9% |
| 2004 | 12.8% | 8.8% | 4.0% | 8.1% | 3.9% | 2.6% | 1.6% | 8.3% | 4.9% | 4.0% |
| 2005 | 17.4% | 8.7% | 3.6% | 7.7% | 3.8% | 2.8% | 1.4% | 8.0% | 5.1% | 4.2% |
| 2006 | 18.0% | 8.3% | 4.3% | 7.2% | 3.8% | 2.9% | 1.3% | 7.5% | 4.8% | 4.2% |
| 2007 | 19.5% | 8.4% | 3.8% | 7.4% | 3.9% | 3.0% | 1.4% | 7.5% | 4.9% | 4.5% |
| 2008 | 21.5% | 8.7% | 4.0% | 7.5% | 3.8% | 3.3% | 1.8% | 6.7% | 5.0% | 4.8% |
| 2009 | 23.0% | 9.2% | 4.6% | 7.0% | 3.8% | 3.6% | 1.9% | 6.3% | 4.7% | 4.2% |
| 2010 | 24.3% | 9.1% | 5.3% | 6.6% | 3.8% | 3.6% | 2.1% | 6.8% | 4.1% | 3.9% |
| 2011 | 23.7% | 9.0% | 6.3% | 6.2% | 4.0% | 3.5% | 2.1% | 6.7% | 4.1% | 3.8% |
| 2012 | 22.0% | 8.8% | 7.1% | 6.3% | 4.3% | 3.9% | 2.2% | 6.9% | 4.0% | 3.8% |
| 2013 | 20.7% | 8.9% | 7.7% | 6.2% | 4.6% | 4.2% | 2.4% | 6.9% | 4.1% | 3.8% |
| 2014 | 20.1% | 9.5% | 8.0% | 6.1% | 4.6% | 4.2% | 2.4% | 6.5% | 3.8% | 3.7% |
| 2015 | 19.4% | 9.4% | 9.0% | 5.8% | 4.3% | 4.5% | 2.7% | 6.1% | 4.0% | 3.6% |
| 2016 | 17.4% | 9.8% | 9.4% | 5.8% | 4.5% | 4.7% | 3.1% | 6.0% | 4.1% | 3.7% |
| 2017 | 16.3% | 10.9% | 9.1% | 6.0% | 4.9% | 4.9% | 3.1% | 5.9% | 3.8% | 3.7% |
| 2018 | 15.6% | 11.2% | 9.4% | 5.9% | 5.3% | 4.9% | 3.2% | 5.8% | 3.7% | 3.9% |
| 2019 | 14.9% | 11.1% | 9.7% | 6.0% | 5.3% | 5.1% | 4.1% | 5.7% | 3.5% | 3.7% |
| 2020 | 14.9% | 12.0% | 9.0% | 5.9% | 5.3% | 5.1% | 5.5% | 5.9% | 3.3% | 3.6% |
| 2021 | 14.2% | 12.3% | 9.3% | 6.3% | 5.8% | 5.4% | 6.3% | 6.1% | 3.5% | 3.6% |
| 2022 | 14.8% | 10.7% | 11.2% | 5.7% | 5.7% | 5.2% | 5.7% | 5.9% | 3.6% | 3.2% |
| 2023 | 12.9% | 11.2% | 9.7% | 6.6% | 6.2% | 5.9% | 5.8% | 5.5% | 3.7% | 3.6% |

Source: Authors' calculations using data from EU Comext.

**Table A3: Major non-European suppliers' share in the EU apparel imports (% of total apparel imports from EU and non-EU countries)**

| Year | China | Bangladesh | Türkiye | India | Vietnam | Cambodia | Pakistan | Myanmar | Morocco | Sri Lanka |
|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | 11.0% | 3.2% | 8.0% | 2.7% | 0.9% | 0.4% | 0.8% | 0.3% | 2.9% | 0.3% |
| 2003 | 12.1% | 3.6% | 8.6% | 2.8% | 0.6% | 0.4% | 0.9% | 0.3% | 2.8% | 0.3% |
| 2004 | 12.8% | 4.0% | 8.3% | 2.7% | 0.7% | 0.5% | 0.9% | 0.3% | 2.5% | 0.3% |
| 2005 | 17.4% | 3.6% | 8.0% | 3.1% | 0.7% | 0.5% | 0.8% | 0.2% | 2.3% | 0.3% |
| 2006 | 18.0% | 4.3% | 7.5% | 3.5% | 0.9% | 0.5% | 0.8% | 0.2% | 2.2% | 0.4% |
| 2007 | 19.5% | 3.8% | 7.5% | 3.1% | 0.9% | 0.4% | 0.7% | 0.1% | 2.2% | 0.5% |
| 2008 | 21.5% | 4.0% | 6.7% | 3.1% | 1.0% | 0.5% | 0.7% | 0.1% | 2.0% | 0.5% |
| 2009 | 23.0% | 4.6% | 6.3% | 3.5% | 1.0% | 0.4% | 0.7% | 0.1% | 1.9% | 0.6% |
| 2010 | 24.3% | 5.3% | 6.8% | 3.4% | 1.1% | 0.5% | 0.8% | 0.1% | 1.9% | 0.6% |
| 2011 | 23.7% | 6.3% | 6.7% | 3.4% | 1.2% | 0.8% | 0.9% | 0.1% | 1.8% | 0.5% |
| 2012 | 22.0% | 7.1% | 6.9% | 3.0% | 1.3% | 1.0% | 0.9% | 0.1% | 1.8% | 0.5% |
| 2013 | 20.7% | 7.7% | 6.9% | 3.0% | 1.3% | 1.2% | 1.0% | 0.1% | 1.7% | 0.5% |
| 2014 | 20.1% | 8.0% | 6.5% | 3.0% | 1.5% | 1.4% | 1.2% | 0.2% | 1.7% | 0.5% |
| 2015 | 19.4% | 9.0% | 6.1% | 3.0% | 1.7% | 1.8% | 1.4% | 0.3% | 1.6% | 0.6% |
| 2016 | 17.4% | 9.4% | 6.0% | 3.0% | 1.8% | 2.0% | 1.4% | 0.4% | 1.7% | 0.6% |
| 2017 | 16.3% | 9.1% | 5.9% | 2.8% | 1.8% | 2.1% | 1.5% | 0.7% | 1.7% | 0.7% |
| 2018 | 15.6% | 9.4% | 5.8% | 2.6% | 1.9% | 2.2% | 1.5% | 1.0% | 1.7% | 0.7% |
| 2019 | 14.9% | 9.7% | 5.7% | 2.5% | 2.0% | 2.1% | 1.6% | 1.4% | 1.5% | 0.8% |
| 2020 | 14.9% | 9.0% | 5.9% | 2.1% | 2.0% | 1.8% | 1.6% | 1.5% | 1.3% | 0.8% |
| 2021 | 14.2% | 9.3% | 6.1% | 2.2% | 1.8% | 1.6% | 1.7% | 1.1% | 1.5% | 0.8% |
| 2022 | 14.8% | 11.2% | 5.9% | 2.4% | 2.2% | 1.9% | 1.9% | 1.6% | 1.4% | 0.8% |
| 2023 | 12.9% | 9.7% | 5.5% | 2.3% | 2.1% | 1.8% | 1.7% | 1.4% | 1.2% | 0.7% |

Source: Authors' calculations using data from EU Comext.

**Table A4: Bangladesh and Vietnam's share in EU's total imports and in respective country's total exports (at 2-digit level)**

| Product code | EU's total imports (billion $) | Share in EU's total imports (%) | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|---|---|
| | | | Total exports to the EU (million $) | Share in BGD's total exports | Share in EU's imports of this product | Total exports to the EU (million $) | Share in VNM's total exports | Share in EU's imports of this product |
| 1 | 11.8 | 0.17% | 0.0 | 0.00% | 0.000% | 36.7 | 22.10% | 0.31% |
| 2 | 51.3 | 0.75% | 0.0 | 0.00% | 0.000% | 13.3 | 14.46% | 0.03% |
| 3 | 48.6 | 0.71% | 139.5 | 34.45% | 0.274% | 550.7 | 10.15% | 1.08% |
| 4 | 54.2 | 0.80% | 0.0 | 0.00% | 0.000% | 9.1 | 9.77% | 0.02% |
| 5 | 4.7 | 0.07% | 0.0 | 0.46% | 0.001% | 16.6 | 11.83% | 0.35% |
| 6 | 12.8 | 0.19% | 0.0 | 4.60% | 0.000% | 9.9 | 10.17% | 0.07% |
| 7 | 35.1 | 0.52% | 4.3 | 9.53% | 0.012% | 13.1 | 2.53% | 0.04% |
| 8 | 53.0 | 0.78% | 3.1 | 9.56% | 0.006% | 830.3 | 12.92% | 1.49% |
| 9 | 24.6 | 0.36% | 1.1 | 2.38% | 0.005% | 1,833.1 | 40.19% | 7.32% |
| 10 | 33.0 | 0.48% | 1.2 | 8.19% | 0.003% | 74.3 | 1.85% | 0.22% |
| 11 | 8.0 | 0.12% | 0.1 | 1.71% | 0.001% | 13.2 | 1.79% | 0.16% |
| 12 | 30.7 | 0.45% | 0.1 | 0.55% | 0.000% | 15.2 | 9.28% | 0.05% |
| 13 | 3.1 | 0.05% | 0.1 | 3.42% | 0.003% | 58.8 | 38.81% | 1.89% |
| 14 | 0.4 | 0.01% | 0.0 | 0.16% | 0.005% | 1.0 | 3.14% | 0.20% |
| 15 | 45.7 | 0.67% | 2.1 | 2.28% | 0.005% | 28.6 | 5.91% | 0.06% |
| 16 | 22.8 | 0.33% | 7.0 | 75.59% | 0.030% | 312.1 | 12.92% | 1.36% |
| 17 | 18.1 | 0.27% | 0.4 | 3.77% | 0.002% | 21.8 | 6.80% | 0.12% |
| 18 | 30.8 | 0.45% | 0.0 | 0.82% | 0.000% | 4.7 | 9.78% | 0.02% |
| 19 | 39.7 | 0.58% | 13.9 | 11.33% | 0.035% | 140.4 | 18.25% | 0.35% |
| 20 | 32.6 | 0.48% | 1.3 | 6.85% | 0.004% | 178.8 | 12.66% | 0.55% |
| 21 | 33.9 | 0.50% | 0.4 | 6.16% | 0.001% | 136.0 | 10.82% | 0.39% |
| 22 | 50.5 | 0.74% | 0.6 | 1.46% | 0.001% | 18.2 | 4.82% | 0.03% |
| 23 | 40.7 | 0.60% | 0.0 | 0.44% | 0.000% | 15.4 | 1.36% | 0.04% |
| 24 | 23.0 | 0.34% | 59.9 | 32.08% | 0.258% | 3.7 | 2.79% | 0.02% |
| 25 | 15.7 | 0.23% | 0.0 | 0.04% | 0.000% | 28.7 | 1.40% | 0.18% |
| 26 | 37.4 | 0.55% | 0.3 | 3.21% | 0.001% | 3.0 | 0.48% | 0.01% |

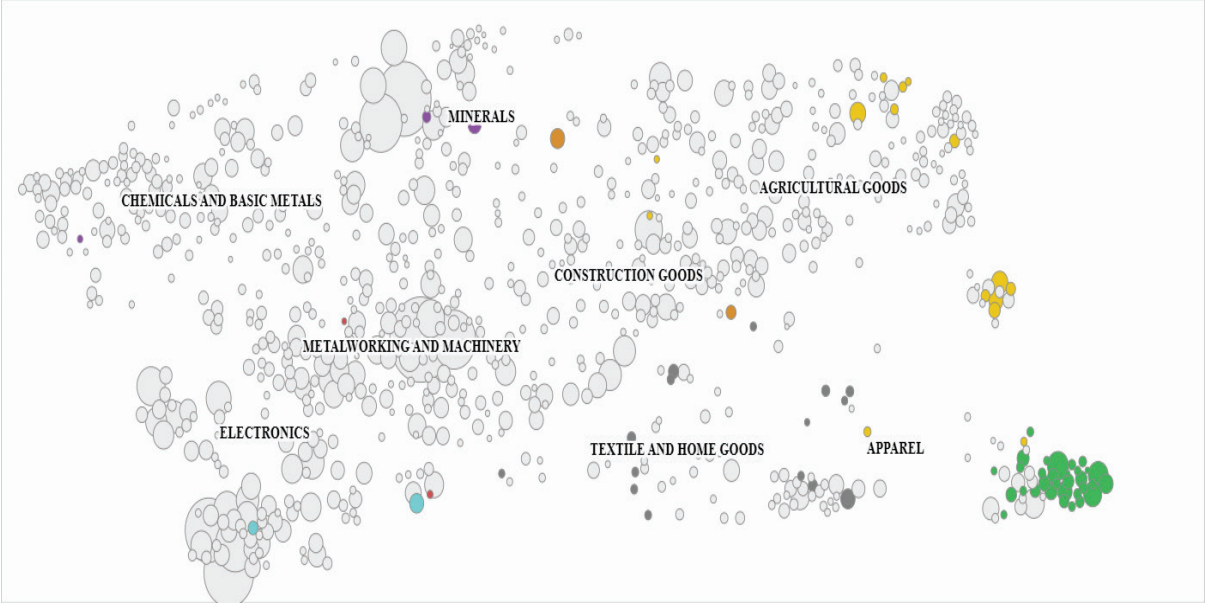
| Product code | EU's total imports (billion $) | Share in EU's total imports (%) | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|---|---|
| | | | Total exports to the EU (million $) | Share in BGD's total exports | Share in EU's imports of this product | Total exports to the EU (million $) | Share in VNM's total exports | Share in EU's imports of this product |
| 27 | 879.1 | 12.90% | 0.0 | 0.00% | 0.000% | 33.3 | 0.95% | 0.00% |
| 28 | 48.4 | 0.71% | 0.1 | 0.20% | 0.000% | 98.9 | 5.64% | 0.20% |
| 29 | 210.9 | 3.09% | 1.0 | 18.09% | 0.001% | 22.3 | 2.97% | 0.01% |
| 30 | 362.6 | 5.32% | 0.4 | 0.31% | 0.000% | 57.3 | 20.78% | 0.02% |
| 31 | 18.2 | 0.27% | 0.0 | 0.21% | 0.000% | 9.1 | 1.53% | 0.05% |
| 32 | 33.3 | 0.49% | 0.0 | 2.81% | 0.000% | 6.0 | 2.38% | 0.02% |
| 33 | 57.5 | 0.84% | 2.1 | 52.92% | 0.004% | 14.4 | 4.59% | 0.02% |
| 34 | 28.6 | 0.42% | 0.0 | 1.74% | 0.000% | 28.3 | 2.69% | 0.09% |
| 35 | 14.1 | 0.21% | 0.0 | 0.01% | 0.000% | 16.1 | 5.40% | 0.11% |
| 36 | 1.6 | 0.02% | 0.0 | 1.15% | 0.000% | 0.1 | 1.58% | 0.01% |
| 37 | 3.3 | 0.05% | 0.0 | 79.69% | 0.000% | 0.2 | 1.02% | 0.01% |
| 38 | 108.3 | 1.59% | 0.3 | 0.70% | 0.000% | 49.9 | 3.01% | 0.05% |
| 39 | 249.0 | 3.65% | 28.6 | 18.83% | 0.011% | 1,169.8 | 14.52% | 0.46% |
| 40 | 73.8 | 1.08% | 0.1 | 1.10% | 0.000% | 526.1 | 8.32% | 0.70% |
| 41 | 6.1 | 0.09% | 21.3 | 17.57% | 0.355% | 10.1 | 2.64% | 0.17% |
| 42 | 28.0 | 0.41% | 71.5 | 13.50% | 0.247% | 986.9 | 20.56% | 3.41% |
| 43 | 0.8 | 0.01% | 0.1 | 12.61% | 0.013% | 0.7 | 9.80% | 0.09% |
| 44 | 53.3 | 0.78% | 0.2 | 1.28% | 0.000% | 148.6 | 2.51% | 0.27% |
| 45 | 1.4 | 0.02% | 0.0 | 0.91% | 0.000% | 0.0 | 1.03% | 0.00% |
| 46 | 0.8 | 0.01% | 18.0 | 42.48% | 2.072% | 111.6 | 33.08% | 12.85% |
| 47 | 14.5 | 0.21% | 0.0 | 0.00% | 0.000% | 0.0 | 0.00% | 0.00% |
| 48 | 75.7 | 1.11% | 1.1 | 3.48% | 0.001% | 27.7 | 1.13% | 0.04% |
| 49 | 12.7 | 0.19% | 0.5 | 15.03% | 0.004% | 9.9 | 4.72% | 0.07% |
| 50 | 0.7 | 0.01% | 0.0 | 88.29% | 0.005% | 8.7 | 5.59% | 1.26% |
| 51 | 4.3 | 0.06% | 0.0 | 30.46% | 0.000% | 15.7 | 43.63% | 0.37% |
| 52 | 5.2 | 0.08% | 2.5 | 2.05% | 0.047% | 13.4 | 0.45% | 0.25% |
| 53 | 1.3 | 0.02% | 23.3 | 3.45% | 1.739% | 0.3 | 1.09% | 0.03% |
| 54 | 9.9 | 0.15% | 0.1 | 7.49% | 0.001% | 131.1 | 10.54% | 1.30% |

| Product code | EU's total imports (billion $) | Share in EU's total imports (%) | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|---|---|
| | | | Total exports to the EU (million $) | Share in BGD's total exports | Share in EU's imports of this product | Total exports to the EU (million $) | Share in VNM's total exports | Share in EU's imports of this product |
| 55 | 7.9 | 0.12% | 0.3 | 3.70% | 0.004% | 73.5 | 10.91% | 0.91% |
| 56 | 9.5 | 0.14% | 1.7 | 3.56% | 0.018% | 21.4 | 5.08% | 0.22% |
| 57 | 4.5 | 0.07% | 18.4 | 52.53% | 0.380% | 71.9 | 19.87% | 1.48% |
| 58 | 2.2 | 0.03% | 0.4 | 7.58% | 0.015% | 7.7 | 4.89% | 0.34% |
| 59 | 6.8 | 0.10% | 0.1 | 3.38% | 0.002% | 119.1 | 13.85% | 1.71% |
| 60 | 3.8 | 0.06% | 0.7 | 1.75% | 0.019% | 12.3 | 1.04% | 0.32% |
| 61 | 95.5 | 1.40% | 11,534.0 | 44.64% | 11.564% | 1,676.3 | 9.38% | 1.68% |
| 62 | 90.5 | 1.33% | 7,323.2 | 33.69% | 7.705% | 2,399.3 | 13.03% | 2.52% |
| 63 | 20.9 | 0.31% | 368.8 | 31.39% | 1.711% | 301.5 | 13.31% | 1.40% |
| 64 | 66.4 | 0.97% | 467.3 | 34.58% | 0.671% | 5,860.6 | 19.67% | 8.42% |
| 65 | 5.0 | 0.07% | 83.0 | 12.85% | 1.603% | 133.3 | 13.16% | 2.57% |
| 66 | 1.1 | 0.02% | 0.0 | 0.22% | 0.000% | 1.0 | 4.79% | 0.08% |
| 67 | 1.4 | 0.02% | 9.6 | 4.24% | 0.659% | 14.4 | 15.64% | 0.99% |
| 68 | 19.6 | 0.29% | 0.0 | 0.50% | 0.000% | 77.0 | 9.02% | 0.38% |
| 69 | 16.1 | 0.24% | 27.5 | 54.56% | 0.166% | 90.1 | 12.12% | 0.54% |
| 70 | 32.7 | 0.48% | 0.4 | 3.23% | 0.001% | 36.9 | 3.86% | 0.11% |
| 71 | 82.8 | 1.22% | 1.3 | 23.06% | 0.002% | 242.0 | 23.42% | 0.30% |
| 72 | 172.5 | 2.53% | 0.0 | 0.00% | 0.000% | 2,222.0 | 28.52% | 1.25% |
| 73 | 124.5 | 1.83% | 1.4 | 16.02% | 0.001% | 761.3 | 18.56% | 0.60% |
| 74 | 55.4 | 0.81% | 11.4 | 16.19% | 0.020% | 256.8 | 13.20% | 0.46% |
| 75 | 12.2 | 0.18% | 0.0 | 0.04% | 0.000% | 5.0 | 35.18% | 0.04% |
| 76 | 89.2 | 1.31% | 0.9 | 1.95% | 0.001% | 157.6 | 7.85% | 0.17% |
| 78 | 3.3 | 0.05% | 0.0 | 89.32% | 0.000% | 0.0 | 0.01% | 0.00% |
| 79 | 7.5 | 0.11% | 0.0 | 0.00% | 0.000% | 2.1 | 9.44% | 0.03% |
| 80 | 2.1 | 0.03% | 0.0 | 0.19% | 0.000% | 0.0 | 0.00% | 0.00% |
| 81 | 7.6 | 0.11% | 0.0 | 0.21% | 0.000% | 25.1 | 30.35% | 0.34% |
| 82 | 24.6 | 0.36% | 0.8 | 25.91% | 0.003% | 172.6 | 14.72% | 0.65% |
| 83 | 28.7 | 0.42% | 0.3 | 16.38% | 0.001% | 78.5 | 7.38% | 0.27% |

| Product code | EU's total imports (billion $) | Share in EU's total imports (%) | Bangladesh | | | Vietnam | | |
|---|---|---|---|---|---|---|---|---|
| | | | Total exports to the EU (million $) | Share in BGD's total exports | Share in EU's imports of this product | Total exports to the EU (million $) | Share in VNM's total exports | Share in EU's imports of this product |
| 84 | 735.3 | 10.79% | 5.2 | 9.96% | 0.001% | 4,260.0 | 8.82% | 0.56% |
| 85 | 782.9 | 11.49% | 3.9 | 5.20% | 0.000% | 20,473.0 | 10.39% | 2.42% |
| 86 | 14.3 | 0.21% | 0.0 | 0.48% | 0.000% | 2.3 | 10.05% | 0.02% |
| 87 | 683.1 | 10.03% | 93.2 | 82.54% | 0.013% | 741.8 | 14.21% | 0.11% |
| 88 | 70.2 | 1.03% | 0.2 | 0.11% | 0.000% | 34.2 | 5.43% | 0.05% |
| 89 | 20.6 | 0.30% | 0.1 | 4.04% | 0.001% | 18.9 | 4.16% | 0.12% |
| 90 | 206.1 | 3.02% | 18.7 | 20.78% | 0.009% | 846.9 | 15.26% | 0.40% |
| 91 | 13.5 | 0.20% | 0.6 | 43.46% | 0.005% | 4.7 | 4.11% | 0.03% |
| 92 | 2.4 | 0.04% | 0.0 | 2.77% | 0.000% | 6.3 | 22.84% | 0.24% |
| 93 | 7.0 | 0.10% | 0.2 | 30.06% | 0.002% | 0.3 | 33.90% | 0.004% |
| 94 | 90.1 | 1.32% | 21.2 | 21.58% | 0.022% | 841.8 | 5.25% | 0.88% |
| 95 | 45.0 | 0.66% | 62.7 | 49.48% | 0.123% | 892.2 | 14.86% | 1.75% |
| 96 | 18.5 | 0.27% | 3.3 | 10.48% | 0.017% | 82.3 | 11.47% | 0.43% |
| 97 | 7.1 | 0.10% | 0.0 | 0.76% | 0.000% | 0.4 | 2.57% | 0.01% |
| 99 | 57.9 | 0.85% | 0.2 | 0.14% | 0.001% | 1.0 | 0.01% | 0.01% |

Source: Authors' calculation using data from ITC trade map.

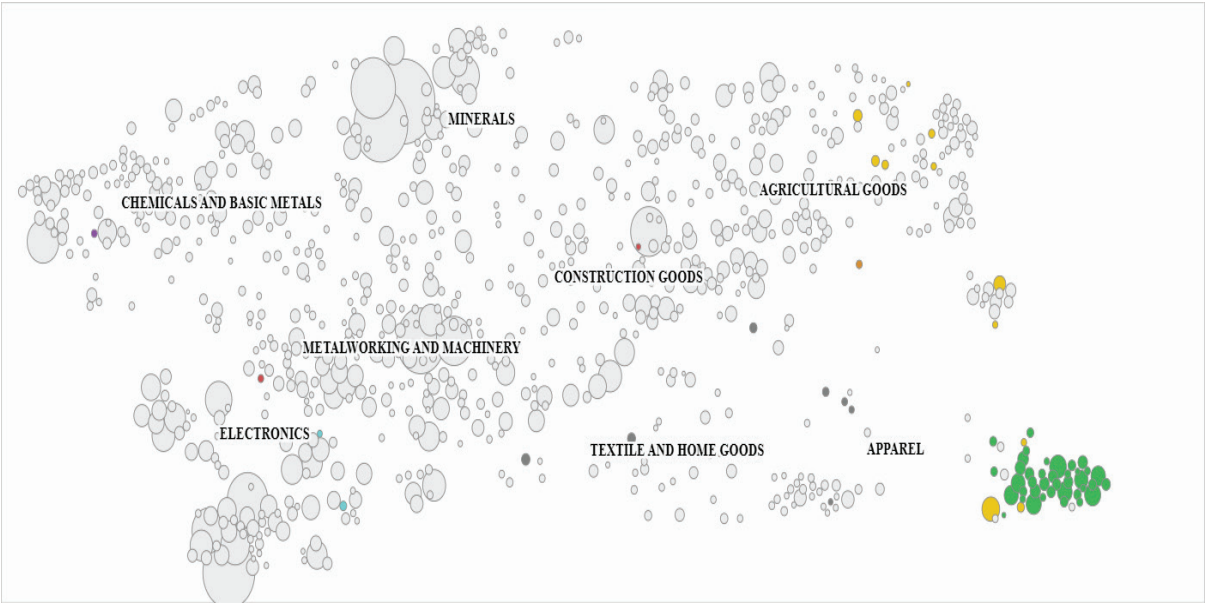
**Figure A1: Bangladesh's product space in 1995**




**Note:** The coloured dots represent the items that a country exports. Coloured dots towards the centre imply that the country has the potential of venturing into production of new products (and thus diversification) with similar capability requirements. Green dots represent the location of textile and apparel cluster, while yellow dots represent agriculture and other primary activities.

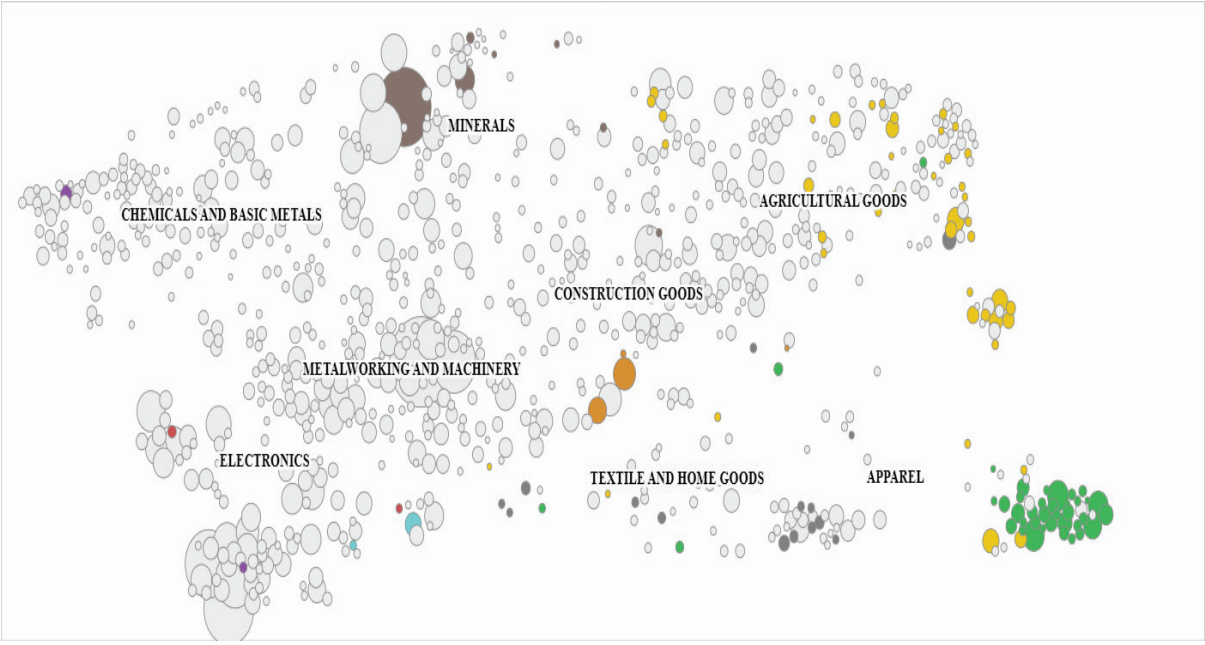
Source: Analysis prepared using 'The Atlas of Economic Complexity', Center for International Development at Harvard University. (http://www.atlas.cid.harvard.edu)

**Figure A2: Bangladesh's product space in 2022**



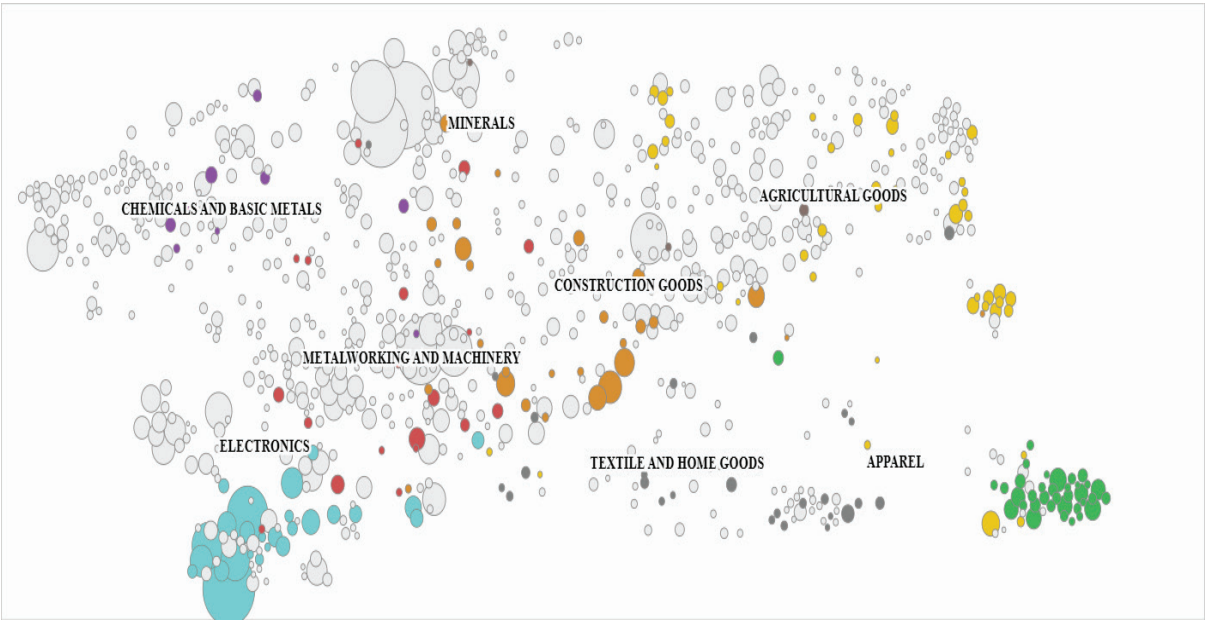

Source: Analysis prepared using 'The Atlas of Economic Complexity', Centre for International Development at Harvard University. (http://www.atlas.cid.harvard.edu)

**Figure A3: Vietnam's product space in 1995**




Source: Analysis prepared using 'The Atlas of Economic Complexity', Centre for International Development at Harvard University. (http://www.atlas.cid.harvard.edu)

**Figure A4: Vietnam's product space in 2022**




Source: Analysis prepared using 'The Atlas of Economic Complexity', Centre for International Development at Harvard University. (http://www.atlas.cid.harvard.edu)

**Table A5: Elimination of Vietnam tariff and export volume at HS-8-digit level under EVFTA**

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61046200 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excl. panties and swimwear) | 9.6 | 0.0 | 32.47 | 50.78 | A |
| 61023090 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of man-made fibres, knitted or crocheted (excl. suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls) | 9.6 | 0.0 | 31.84 | 43.75 | A |
| 61159500 | Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted (excl. graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies) | 9.6 | 0.0 | 18.49 | 37.10 | A |
| 61062000 | Women's or girls' blouses, shirts and shirt-blouses of man-made fibres, knitted or crocheted (excl. T-shirts and vests) | 9.6 | 0.0 | 17.70 | 22.76 | A |
| 61013090 | Men's or boys' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of man-made fibres, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers) | 9.6 | 0.0 | 22.31 | 21.93 | A |
| 61121100 | Track-suits of cotton, knitted or crocheted | 9.6 | 0.0 | 7.65 | 18.04 | A |
| 61121200 | Track-suits of synthetic fibres, knitted or crocheted | 9.6 | 0.0 | 16.15 | 16.88 | A |
| 62111100 | Men's or boys' swimwear (excl. knitted or crocheted) | 9.6 | 0.0 | 12.98 | 13.09 | A |
| 61061000 | Women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted (excl. T-shirts and vests) | 9.6 | 0.0 | 5.34 | 7.43 | A |
| 61044200 | Women's or girls' dresses of cotton, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 5.74 | 6.11 | A |
| 63039290 | Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excl. nonwovens, knitted or crocheted, awnings and sunblinds) | 9.6 | 0.0 | 2.35 | 5.73 | A |
| 62069010 | Women's or girls' blouses, shirts and shirt-blouses of flax or ramie (excl. knitted or crocheted and vests) | 9.6 | 0.0 | 2.69 | 5.55 | A |
| 61044400 | Women's or girls' dresses of artificial fibres, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 4.00 | 4.57 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61046900 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, panties and swimwear) | 9.6 | 0.0 | 3.85 | 4.47 | A |
| 62111200 | Women's or girls' swimwear (excl. knitted or crocheted) | 9.6 | 0.0 | 7.92 | 3.59 | A |
| 63031200 | Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres, knitted or crocheted (excl. awnings and sunblinds) | 9.6 | 0.0 | 4.20 | 2.65 | A |
| 62033100 | Men's or boys' jackets and blazers of wool or fine animal hair (excl. knitted or crocheted, and wind-jackets and similar articles) | 9.6 | 0.0 | 2.48 | 2.24 | A |
| 62112000 | Ski suits (excl. knitted or crocheted) | 9.6 | 0.0 | 0.42 | 2.04 | A |
| 61043200 | Women's or girls' jackets and blazers of cotton, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 0.0 | 1.76 | 1.95 | A |
| 61089200 | Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of man-made fibres, knitted or crocheted (excl. vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassiéres, girdles, corsets and similar articles) | 9.6 | 0.0 | 1.48 | 1.94 | A |
| 61159699 | Full-length stockings, socks and other hosiery, incl. footwear without applied soles, of synthetic fibres, knitted or crocheted (excl. graduated compression hosiery, women's pantyhose and tights, full-length or knee-length stockings, and hosiery for babies) | 9.6 | 0.0 | 0.70 | 1.92 | A |
| 63064000 | Pneumatic mattresses of textile materials | 9.6 | 0.0 | 0.06 | 1.74 | A |
| 61071900 | Men's or boys' underpants and briefs of other textile materials, knitted or crocheted (excl. of cotton or man-made fibres) | 9.6 | 0.0 | 0.89 | 1.54 | A |
| 61033200 | Men's or boys' jackets and blazers of cotton, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 0.0 | 1.55 | 1.46 | A |
| 61089100 | Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of cotton, knitted or crocheted (excl. vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassiéres, girdles, corsets and similar articles) | 9.6 | 0.0 | 0.17 | 1.37 | A |
| 62114341 | Women's or girls' lined tracksuit tops "upper parts", of man-made fibres (not knitted or crocheted and excl. tracksuit tops with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.51 | 1.33 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61152900 | Pantyhose and tights of textile materials, knitted or crocheted (excl. graduated compression hosiery, those of synthetic fibres and hosiery for babies) | 9.6 | 0.0 | 0.12 | 1.32 | A |
| 62082200 | Women's or girls' nightdresses and pyjamas of man-made fibres (excl. knitted or crocheted, vests and négligés) | 9.6 | 0.0 | 1.07 | 1.31 | A |
| 62043100 | Women's or girls' jackets and blazers of wool or fine animal hair (excl. knitted or crocheted, wind-jackets and similar articles) | 9.6 | 0.0 | 0.10 | 1.30 | A |
| 62069090 | Women's or girls' blouses, shirts and shirt-blouses of textile materials (excl. of silk, silk waste, wool, fine animal hair, cotton or man-made fibres, flax or ramie, knitted or crocheted and vests) | 9.6 | 0.0 | 0.10 | 1.14 | A |
| 61032200 | Men's or boys' ensembles of cotton, knitted or crocheted (excl. ski ensembles and swimwear) | 9.6 | 0.0 | 0.15 | 0.92 | A |
| 62114342 | Women's or girls' lined tracksuit bottoms "lower parts", of man-made fibres (not knitted or crocheted and excl. tracksuit bottoms with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.60 | 0.87 | A |
| 61045900 | Women's or girls' skirts and divided skirts of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, and petticoats) | 9.6 | 0.0 | 0.53 | 0.79 | A |
| 61044100 | Women's or girls' dresses of wool or fine animal hair, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 1.40 | 0.78 | A |
| 61043900 | Women's or girls' jackets and blazers of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, wind-jackets and similar articles) | 9.6 | 0.0 | 0.77 | 0.72 | A |
| 61082900 | Women's or girls' briefs and panties of textile materials, knitted or crocheted (excl. cotton or man-made fibres) | 9.6 | 0.0 | 0.58 | 0.72 | A |
| 61042200 | Women's or girls' ensembles of cotton, knitted or crocheted (excl. ski ensembles and swimwear) | 9.6 | 0.0 | 0.01 | 0.70 | A |
| 62113231 | Men's or boys' lined tracksuits, of cotton, with an outer shell of a single identical fabric (not knitted or crocheted) | 9.6 | 0.0 | 0.00 | 0.68 | A |
| 61079900 | Men's or boys' bathrobes, dressing gowns and similar articles of textile materials, knitted or crocheted (excl. of cotton) | 9.6 | 0.0 | 0.03 | 0.41 | A |
| 62042310 | Women's or girls' ensembles of synthetic fibres, industrial and occupational (excl. knitted or crocheted) | 9.6 | 0.0 | 0.03 | 0.38 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61059090 | Men's or boys' shirts of textile materials, knitted or crocheted (excl. of cotton, man-made fibres, wool or fine animal hair, nightshirts, T-shirts, singlets and other vests) | 9.6 | 0.0 | 0.06 | 0.38 | A |
| 61121900 | Track-suits of textile materials, knitted or crocheted (excl. cotton or synthetic fibres) | 9.6 | 0.0 | 0.20 | 0.36 | A |
| 62082100 | Women's or girls' nightdresses and pyjamas of cotton (excl. knitted or crocheted, vests and négligés) | 9.6 | 0.0 | 0.33 | 0.35 | A |
| 62042380 | Women's or girls' ensembles, of synthetic fibres (not knitted or crocheted and excl. industrial and occupational clothing, tracksuits, ski ensembles and swimwear) | 9.6 | 0.0 | 0.09 | 0.34 | A |
| 61042300 | Women's or girls' ensembles of synthetic fibres, knitted or crocheted (excl. ski ensembles and swimwear) | 9.6 | 0.0 | 0.07 | 0.31 | A |
| 63014090 | Blankets and travelling rugs of synthetic fibres (excl. knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.01 | 0.28 | A |
| 61069050 | Women's or girls' blouses, shirts and shirt-blouses of flax or ramie, knitted or crocheted (excl. T-shirts and vests) | 9.6 | 0.0 | 0.05 | 0.27 | A |
| 62113242 | Men's or boy's lined tracksuit bottoms "lower parts", of cotton (not knitted or crocheted and excl. tracksuit bottoms with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.11 | 0.27 | A |
| 61046100 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of wool or fine animal hair, knitted or crocheted (excl. panties and swimwear) | 9.6 | 0.0 | 0.06 | 0.25 | A |
| 62041990 | Women's or girls' suits of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, ski overalls and swimwear) | 9.6 | 0.0 | 0.07 | 0.23 | A |
| 61079100 | Men's or boys' bathrobes, dressing gowns and similar articles of cotton, knitted or crocheted | 9.6 | 0.0 | 0.01 | 0.21 | A |
| 61044900 | Women's or girls' dresses of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton, man-made fibres and petticoats) | 9.6 | 0.0 | 0.27 | 0.21 | A |
| 61124990 | Women's or girls' swimwear of textile materials, knitted or crocheted (excl. synthetic fibres and containing >= 5% by weight of rubber thread) | 9.6 | 0.0 | 0.35 | 0.20 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61072200 | Men's or boys' nightshirts and pyjamas of man-made fibres, knitted or crocheted (excl. vests and singlets) | 9.6 | 0.0 | 0.23 | 0.19 | A |
| 61159900 | Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies) | 9.6 | 0.0 | 0.17 | 0.19 | A |
| 61045200 | Women's or girls' skirts and divided skirts of cotton, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 0.25 | 0.18 | A |
| 61159691 | Women's stockings of synthetic fibres, knitted or crocheted (excl. graduated compression hosiery, pantyhose and tights, women's full-length stockings measuring per single yarn < 67 decitex and knee-length stockings) | 9.6 | 0.0 | 0.19 | 0.16 | A |
| 62031910 | Men's or boys' suits of cotton (excl. knitted or crocheted, tracksuits, ski suits and swimwear) | 9.6 | 0.0 | 0.05 | 0.14 | A |
| 61045100 | Women's or girls' skirts and divided skirts of wool or fine animal hair, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 0.03 | 0.14 | A |
| 61069090 | Women's or girls' blouses, shirts and shirt-blouses of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or man-made fibres, silk or silk waste, flax or ramie, T-shirts and vests) | 9.6 | 0.0 | 0.12 | 0.13 | A |
| 63014010 | Blankets and travelling rugs of synthetic fibres, knitted or crocheted (excl. electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.09 | 0.11 | A |
| 61043100 | Women's or girls' jackets and blazers of wool or fine animal hair, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 0.0 | 0.01 | 0.11 | A |
| 62072200 | Men's or boys' nightshirts and pyjamas of man-made fibres (excl. knitted or crocheted, vests, singlets and underpants) | 9.6 | 0.0 | 0.05 | 0.09 | A |
| 61059010 | Men's or boys' shirts of wool or fine animal hair, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) | 9.6 | 0.0 | 0.19 | 0.09 | A |
| 62082900 | Women's or girls' nightdresses and pyjamas of textile materials (excl. cotton and man-made fibres, knitted or crocheted, vests and négligés) | 9.6 | 0.0 | 0.02 | 0.09 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61123990 | Men's or boys' swimwear of textile materials, knitted or crocheted (excl. synthetic fibres and containing >= 5% by weight of rubber thread) | 9.6 | 0.0 | 0.00 | 0.08 | A |
| 63039990 | Curtains, incl. drapes, and interior blinds, curtain or bed valances of textile materials (excl. of cotton and synthetic fibres or of nonwovens, knitted or crocheted, awnings and sunblinds) | 9.6 | 0.0 | 0.25 | 0.08 | A |
| 61089900 | Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of textile materials, knitted or crocheted (excl. of cotton or man-made fibres, vests, slips, petticoats, briefs and panties, nightdresses, pyjamas, brassiéres, girdles, corsets and similar articles) | 9.6 | 0.0 | 0.11 | 0.08 | A |
| 61159400 | Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of wool or fine animal hair, knitted or crocheted (excl. graduated compression hosiery, pantyhose and tights, women's full-length or knee-length stockings, measuring per single yarn < 67 decitex, and hosiery for babies) | 9.6 | 0.0 | 0.00 | 0.07 | A |
| 61033100 | Men's or boys' jackets and blazers of wool or fine animal hair, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 0.0 | 0.14 | 0.06 | A |
| 63039100 | Curtains, incl. drapes, and interior blinds, curtain or bed valances of cotton (excl. knitted or crocheted, awnings and sunblinds) | 9.6 | 0.0 | 0.45 | 0.06 | A |
| 62041910 | Women's or girls' suits of artificial fibres (excl. knitted or crocheted, ski overalls and swimwear) | 9.6 | 0.0 | 0.00 | 0.05 | A |
| 62042280 | Women's or girls' ensembles, of cotton (not knitted or crocheted and excl. industrial and occupational clothing, tracksuits, ski ensembles and swimwear) | 9.6 | 0.0 | 0.15 | 0.05 | A |
| 62041200 | Women's or girls' suits of cotton (excl. knitted or crocheted, ski overalls and swimwear) | 9.6 | 0.0 | 0.02 | 0.05 | A |
| 62031990 | Men's or boys' suits of textile materials (excl. of wool or fine animal hair, cotton or synthetic fibres, knitted or crocheted, tracksuits, ski suits and swimwear) | 9.6 | 0.0 | 0.45 | 0.05 | A |
| 61041990 | Women's or girls' suits of textile materials, knitted or crocheted (excl. of synthetic fibres or of cotton, and ski overalls and swimwear) | 9.6 | 0.0 | 0.00 | 0.05 | A |
| 63019090 | Blankets and travelling rugs of textile materials (excl. of wool or fine animal hair, cotton or synthetic fibres, knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.04 | 0.05 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61034100 | Men's or boys' trousers, bib and brace overalls, breeches and shorts of wool or fine animal hair, knitted or crocheted (excl. swimwear and underpants) | 9.6 | 0.0 | 0.07 | 0.04 | A |
| 61072900 | Men's or boys' nightshirts and pyjamas of textile materials, knitted or crocheted (excl. of cotton or man-made fibres, and vests and singlets) | 9.6 | 0.0 | 0.01 | 0.04 | A |
| 61031090 | Men's or boys' suits of textile materials, knitted or crocheted (excl. of wool or fine animal hair, tracksuits, ski suits and swimwear) | 9.6 | 0.0 | 0.03 | 0.03 | A |
| 61152200 | Pantyhose and tights of synthetic fibres, knitted or crocheted, measuring per single yarn >= 67 decitex (excl. graduated compression hosiery) | 9.6 | 0.0 | 1.12 | 0.03 | A |
| 61083900 | Women's or girls' nightdresses and pyjamas of textile materials, knitted or crocheted (excl. of cotton and man-made fibres, T-shirts, vests and négligés) | 9.6 | 0.0 | 0.17 | 0.02 | A |
| 61042990 | Women's or girls' ensembles of textile materials (excl. of cotton or synthetic fibres, ski ensembles and swimwear) Other | 9.6 | 0.0 | 0.11 | 0.02 | A |
| 61152100 | Pantyhose and tights of synthetic fibres, knitted or crocheted, measuring per single yarn < 67 decitex (excl. graduated compression hosiery) | 9.6 | 0.0 | 0.00 | 0.02 | A |
| 61041300 | Women's or girls' suits of synthetic fibres, knitted or crocheted (excl. ski overalls and swimwear) | 9.6 | 0.0 | 0.13 | 0.02 | A |
| 62042990 | Women's or girls' ensembles of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, ski overalls and swimwear) | 9.6 | 0.0 | 0.01 | 0.02 | A |
| 61031010 | Men's or boys' suits of textile materials, knitted or crocheted, of wool or fine animal hair (excl. tracksuits, ski suits and swimwear) | 9.6 | 0.0 | 0.00 | 0.01 | A |
| 61032900 | Men's or boys' ensembles of textile materials (excl. wool, fine animal hair, cotton or synthetic fibres, ski ensembles and swimwear) | 9.6 | 0.0 | 0.03 | 0.01 | A |
| 62041100 | Women's or girls' suits of wool or fine animal hair (excl. knitted or crocheted, ski overalls and swimwear) | 9.6 | 0.0 | 0.00 | 0.01 | A |
| 62042210 | Women's or girls' ensembles of cotton, industrial and occupational (excl. knitted or crocheted) | 9.6 | 0.0 | 0.00 | 0.01 | A |
| 61081900 | Women's or girls' slips and petticoats of textile materials, knitted or crocheted (excl. man-made fibres, T-shirts and vests) | 9.6 | 0.0 | 0.02 | 0.01 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61041920 | Women's or girls' suits of textile materials, knitted or crocheted, of cotton (excl. ski overalls and swimwear) | 9.6 | 0.0 | 0.00 | 0.01 | A |
| 62042918 | Women's or girls' ensembles, of artificial fibres (not knitted or crocheted and excl. industrial and occupational clothing, tracksuits, ski ensembles and swimwear) | 9.6 | 0.0 | 0.00 | 0.01 | A |
| 62113241 | Men's or boys' lined tracksuit tops "upper parts", of cotton (not knitted or crocheted and excl. tracksuit tops with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.01 | 0.00 | A |
| 61069010 | Women's or girls' blouses, shirts and shirt-blouses of wool or fine animal hair, knitted or crocheted (excl. T-shirts and vests) | 9.6 | 0.0 | 0.20 | 0.00 | A |
| 62031930 | Men's or boys' suits of artificial fibres (excl. knitted or crocheted, tracksuits, ski suits and swimwear) | 9.6 | 0.0 | 0.03 | 0.00 | A |
| 63019010 | Blankets and travelling rugs, knitted or crocheted (excl. of wool or fine animal hair, cotton or synthetic fibres, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.00 | 0.00 | A |
| 61153090 | Women's full-length and knee-length hosiery, knitted or crocheted, measuring per single yarn < 67 decitex (excl. graduated compression hosiery, those of synthetic fibres and pantyhose and tights) | 9.6 | 0.0 | 0.00 | 0.00 | A |
| 61153019 | Women's full-length hosiery of synthetic fibres, knitted or crocheted, measuring per single yarn < 67 decitex (excl. graduated compression hosiery, pantyhose and tights and knee length stockings) | 9.6 | 0.0 | 0.03 | 0.00 | A |
| 63013010 | Blankets and travelling rugs of cotton, knitted or crocheted (excl. electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.00 | 0.00 | A |
| 62081900 | Women's or girls' slips and petticoats of textile materials (excl. man-made fibres, knitted or crocheted and vests) | 9.6 | 0.0 | 0.00 | 0.00 | A |
| 63012090 | Blankets and travelling rugs, of wool or fine animal hair (excl. knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 9.6 | 0.0 | 0.00 | 0.00 | A |
| 62139000 | Handkerchiefs of textile materials, of which no side exceeds 60 cm (excl. of cotton, and knitted or crocheted) | 8.0 | 0.0 | 0.25 | 0.14 | A |
| 62132000 | Handkerchiefs of cotton, of which no side exceeds 60 cm (excl. knitted or crocheted) | 8.0 | 0.0 | 0.07 | 0.04 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61161080 | Mittens and mitts, impregnated, coated or covered with plastics or rubber, knitted or crocheted, and gloves, impregnated, coated or covered with plastics, knitted or crocheted | 7.1 | 0.0 | 7.32 | 20.43 | A |
| 61169900 | Gloves, mittens and mitts, of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, impregnated, coated or covered with plastics or rubber, and for babies) | 7.1 | 0.0 | 1.43 | 1.35 | A |
| 61169200 | Gloves, mittens and mitts, of cotton, knitted or crocheted (excl. impregnated, coated or covered with plastics or rubber, and for babies) | 7.1 | 0.0 | 0.05 | 0.19 | A |
| 61119011 | Babies' gloves, mittens and mitts, of wool or fine animal hair, knitted or crocheted | 7.1 | 0.0 | 0.00 | 0.00 | A |
| 61113010 | Babies' gloves, mittens and mitts for babies, of synthetic fibres, knitted or crocheted | 7.1 | 0.0 | 0.00 | 0.00 | A |
| 61112010 | Babies' gloves, mittens and mitts, of cotton, knitted or crocheted | 7.1 | 0.0 | 0.01 | 0.00 | A |
| 61161020 | Gloves, impregnated, coated or covered with rubber, knitted or crocheted | 6.4 | 0.0 | 10.26 | 12.57 | A |
| 61124110 | Women's or girls' swimwear of synthetic fibres, knitted or crocheted, containing >= 5% by weight of rubber thread | 6.4 | 0.0 | 0.03 | 0.48 | A |
| 62143000 | Shawls, scarves, mufflers, mantillas, veils and similar articles of synthetic fibres (excl. knitted or crocheted) | 6.4 | 0.0 | 0.12 | 0.23 | A |
| 62149000 | Shawls, scarves, mufflers, mantillas, veils and similar articles of textile materials (excl. of silk, silk waste, wool, fine animal hair or man-made fibres, knitted or crocheted) | 6.4 | 0.0 | 0.03 | 0.11 | A |
| 62142000 | Shawls, scarves, mufflers, mantillas, veils and similar articles of wool or fine animal hair (excl. knitted or crocheted) | 6.4 | 0.0 | 0.01 | 0.02 | A |
| 62144000 | Shawls, scarves, mufflers, mantillas, veils and similar articles of artificial fibres (excl. knitted or crocheted) | 6.4 | 0.0 | 0.08 | 0.01 | A |
| 61151010 | Stockings for varicose veins of synthetic fibres, knitted or crocheted | 6.4 | 0.0 | 0.00 | 0.01 | A |
| 61124910 | Women's or girls' swimwear of textile materials, knitted or crocheted, containing >= 5% by weight of rubber thread (excl. synthetic fibres) | 6.4 | 0.0 | 0.02 | 0.00 | A |
| 62160000 | Gloves, mittens and mitts, of all types of textile materials (excl. knitted or crocheted and for babies) | 6.0 | 0.0 | 35.50 | 38.69 | A |
| 63013090 | Blankets and travelling rugs of cotton (excl. knitted or crocheted, electric, table covers, bedspreads and articles of bedding and similar furnishing of heading 9404) | 6.0 | 0.0 | 0.02 | 0.03 | A |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 63039210 | Curtains, incl. drapes, and interior blinds, curtain or bed valances of nonwovens of synthetic fibres (excl. awnings and sunblinds) | 5.5 | 0.0 | 0.00 | 0.00 | A |
| 62152000 | Ties, bow ties and cravats of man-made fibres (excl. knitted or crocheted) | 5.0 | 0.0 | 0.49 | 0.31 | A |
| 62159000 | Ties, bow ties and cravats of textile materials (excl. of silk, silk waste or man-made fibres, knitted or crocheted) | 5.0 | 0.0 | 0.06 | 0.09 | A |
| 61046300 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excl. panties and swimwear) | 9.6 | 0.0 | 104.75 | 138.0 | B3 |
| 61124190 | Women's or girls' swimwear of synthetic fibres, knitted or crocheted (excl. containing >= 5% by weight of rubber thread) | 9.6 | 0.0 | 51.61 | 68.87 | B3 |
| 61022090 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of cotton, knitted or crocheted (excl. suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls) | 9.6 | 0.0 | 10.28 | 18.89 | B3 |
| 61044300 | Women's or girls' dresses of synthetic fibres, knitted or crocheted (excl. petticoats) | 9.6 | 0.0 | 21.10 | 17.02 | B3 |
| 62063000 | Women's or girls' blouses, shirts and shirt-blouses of cotton (excl. knitted or crocheted and vests) | 9.6 | 0.0 | 20.27 | 14.65 | B3 |
| 62113331 | Men's or boys' lined tracksuits, of man-made fibres, with an outer shell of a single identical fabric (not knitted or crocheted) | 9.6 | 0.0 | 7.08 | 12.42 | B3 |
| 61123190 | Men's or boys' swimwear of synthetic fibres, knitted or crocheted (excl. containing >= 5% by weight of rubber thread) | 9.6 | 0.0 | 8.62 | 8.70 | B3 |
| 61023010 | Women's or girls' overcoats, car coats, capes, cloaks and similar articles of man-made fibres, knitted or crocheted | 9.6 | 0.0 | 6.96 | 7.76 | B3 |
| 62043990 | Women's or girls' jackets and blazers of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, wind-jackets and similar articles) | 9.6 | 0.0 | 2.61 | 7.74 | B3 |
| 61071200 | Men's or boys' underpants and briefs of man-made fibres, knitted or crocheted | 9.6 | 0.0 | 7.26 | 7.27 | B3 |
| 62043919 | Women's or girls' jackets and blazers of artificial fibres (excl. knitted or crocheted, industrial and occupational, wind-jackets and similar articles) | 9.6 | 0.0 | 4.97 | 6.67 | B3 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62113342 | Men's or boys' lined tracksuit bottoms "lower parts", of man-made fibres (not knitted or crocheted and excl. tracksuit bottoms with an outer shell of a single identical fabric) | 9.6 | 0.0 | 2.77 | 5.77 | B3 |
| 61033300 | Men's or boys' jackets and blazers of synthetic fibres, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 0.0 | 2.67 | 4.21 | B3 |
| 61013010 | Men's or boys' overcoats, car coats, capes, cloaks and similar articles of man-made fibres, knitted or crocheted | 9.6 | 0.0 | 0.85 | 3.86 | B3 |
| 61083200 | Women's or girls' nightdresses and pyjamas of man-made fibres, knitted or crocheted (excl. T-shirts, vests and négligés) | 9.6 | 0.0 | 1.92 | 2.75 | B3 |
| 62034919 | Men's or boys' trousers and breeches of artificial fibres (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) | 9.6 | 0.0 | 0.85 | 1.96 | B3 |
| 62113341 | Men's or boys' lined tracksuit tops "upper parts", of man-made fibres (not knitted or crocheted and excl. tracksuit tops with an outer shell of a single identical fabric) | 9.6 | 0.0 | 2.67 | 1.92 | B3 |
| 62034990 | Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, underpants and swimwear) | 9.6 | 0.0 | 3.72 | 1.68 | B3 |
| 61034900 | Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or synthetic fibres, swimwear and underpants) | 9.6 | 0.0 | 1.14 | 1.12 | B3 |
| 61033900 | Men's or boys' jackets and blazers of textile materials (excl. of wool, fine animal hair, cotton or synthetic fibres, wind-jackets and similar articles) | 9.6 | 0.0 | 0.27 | 0.90 | B3 |
| 62061000 | Women's or girls' blouses, shirts and shirt-blouses of silk or silk waste (excl. knitted or crocheted and vests) | 9.6 | 0.0 | 1.49 | 0.62 | B3 |
| 62034950 | Men's or boys' shorts of artificial fibres (excl. knitted or crocheted, underpants and swimwear) | 9.6 | 0.0 | 0.23 | 0.43 | B3 |
| 61081100 | Women's or girls' slips and petticoats of man-made fibres, knitted or crocheted (excl. T-shirts and vests) | 9.6 | 0.0 | 0.53 | 0.38 | B3 |
| 62034911 | Men's or boys' trousers and breeches of artificial fibres, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) | 9.6 | 0.0 | 0.21 | 0.36 | B3 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61019080 | Men's or boys' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of textile materials, knitted or crocheted (excl. of cotton and man-made fibres, suits, ensembles, jackets, blazers, bib and brace overalls and trousers) | 9.6 | 0.0 | 0.52 | 0.19 | B3 |
| 61022010 | Women's or girls' overcoats, car coats, capes, cloaks and similar articles of cotton, knitted or crocheted | 9.6 | 0.0 | 0.13 | 0.17 | B3 |
| 61019020 | Men's or boys' overcoats, car coats, capes, cloaks and similar articles of textile materials, knitted or crocheted (excl. of cotton or man-made fibres) | 9.6 | 0.0 | 0.20 | 0.15 | B3 |
| 62114331 | Women's or girls' lined tracksuits, of man-made fibres, with an outer shell of a single identical fabric (not knitted or crocheted) | 9.6 | 0.0 | 0.04 | 0.08 | B3 |
| 62034931 | Men's or boys' bib and brace overalls of artificial fibres, industrial and occupational (excl. knitted or crocheted) | 9.6 | 0.0 | 0.00 | 0.07 | B3 |
| 62114242 | Women's or girls' lined tracksuit bottoms "lower parts", of cotton (not knitted or crocheted and excl. tracksuit bottoms with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.01 | 0.06 | B3 |
| 61029090 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton and man-made fibres, suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls) | 9.6 | 0.0 | 0.16 | 0.04 | B3 |
| 62062000 | Women's or girls' blouses, shirts and shirt-blouses of wool or fine animal hair (excl. knitted or crocheted and vests) | 9.6 | 0.0 | 0.01 | 0.03 | B3 |
| 62043911 | Women's or girls' jackets and blazers of artificial fibres, industrial and occupational (excl. knitted or crocheted, wind-jackets and similar articles) | 9.6 | 0.0 | 0.00 | 0.01 | B3 |
| 61029010 | Women's or girls' overcoats, car coats, capes, cloaks and similar articles, of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton and man-made fibres) | 9.6 | 0.0 | 0.02 | 0.01 | B3 |
| 62114241 | Women's or girls' lined tracksuit tops "upper parts", of cotton (not knitted or crocheted and excl. tracksuit tops with an outer shell of a single identical fabric) | 9.6 | 0.0 | 0.01 | 0.01 | B3 |
| 62034939 | Men's or boys' bib and brace overalls of artificial fibres (excl. knitted or crocheted, industrial and occupational) | 9.6 | 0.0 | 0.02 | 0.00 | B3 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61169300 | Gloves, mittens and mitts, of synthetic fibres, knitted or crocheted (excl. impregnated, coated or covered with plastics or rubber, and for babies) | 7.1 | 0.0 | 21.24 | 24.18 | B3 |
| 61123110 | Men's or boys' swimwear of synthetic fibres, knitted or crocheted, containing >= 5% by weight of rubber thread | 6.4 | 0.0 | 0.01 | 0.57 | B3 |
| 62151000 | Ties, bow ties and cravats of silk or silk waste (excl. knitted or crocheted) | 5.0 | 0.0 | 1.58 | 0.74 | B3 |
| 61091000 | T-shirts, singlets and other vests of cotton, knitted or crocheted | 9.6 | 4.0 | 80.82 | 153.2 | B5 |
| 61099020 | T-shirts, singlets and other vests of wool or fine animal hair or man-made fibres, knitted or crocheted | 9.6 | 4.0 | 100.51 | 150.8 | B5 |
| 62052000 | Men's or boys' shirts of cotton (excl. knitted or crocheted, nightshirts, singlets and other vests) | 9.6 | 4.0 | 119.18 | 107.7 | B5 |
| 62103000 | Garments of the type described in subheading 6202,11 to 6202,19, rubberised or impregnated, coated, covered or laminated with plastics or other substances | 9.6 | 4.0 | 7.00 | 99.36 | B5 |
| 62034319 | Men's or boys' trousers and breeches of synthetic fibres (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) | 9.6 | 4.0 | 73.01 | 96.55 | B5 |
| 61103099 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excl. lightweight fine knit roll, polo or turtleneck jumpers and pullovers and wadded waistcoats) | 9.6 | 4.0 | 73.32 | 85.84 | B5 |
| 62034311 | Men's or boys' trousers and breeches of synthetic fibres, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) | 9.6 | 4.0 | 53.66 | 74.02 | B5 |
| 62102000 | Garments of the type described in subheading 6201,11 to 6201,19, rubberised or impregnated, coated, covered or laminated with plastics or other substances | 9.6 | 4.0 | 4.25 | 71.56 | B5 |
| 62043390 | Women's or girls' jackets and blazers of synthetic fibres (excl. knitted or crocheted, industrial and occupational, wind-jackets and similar articles) | 9.6 | 4.0 | 50.80 | 70.74 | B5 |
| 61102091 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excl. lightweight fine knit roll, polo or turtleneck jumpers and pullovers and wadded waistcoats) | 9.6 | 4.0 | 36.47 | 70.39 | B5 |
| 61051000 | Men's or boys' shirts of cotton, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) | 9.6 | 4.0 | 71.22 | 64.73 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62034390 | Men's or boys' shorts of synthetic fibres (excl. knitted or crocheted, underpants and swimwear) | 9.6 | 4.0 | 51.34 | 59.64 | B5 |
| 61103091 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of man-made fibres, knitted or crocheted (excl. lightweight fine knit roll, polo or turtleneck jumpers and pullovers and wadded waistcoats) | 9.6 | 4.0 | 27.18 | 45.73 | B5 |
| 61082200 | Women's or girls' briefs and panties of man-made fibres, knitted or crocheted | 9.6 | 4.0 | 62.57 | 45.12 | B5 |
| 61102099 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of cotton, knitted or crocheted (excl. lightweight fine knit roll, polo or turtleneck jumpers and pullovers and wadded waistcoats) | 9.6 | 4.0 | 42.30 | 44.62 | B5 |
| 61034300 | Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted or crocheted (excl. swimwear and underpants) | 9.6 | 4.0 | 25.70 | 35.10 | B5 |
| 62034231 | Men's or boys' trousers and breeches of cotton denim (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) | 9.6 | 4.0 | 56.05 | 34.57 | B5 |
| 62064000 | Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excl. knitted or crocheted and vests) | 9.6 | 4.0 | 60.00 | 32.64 | B5 |
| 62034235 | Men's or boys' trousers and breeches of cotton (excl. denim, cut corduroy, knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) | 9.6 | 4.0 | 23.87 | 32.21 | B5 |
| 61052010 | Men's or boys' shirts of synthetic fibres, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) | 9.6 | 4.0 | 11.12 | 29.52 | B5 |
| 61071100 | Men's or boys' underpants and briefs of cotton, knitted or crocheted | 9.6 | 4.0 | 18.45 | 29.10 | B5 |
| 61034200 | Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or crocheted (excl. swimwear and underpants) | 9.6 | 4.0 | 16.78 | 29.06 | B5 |
| 62033390 | Men's or boys' jackets and blazers of synthetic fibres (excl. knitted or crocheted, industrial and occupational, and wind-jackets and similar articles) | 9.6 | 4.0 | 18.29 | 17.64 | B5 |
| 61012090 | Men's or boys' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of cotton, knitted or crocheted (excl. suits, ensembles, jackets, blazers, bib and brace overalls and trousers) | 9.6 | 4.0 | 7.23 | 17.62 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62034290 | Men's or boys' shorts of cotton (excl. knitted or crocheted, swimwear and underpants) | 9.6 | 4.0 | 8.59 | 13.55 | B5 |
| 61101190 | Women's or girls' jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excl. jerseys and pullovers containing >= 50% by weight of wool and weighing >= 600 g/article, and wadded waistcoats) | 9.6 | 4.0 | 4.82 | 12.59 | B5 |
| 62034331 | Men's or boys' bib and brace overalls of synthetic fibres, industrial and occupational (excl. knitted or crocheted) | 9.6 | 4.0 | 9.74 | 9.11 | B5 |
| 61043300 | Women's or girls' jackets and blazers of synthetic fibres, knitted or crocheted (excl. wind-jackets and similar articles) | 9.6 | 4.0 | 6.14 | 8.51 | B5 |
| 61101130 | Men's or boys' jerseys, pullovers, cardigans, waistcoats and similar articles, of wool, knitted or crocheted (excl. jerseys and pullovers containing >= 50% by weight of wool and weighing >= 600 g/article, and wadded waistcoats) | 9.6 | 4.0 | 2.69 | 8.48 | B5 |
| 61103010 | Lightweight fine knit roll, polo or turtleneck jumpers and pullovers of man-made fibres, knitted or crocheted | 9.6 | 4.0 | 5.16 | 8.12 | B5 |
| 62044200 | Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats) | 9.6 | 4.0 | 6.19 | 7.65 | B5 |
| 61099090 | T-shirts, singlets and other vests of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton or man-made fibres) | 9.6 | 4.0 | 4.81 | 7.18 | B5 |
| 62033310 | Men's or boys' jackets and blazers of synthetic fibres, industrial and occupational (excl. knitted or crocheted, and wind-jackets and similar articles) | 9.6 | 4.0 | 12.24 | 6.78 | B5 |
| 62034211 | Men's or boys' industrial and occupational trousers and breeches of cotton (excl. knitted or crocheted and bib and brace overalls) | 9.6 | 4.0 | 9.47 | 6.72 | B5 |
| 62033290 | Men's or boys' jackets and blazers of cotton (excl. knitted or crocheted, industrial and occupational, and wind-jackets and similar articles) | 9.6 | 4.0 | 4.89 | 6.62 | B5 |
| 61082100 | Women's or girls' briefs and panties of cotton, knitted or crocheted | 9.6 | 4.0 | 10.64 | 6.10 | B5 |
| 61045300 | Women's or girls' skirts and divided skirts of synthetic fibres, knitted or crocheted (excl. petticoats) | 9.6 | 4.0 | 3.04 | 3.98 | B5 |
| 62044990 | Women's or girls' dresses of textile materials (excl. of silk or silk waste, wool, fine animal hair, cotton or man-made fibres, knitted or crocheted and petticoats) | 9.6 | 4.0 | 2.32 | 3.92 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62043290 | Women's or girls' jackets and blazers of cotton (excl. knitted or crocheted, industrial and occupational, wind-jackets and similar articles) | 9.6 | 4.0 | 6.81 | 3.44 | B5 |
| 61101290 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of hair of Kashmir "cashmere" goats, knitted or crocheted, for women or girls (excl. quilted articles) | 9.6 | 4.0 | 1.14 | 2.92 | B5 |
| 62034251 | Men's or boys' bib and brace overalls, of cotton, industrial and occupational (excl. knitted or crocheted) | 9.6 | 4.0 | 2.65 | 2.73 | B5 |
| 61083100 | Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted (excl. T-shirts, vests and négligés) | 9.6 | 4.0 | 2.39 | 2.72 | B5 |
| 61102010 | Lightweight fine knit roll, polo or turtleneck jumpers and pullovers of cotton, knitted or crocheted | 9.6 | 4.0 | 2.16 | 2.26 | B5 |
| 61109090 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of textile materials, knitted or crocheted (excl. of man-made fibres, wool, fine animal hair, cotton, flax or ramie, and wadded waistcoats) | 9.6 | 4.0 | 1.23 | 1.62 | B5 |
| 62033990 | Men's or boys' jackets and blazers of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, and wind-jackets and similar articles) | 9.6 | 4.0 | 1.62 | 1.47 | B5 |
| 62045990 | Women's or girls' skirts and divided skirts of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted and petticoats) | 9.6 | 4.0 | 1.08 | 1.45 | B5 |
| 62034110 | Men's or boys' trousers and breeches of wool or fine animal hair (excl. knitted or crocheted, bib and brace overalls and underpants) | 9.6 | 4.0 | 1.45 | 1.25 | B5 |
| 62033210 | Men's or boys' jackets and blazers of cotton, industrial and occupational (excl. knitted or crocheted, and wind-jackets and similar articles) | 9.6 | 4.0 | 2.37 | 1.24 | B5 |
| 61052090 | Men's or boys' shirts of artificial fibres, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests) | 9.6 | 4.0 | 0.19 | 0.94 | B5 |
| 62072100 | Men's or boys' nightshirts and pyjamas of cotton (excl. knitted or crocheted, vests, singlets and underpants) | 9.6 | 4.0 | 0.41 | 0.93 | B5 |
| 62033919 | Men's or boys' jackets and blazers of artificial fibres (excl. knitted or crocheted, industrial and occupational, and wind-jackets and similar articles) | 9.6 | 4.0 | 0.19 | 0.92 | B5 |
| 62034339 | Men's or boys' bib and brace overalls of synthetic fibres (excl. knitted or crocheted, and industrial and occupational) | 9.6 | 4.0 | 0.74 | 0.89 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61072100 | Men's or boys' nightshirts and pyjamas of cotton, knitted or crocheted (excl. vests and singlets) | 9.6 | 4.0 | 0.35 | 0.74 | B5 |
| 62071100 | Men's or boys' underpants and briefs of cotton (excl. knitted or crocheted) | 9.6 | 4.0 | 1.58 | 0.72 | B5 |
| 62044910 | Women's or girls' dresses of textile materials, of silk or silk waste (excl. knitted or crocheted and petticoats) | 9.6 | 4.0 | 0.34 | 0.68 | B5 |
| 61101990 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of fine animal hair, knitted or crocheted, for women or girls (excl. from hair of Kashmir "cashmere" goats and quilted articles) | 9.6 | 4.0 | 0.06 | 0.43 | B5 |
| 62041300 | Women's or girls' suits of synthetic fibres (excl. knitted or crocheted, ski overalls and swimwear) | 9.6 | 4.0 | 0.04 | 0.26 | B5 |
| 62034233 | Men's or boys' trousers and breeches of cotton cut corduroy (excl. knitted or crocheted, industrial and occupational, bib and brace overalls and underpants) | 9.6 | 4.0 | 0.68 | 0.26 | B5 |
| 62046185 | Women's or girls' bib and brace overalls and shorts, of wool or fine animal hair (excl. knitted or crocheted, panties and swimwear) | 9.6 | 4.0 | 0.01 | 0.24 | B5 |
| 61012010 | Men's or boys' overcoats, car coats, capes, cloaks and similar articles of cotton, knitted or crocheted | 9.6 | 4.0 | 0.20 | 0.22 | B5 |
| 62046110 | Women's or girls' trousers and breeches of wool or fine animal hair (excl. knitted or crocheted, panties and swimwear) | 9.6 | 4.0 | 0.01 | 0.22 | B5 |
| 62043310 | Women's or girls' jackets and blazers of synthetic fibres, industrial and occupational (excl. knitted or crocheted, wind-jackets and similar articles) | 9.6 | 4.0 | 0.44 | 0.21 | B5 |
| 61101210 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of hair of Kashmir "cashmere" goats, knitted or crocheted, for men or boys (excl. quilted articles) | 9.6 | 4.0 | 3.95 | 0.19 | B5 |
| 62032280 | Men's or boys' ensembles, of cotton (not knitted or crocheted and excl. industrial and occupational clothing, tracksuits, ski ensembles and swimwear) | 9.6 | 4.0 | 0.01 | 0.13 | B5 |
| 62032310 | Men's or boys' industrial and occupational ensembles of synthetic fibres (excl. knitted or crocheted) | 9.6 | 4.0 | 0.66 | 0.13 | B5 |
| 62032380 | Men's or boys' ensembles, of synthetic fibres (not knitted or crocheted and excl. industrial and occupational clothing, tracksuits, ski ensembles and swimwear) | 9.6 | 4.0 | 0.05 | 0.12 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 61109010 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of flax or ramie, knitted or crocheted (excl. wadded waistcoats) | 9.6 | 4.0 | 0.12 | 0.11 | B5 |
| 62081100 | Women's or girls' slips and petticoats of man-made fibres (excl. knitted or crocheted and vests) | 9.6 | 4.0 | 0.10 | 0.11 | B5 |
| 62114231 | Women's or girls' lined tracksuits, of cotton, with an outer shell of a single identical fabric (not knitted or crocheted) | 9.6 | 4.0 | 0.00 | 0.10 | B5 |
| 62044100 | Women's or girls' dresses of wool or fine animal hair (excl. knitted or crocheted and petticoats) | 9.6 | 4.0 | 0.02 | 0.09 | B5 |
| 61101910 | Jerseys, pullovers, cardigans, waistcoats and similar articles, of fine animal hair, knitted or crocheted, for men or boys (excl. from hair of Kashmir "cashmere" goats and quilted articles) | 9.6 | 4.0 | 0.03 | 0.08 | B5 |
| 62033911 | Men's or boys' jackets and blazers of artificial fibres, industrial and occupational (excl. knitted or crocheted, and wind-jackets and similar articles) | 9.6 | 4.0 | 0.02 | 0.08 | B5 |
| 62034190 | Men's or boys' shorts of wool or fine animal hair (excl. knitted or crocheted, underpants and swimwear) | 9.6 | 4.0 | 0.03 | 0.08 | B5 |
| 61032300 | Men's or boys' ensembles of synthetic fibres, knitted or crocheted (excl. ski ensembles and swimwear) | 9.6 | 4.0 | 0.04 | 0.08 | B5 |
| 63041910 | Bedspreads of cotton (excl. knitted or crocheted, bedlinen, quilts and eiderdowns) | 9.6 | 4.0 | 0.08 | 0.06 | B5 |
| 63041990 | Bedspreads of textile materials (excl. of cotton, flax or ramie, knitted or crocheted, bedlinen, quilts and eiderdowns) | 9.6 | 4.0 | 0.10 | 0.06 | B5 |
| 61021090 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of wool or fine animal hair, knitted or crocheted (excl. suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls) | 9.6 | 4.0 | 0.08 | 0.04 | B5 |
| 62045100 | Women's or girls' skirts and divided skirts of wool or fine animal hair (excl. knitted or crocheted and petticoats) | 9.6 | 4.0 | 0.02 | 0.04 | B5 |
| 61021010 | Women's or girls' overcoats, car coats, capes, cloaks and similar articles of wool or fine animal hair, knitted or crocheted | 9.6 | 4.0 | 0.20 | 0.03 | B5 |
| 62071900 | Men's or boys' underpants and briefs of textile materials (excl. cotton and knitted or crocheted) | 9.6 | 4.0 | 0.01 | 0.03 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62034259 | Men's or boys' bib and brace overalls, of cotton (excl. knitted or crocheted, industrial and occupational) | 9.6 | 4.0 | 0.04 | 0.02 | B5 |
| 62043210 | Women's or girls' jackets and blazers of cotton, industrial and occupational (excl. knitted or crocheted, wind-jackets and similar articles) | 9.6 | 4.0 | 0.00 | 0.01 | B5 |
| 62032990 | Men's or boys' ensembles of textile materials (excl. of wool, fine animal hair, cotton, man-made fibres, knitted or crocheted, ski ensembles and swimwear) | 9.6 | 4.0 | 0.00 | 0.00 | B5 |
| 62072900 | Men's or boys' nightshirts and pyjamas of textile materials (excl. of cotton or man-made fibres, knitted or crocheted, vests, singlets and underpants) | 9.6 | 4.0 | 0.21 | 0.00 | B5 |
| 63041930 | Bedspreads of flax or ramie (excl. knitted or crocheted, bedlinen, quilts and eiderdowns) | 9.6 | 4.0 | 0.03 | 0.00 | B5 |
| 62032210 | Men's or boys' industrial and occupational ensembles of cotton (excl. knitted or crocheted) | 9.6 | 4.0 | 0.01 | 0.00 | B5 |
| 62032911 | Men's or boys' industrial and occupational ensembles of artificial fibres (excl. knitted or crocheted) | 9.6 | 4.0 | 0.00 | 0.00 | B5 |
| 63041100 | Knitted or crocheted bedspreads (excl. bedlinen, quilts and eiderdowns) | 9.6 | 4.0 | 0.00 | 0.00 | B5 |
| 62019300 | Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excl. suits, ensembles, jackets, blazers, trousers and tops of ski suits) | 9.6 | 0.0 | 238.39 | 0.00 | B5 |
| 62021390 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of > 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 27.68 | 0.00 | B5 |
| 62021290 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of cotton, of a weight per garment of > 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 6.80 | 0.00 | B5 |
| 62021100 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of wool or fine animal hair (excl. knitted or crocheted) | 9.6 | 0.0 | 1.74 | 0.00 | B5 |
| 61101110 | Jerseys and pullovers containing >= 50% by weight of wool and weighing >= 600 g/article, knitted or crocheted | 8.4 | 3.5 | 0.03 | 0.98 | B5 |
| 62141000 | Shawls, scarves, mufflers, mantillas, veils and similar articles of silk or silk waste (excl. knitted or crocheted) | 6.4 | 2.7 | 0.08 | 0.08 | B5 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62121090 | Brassieres of all types of textile materials, whether or not elasticated, incl. knitted or crocheted (excl. in a set made up for retail sale containing a brassière and a brief) | 5.2 | 2.2 | 144.92 | 148.3 | B5 |
| 62122000 | Girdles and panty girdles of all types of textile materials, whether or not elasticated, incl. knitted or crocheted (excl. belts and corselets made entirely of rubber) | 5.2 | 2.2 | 1.82 | 4.65 | B5 |
| 62123000 | Corselettes of all types of textile materials, whether or not elasticated, incl. knitted or crocheted | 5.2 | 2.2 | 0.78 | 1.72 | B5 |
| 62121010 | Brassières of all types of textile materials, whether or not elasticated, incl. knitted or crocheted, in a set made up for retail sale containing a brassière and a brief | 5.2 | 2.2 | 1.14 | 0.46 | B5 |
| 62046318 | Women's or girls' trousers and breeches, of synthetic fibres (not of cut corduroy, of denim or knitted or crocheted and excl. industrial and occupational clothing, bib and brace overalls, briefs and tracksuit bottoms) | 9.6 | 6.0 | 89.46 | 103.4 | B7 |
| 62046390 | Women's or girls' shorts of synthetic fibres (excl. knitted or crocheted, panties and swimwear) | 9.6 | 6.0 | 38.61 | 45.69 | B7 |
| 62044300 | Women's or girls' dresses of synthetic fibres (excl. knitted or crocheted and petticoats) | 9.6 | 6.0 | 23.95 | 25.76 | B7 |
| 62046239 | Women's or girls' trousers and breeches, of cotton (not of cut corduroy, of denim or knitted or crocheted and excl. industrial and occupational clothing, bib and brace overalls, briefs and tracksuit bottoms) | 9.6 | 6.0 | 27.13 | 18.71 | B7 |
| 62046918 | Women's or girls' trousers and breeches, of artificial fibres (not of cut corduroy, of denim or knitted or crocheted and excl. industrial and occupational clothing, bib and brace overalls, briefs and tracksuit bottoms) | 9.6 | 6.0 | 16.02 | 15.16 | B7 |
| 62046990 | Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, panties and swimwear) | 9.6 | 6.0 | 4.34 | 12.57 | B7 |
| 62053000 | Men's or boys' shirts of man-made fibres (excl. knitted or crocheted, nightshirts, singlets and other vests) | 9.6 | 6.0 | 8.65 | 12.18 | B7 |
| 62046231 | Women's or girls' cotton denim trousers and breeches (excl. industrial and occupational, bib and brace overalls and panties) | 9.6 | 6.0 | 13.97 | 11.83 | B7 |
| 62044400 | Women's or girls' dresses of artificial fibres (excl. knitted or crocheted and petticoats) | 9.6 | 6.0 | 10.25 | 11.40 | B7 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62045300 | Women's or girls' skirts and divided skirts of synthetic fibres (excl. knitted or crocheted and petticoats) | 9.6 | 6.0 | 10.69 | 8.15 | B7 |
| 62046311 | Women's or girls' trousers and breeches, of synthetic fibres, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) | 9.6 | 6.0 | 2.90 | 5.49 | B7 |
| 62059010 | Men's or boys' shirts of flax or ramie (excl. knitted or crocheted, nightshirts, singlets and other vests) | 9.6 | 6.0 | 3.07 | 3.26 | B7 |
| 62046290 | Women's or girls' cotton shorts (excl. knitted or crocheted, panties and swimwear) | 9.6 | 6.0 | 4.28 | 3.14 | B7 |
| 62045910 | Women's or girls' skirts and divided skirts of artificial fibres (excl. knitted or crocheted and petticoats) | 9.6 | 6.0 | 2.25 | 2.35 | B7 |
| 62045200 | Women's or girls' skirts and divided skirts of cotton (excl. knitted or crocheted and petticoats) | 9.6 | 6.0 | 4.49 | 1.53 | B7 |
| 62031200 | Men's or boys' suits of synthetic fibres (excl. knitted or crocheted, tracksuits, ski suits and swimwear) | 9.6 | 6.0 | 2.51 | 1.53 | B7 |
| 62031100 | Men's or boys' suits of wool or fine animal hair (excl. knitted or crocheted, tracksuits, ski suits and swimwear) | 9.6 | 6.0 | 1.10 | 1.27 | B7 |
| 62059080 | Men's or boys' shirts of textile materials (excl. of cotton or man-made fibres, flax or ramie, knitted or crocheted, nightshirts, singlets and other vests) | 9.6 | 6.0 | 1.13 | 1.00 | B7 |
| 62046339 | Women's or girls' bib and brace overalls, of synthetic fibres (excl. knitted or crocheted, occupational and industrial) | 9.6 | 6.0 | 0.03 | 0.70 | B7 |
| 62046950 | Women's or girls' shorts of artificial fibres (excl. knitted or crocheted, panties and swimwear) | 9.6 | 6.0 | 0.59 | 0.54 | B7 |
| 62046211 | Women's or girls' trousers and breeches of cotton, industrial and occupational (excl. knitted or crocheted and bib and brace overalls) | 9.6 | 6.0 | 0.25 | 0.43 | B7 |
| 62046939 | Women's or girls' bib and brace overalls of artificial fibres (excl. knitted or crocheted, industrial and occupational) | 9.6 | 6.0 | 0.00 | 0.30 | B7 |
| 62046251 | Women's or girls' bib and brace overalls, of cotton, industrial and occupational (excl. knitted or crocheted) | 9.6 | 6.0 | 0.00 | 0.16 | B7 |
| 62046259 | Women's or girls' cotton bib and brace overalls (excl. knitted or crocheted, industrial and occupational) | 9.6 | 6.0 | 0.20 | 0.15 | B7 |
| 62046331 | Women's or girls' bib and brace overalls, of synthetic fibres, industrial and occupational (excl. knitted or crocheted) | 9.6 | 6.0 | 0.05 | 0.11 | B7 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62046233 | Women's or girls' trousers and breeches of cotton cut corduroy (excl. industrial and occupational, bib and brace overalls and panties) | 9.6 | 6.0 | 0.27 | 0.11 | B7 |
| 62046911 | Women's or girls' trousers and breeches, of artificial fibres, industrial and occupational (excl. knitted or crocheted, and bib and brace overalls) | 9.6 | 6.0 | 0.08 | 0.10 | B7 |
| 62046931 | Women's or girls' bib and brace overalls, of artificial fibres, industrial and occupational (excl. knitted or crocheted) | 9.6 | 6.0 | 0.00 | 0.01 | B7 |
| 62029300 | Women's or girls' anoraks, windcheaters, wind jackets and similar articles, of man-made fibres (not knitted or crocheted and excl. suits, ensembles, jackets, blazers, trousers and tops of ski suits) | 9.6 | 6 | 210.79 | 353.8 | B7 |
| 62019200 | Men's or boys' anoraks, windcheaters, wind jackets and similar articles, of cotton (not knitted or crocheted and excl. suits, ensembles, jackets, blazers, trousers and tops of ski suits) | 9.6 | 6 | 15.10 | 0.00 | B7 |
| 62011310 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of <= 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 17.48 | 0.00 | B7 |
| 62021310 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of <= 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 23.78 | 0.00 | B7 |
| 62011390 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of man-made fibres, of a weight per garment of > 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 11.17 | 0.00 | B7 |
| 62021210 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of cotton, of a weight per garment of <= 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 3.40 | 0.00 | B7 |
| 62011210 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of cotton, of a weight per garment of <= 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 1.58 | 0.00 | B7 |
| 62019900 | Men's or boys' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, suits, ensembles, jackets, blazers and trousers) | 9.6 | 6 | 1.45 | 0.00 | B7 |
| 62011290 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of cotton, of a weight per garment of > 1 kg (excl. knitted or crocheted) | 9.6 | 6 | 1.97 | 0.00 | B7 |

| HS code | Product description | Tariff | | Value (in million euro) | | Tariff phaseout category |
|---|---|---|---|---|---|---|
| | | 2019 | 2023 | 2019 | 2023 | |
| 62029900 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of textile materials (excl. of wool, fine animal hair, cotton or man-made fibres, knitted or crocheted, suits, ensembles, jackets, blazers and trousers) | 9.6 | 6 | 0.86 | 0.00 | B7 |
| 62011900 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of textile materials (excl. of wool or fine animal hair, cotton or man-made fibres, knitted or crocheted) | 9.6 | 6 | 1.10 | 0.00 | B7 |
| 62011100 | Men's or boys' overcoats, raincoats, car coats, capes, cloaks and similar articles, of wool or fine animal hair (excl. knitted or crocheted) | 9.6 | 6 | 1.55 | 0.00 | B7 |
| 62021900 | Women's or girls' overcoats, raincoats, car coats, capes, cloaks and similar articles, of textile materials (excl. of wool or fine animal hair, cotton or man-made fibres, knitted or crocheted) | 9.6 | 6 | 0.62 | 0.00 | B7 |
| 62019100 | Men's or boys' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of wool or fine animal hair (excl. knitted or crocheted, suits, ensembles, jackets, blazers and trousers) | 9.6 | 6 | 1.62 | 0.00 | B7 |
| 62029100 | Women's or girls' anoraks, incl. ski jackets, windcheaters, wind-jackets and similar articles, of wool or fine animal hair (excl. knitted or crocheted, suits, ensembles, jackets, blazers and trousers) | 9.6 | 6 | 0.28 | 0.00 | B7 |

Source: Authors' calculation using data from EU Comext.

# Annex B

**Estimation technique and data sources for Synthetic Control Method (SCM)**

The Synthetic Control Method is a statistical methodology that seeks to assess the effect of some intervention or policy, including an FTA, on a unit of interest such as a group or country, against its comparison group made up of those units which did not receive the intervention. The latter comparison group is obtained as a weighted average of the comparison units and represents the "synthetic" control. The weights are chosen so that the synthetic control is as similar as possible to the treated unit before intervention. In this study, the treated country is Vietnam which receives intervention as a form of FTA with the EU.

This study uses data from Vietnam and a set of comparator countries ranging from 2015 to 2023, thus covering the pre- and post-implementation of EVFTA. The main outcome variable is the total export value of USD from Vietnam to the EU on a yearly basis from the EU Comext database. We selected a set of predictor variables that are expected to represent most closely the pre-treatment period trade environment and economic conditions of Vietnam.[28] Data for predictor variables were drawn from the WDI database.

The most critical aspect of SCM is selecting the donor pool countries and predictor variables as it defines the pool of countries that will be used to construct synthetic Vietnam. For this study, we identified a set of Asian countries that had not signed any FTA with the EU recently as part of the donor pool. Additionally, all EU countries were included in the donor pool since there was no variation in their export costs with other member countries during the study period, allowing these countries to effectively capture trade shocks in the EU region.

The variables for predictors used in this paper are the GDP of the donor countries, their exports to the EU, merchandise exports as a percentage of GDP, inflation rates, and labour participation rates. We have also incorporated special predictors in the form of a share of medium and high-tech exports in total exports, the share of services in GDP, the share of industry in GDP, and net foreign direct investment inflows in order to better capture the trade shock during the pre-treatment period.

Using SCM, we created a synthetic counterpart for Vietnam as the weighted average of countries in the control group using non-negative weights. The weights are determined to minimise the difference between Vietnam and the synthetic control based on the predictor variables in the pre-treatment period. This ensures that synthetic Vietnam would resemble actual Vietnam in the level of trade and economic conditions before the implementation of EVFTA.

Mathematically, synthetic control is constructed to minimise the distance between the pre-treatment predictor values of Vietnam $X_V$ and a weighted average of predictors of the control group $X_S$, where W denotes weights applied to each control country:

$$\min_{W} \sum_{k} (X_{Vk} - X_{Sk}W)^2$$

Where $X_{Vk}$ are the predictors for Vietnam, $X_{Sk}$ are the predictor values for control countries, and W are the weights.

[28] Pre-treatment period refers to the period before the implementation of the EVFTA in 2020.

Similarly, to capture the EVFTA impact on Vietnam's apparel exports to the EU, this paper creates another donor pool of countries to predict the pre-treatment period of Vietnam. The predictor variables for this analysis include the GDP of donor countries, the extra-EU apparel import share in 2010, 2015, and 2019, inflation (inf), labour force participation rate (lfpr), and net foreign direct investment inflows (fdi). The donor countries chosen for constructing the SCM are Bangladesh, Cambodia, China, Pakistan, and India—countries that are apparel comparators of Vietnam in the EU market and do not have an FTA with the EU.

# Annex C

**Table A6: A comparison of cumulation rules between the EU GSP and EVFTA**

| | GSP | EVFTA |
|---|---|---|
| Bilateral Cumulation | Cumulation with the EU Member States, Norway, Switzerland, and Turkey | Cumulation with EU Member States |
| Regional Cumulation | Cumulation within ASEAN GSP beneficiaries | Cumulation with cuttlefish, squid, and octopus from an ASEAN country that has a preferential trade agreement with the EU for making of products HS 1605.54 (prepared or preserved cuttlefish and squid) and HS 1605.55 (prepared or preserved octopus) |
| | Cross-regional cumulation with South ASEAN GSP beneficiaries upon a request-and-granting process | |
| Extended Cumulation | Cumulation with an EU FTA partner country upon a request-and-granting process. Agricultural products (HS Chapters 1 to 24) are excluded from extended cumulation. | Cumulation with fabric from the Republic of Korea/ other FTA partners of both the EU and Vietnam for making products under HS chapter 61 (articles of apparel and clothing accessories, knitted or crocheted) and chapter 62 (articles of apparel and clothing accessories, not knitted or crocheted) |
| Tolerance | Chapters 2 and 4 to 24 of the Harmonised System, other than processed fishery products of chapter 16: 15% of the weight of the product | Chapters 2 and 4 to 24 of the HS, other than processed fishery products referred to in chapter 16: 10% of the weight of the product or ex-works price |
| | Chapters 50 to 63 | Chapters 50 to 63 of the HS |
| | For products made of a mixture of textile materials: basic textile materials used representing 10% or less of the total weight of all the basic textile materials used | For products made of a mixture of textile materials: basic textile materials used representing 10% or less of the total weight of all the basic textile materials used |
| | For certain products under chapter 61 to 63: non-originating textile materials classified in a heading other than that of the product and that their value does not exceed 8% of the ex-works price of the product. | For certain products under chapter 61 to 63: non-originating textile materials classified in a heading other than that of the product and that their value does not exceed 8% of the ex-works price of the product. |
| | Other products: 15% of the weight of the product | Other products: 10% of the ex-works price |

Sources: Adapted from Le and Baker (2023).

# Annex D

**Table A7: GTAP regional aggregation**

| Model aggregation | GTAP region |
|---|---|
| **Australia** | Australia (AUS) |
| **Bangladesh** | Bangladesh (BGD) |
| **Cambodia** | Cambodia (CAM) |
| **Canada** | Canada (CAN) |
| **China** | China (CHN) |
| **India** | India (IND) |
| **Indonesia** | Indonesia (IDN) |
| **Japan** | Japan (JPN) |
| **Malaysia** | Malaysia (MAL) |
| **Pakistan** | Pakistan (PAK) |
| **South Korea** | South Korea (KOR) |
| **Sri Lanka** | Sri Lanka (SRL) |
| **Thailand** | Thailand (THAI) |
| **Turkey** | Turkey (TUR) |
| **United Kingdom** | United Kingdom (UK) |
| **United States of America** | United States of America (USA) |
| **Vietnam** | Vietnam (VNM) |
| **European Union 27** | Austria (AUT), Belgium (BEL), Bulgaria (BGR), Croatia (HRV), Cyprus (CYP), Czech Republic (CZE), Denmark (DNK), Estonia (EST), Finland (FIN), France (FRA), Germany (DEU), Greece (GRC), Hungary (HUN), Ireland (IRL), Italy (ITA), Latvia (LVA), Lithuania (LTU), Luxembourg LUX), Malta (MLT), Netherlands (NLD), Poland (POL), Portugal (PRT), Romania (ROU), Slovakia (SVK), Slovenia (SVN), Spain (ESP), Sweden (SWE) |
| **Latin America** | Argentina (ARG), Bolivia (BOL), Brazil (BRA), Chile (CHL), Colombia (COL), Ecuador (ECU), Paraguay (PRY), Peru (PER), Uruguay (URY), Venezuela (VEN), Rest of South America (XSM), Costa Rica (CRI), Guatemala (GTM), Honduras (HND), Nicaragua (NIC), Panama (PAN), El Salvador (SLV), Rest of Central America (XCA), Dominican Republic (DOM), Jamaica (JAM), Puerto Rico (PRI), Trinidad and Tobago (TTO), Caribbean (XCB) |

| Model aggregation | GTAP region |
|---|---|
| **Sub-Saharan Africa** | Benin (BEN), Burkina Faso (BFA), Cameroon (CMR), Côte d'Ivoire (CIV), Ghana (GHA), Guinea (GIN), Nigeria (NGA), Senegal (SEN), Togo (TGO), Rest of Western Africa (XWF), Central Africa (XCF), South Central Africa (XAC), Ethiopia (ETH), Kenya (KEN), Madagascar (MDG), Malawi (MWI), Mauritius (MUS), Mozambique (MOZ), Rwanda (RWA), Tanzania (TZA), Uganda (UGA), Zambia (ZMB), Zimbabwe (ZWE), Rest of Eastern Africa (XEC), Botswana (BWA), Namibia (NAM), South Africa (ZAF), Rest of South African Customs (XSC) |
| **Rest of the World** | New Zealand (NZL), Rest of Oceania (XOC), Hong Kong (HKG), Mongolia (MNG), Taiwan (TWN), Rest of East Asia (XEA), Brunei Darussalam (BRN), Lao People's Democratic Republic (LAO), Philippines (PHL), Singapore (SGP), Rest of Southeast Asia (XSE), Nepal (NPL), Mexico (MEX), Rest of North America (XNA), Switzerland (CHE), Norway (NOR), Rest of EFTA (XEF), Albania (ALB), Belarus (BLR), Russian Federation (RUS), Ukraine (UKR), Rest of Eastern Europe (XEE), Rest of Europe (XER), Kazakhstan (KAZ), Kyrgyzstan (KGZ), Tajikistan (TJK), Rest of Former Soviet Union (XSU), Armenia (ARM), Azerbaijan (AZE), Georgia (GEO), Bahrain (BHR), Iran Islamic Republic of (IRN), Israel (ISR), Jordan (JOR), Kuwait (KWT), Oman (OMN), Qatar (QAT), Saudi Arabia (SAU), United Arab Emirates (ARE), Rest of Western Asia (XWS), Egypt (EGY), Morocco (MAR), Tunisia (TUN), Rest of North Africa (XNF), Rest of the World (XTW) |

Source: Authors' aggregation using GTAP Database Version 11.

**Table A8: GTAP commodity classification in the present study**

| Sector aggregation | Commodities (with GTAP code) |
|---|---|
| Grains and Crops (GrainsCrops) | Paddy rice (PDR), wheat (WHT), cereal grains nec (GRO), vegetables, fruit, nuts (V_F), oil seeds (OSD), sugar cane, sugar beet (C_B), plant-based fibers (PFB), crops nec (OCR), processed rice (PCR) |
| Livestock and Meat Products (MeatLstk) | Bovine cattle, sheep and goats (CTL), animal products nec (OAP), raw milk (RMK), wool, silk-worm cocoons (WOL), bovine meat products (CMT), meat products nec (OMT) |
| Mining and Extraction (Extraction) | Forestry (FRS), fishing (FSH), coal (COA), gas (GAS), minerals nec (OXT) |
| Oil | Oil (OIL) |
| Processed Food (ProcFood) | Vegetable oils and fats (VOL), dairy products (MIL), sugar (SGR), food products nec (OFD), beverages and tobacco products (B_T) |
| Textile | Textiles (TEX) |
| Apparel | Wearing apparel (WAP) |
| Leather | Leather products (LEA) |
| Light Manufacturing (LightMnfc) | Wood products (LUM), paper products, publishing (PPP), metal products (FMP), motor vehicles and parts (MVH), transport equipment nec (OTN), manufactures nec (OMF) |
| Petroleum_Ch | Petroleum, coal products (P_C) |
| Heavy Manufacturing (HeavyMnfc) | Chemical products (CHM), basic pharmaceutical products (BPH), rubber and plastic products (RPP), mineral products nec (NMM), ferrous metals (I_S), metals nec (NFM), computer, electronic and optical (ELE), electrical equipment (EEQ), machinery and equipment nec (OME) |
| Utilities and Construction (Util_Cons) | Electricity (ELY), gas manufacture, distribution (GDT), water (WTR), construction (CNS) |
| Transport and Communication (Trans) | Trade (TRD), accommodation, food and services (AFS), transport nec (OTP), air transport (ATP), warehousing and support activities (WHS) |
| WTP | Water transport (WTP) |
| Other Services (OthServices) | Communication (CMN), financial services nec (OFI), insurance (INS), real estate activities (RSA), business services nec (OBS), recreational and other services (ROS), public administration and defence (OSG), education (EDU), human health and social work (HHT), dwellings (DWE) |

Source: Authors' aggregation using GTAP Database Version 11.

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**Mohammad Abdur Razzaque** is an economist specialising in international trade and development issues. With extensive experience in senior leadership and consultancy roles, he has worked on global trade issues, bilateral and regional trade agreements, and export competitiveness. He previously served as the Head of International Trade Policy at the Commonwealth Secretariat, London, UK, and taught at Dhaka University economics department. He has led numerous policy research and capacity-building projects across various global regions and written extensively on international trade issues. Currently, he serves as Chairman of Research and Policy Integration for Development (RAPID).

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