

**Working Paper 2023.1.1.03**

**- Vol 1, No 1**

## **ẢNH HƯỞNG CỦA HIỆP ĐỊNH UKVFTA TỚI XUẤT KHẨU CÀ PHÊ CỦA VIỆT NAM SANG VƯƠNG QUỐC ANH**

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### **Tóm tắt**

Vương quốc Anh là một trong những thị trường xuất khẩu nông sản lớn của Việt Nam. Kể từ khi chính thức có hiệu lực từ ngày 1/5/2021, hiệp định UKVFTA đã trở thành đòn bẩy rất lớn cho hợp tác thương mại và đầu tư Việt Nam - Vương quốc Anh, tạo ra lợi thế cạnh tranh đáng kể cho hàng hóa xuất khẩu của Việt Nam sang thị trường Anh thông qua các cam kết miễn và giảm thuế nhập khẩu nhiều mặt hàng. Kim ngạch xuất khẩu nông sản của Việt Nam sang thị trường Anh đã có sự cải thiện rõ rệt ở một số mặt hàng, đặc biệt là cà phê. Trong bối cảnh nền kinh tế Anh đang dần hồi phục sau đại dịch, chính phủ Anh đã dỡ bỏ các hạn chế giao thương từ ngày 18/3/2022. Nhu cầu hàng tiêu dùng tại Anh ngày càng tăng là tín hiệu đáng mừng cho các doanh nghiệp xuất khẩu của Việt Nam, đặc biệt là mặt hàng cà phê. Đề tài được nhóm tác giả đưa vào nghiên cứu với một số mục đích chính như sau. Thứ nhất, nghiên cứu đặc điểm các mặt hàng cà phê của Việt Nam xuất khẩu sang Anh. Thứ hai, phân tích ảnh hưởng của các cam kết trong hiệp định UKVFTA đối với xuất khẩu cà phê của Việt Nam sang Anh. Thứ ba, nêu rõ những cơ hội, thách thức và đề xuất các khuyến nghị đối với các doanh nghiệp xuất khẩu cà phê trong nước nhằm khai thác những lợi thế mà UKVFTA mang lại.

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**Từ khóa:** UKVFTA, Vương quốc Anh, xuất khẩu cà phê, hiệp định thương mại tự do

## **EFFECTS OF UKVFTA ON VIETNAM'S COFFEE EXPORTS TO THE UK**

### **Abstract**

The UK is one of Vietnam's major agricultural export markets. Since it officially took place and effect on May 1, 2021, the UKVFTA agreement has become a huge lever for Vietnam - the UK trade and investment cooperation, creating a significant competitive advantage for exports from Vietnam to the UK market through commitments to exempt many items from import tax lines. The export turnover of Vietnam's agricultural products to the UK market has markedly improved in a number of agricultural products, especially coffee. In the context of the British economy gradually recovering after the pandemic, the British Government lifted travel restrictions from March 18th, 2022. The increasing demand for consumer goods in the UK is a good sign for Vietnamese exporters, especially coffee. The topic is studied for several main reasons. Firstly, to research the characteristics of Vietnam's coffee agricultural products exported to the UK. Secondly, to analyse the effects of commitments in the UKVFTA agreement on the export of coffee from Vietnam to the UK. Thirdly, highlight opportunities and challenges and propose recommendations for domestic coffee exporters to exploit the advantages that UKVFTA brings.

**Keywords:** UKVFTA, the UK, coffee exports, free trade agreement

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### **1. Overview of UKVFTA and coffee products in Vietnam**

#### ***1.1. Introduction to the UK economy***

The world's first industrialized nation was Great Britain. The "traditional" agricultural production-based economy opened to more advanced development for the first time with the introduction of factories in the middle of the 18th century. A contemporary industrial period was ushered in by innovations like the steam locomotive, the loom, the spinning machine, and improved steelmaking techniques. Up until this point, the UK was in the lead but has fallen behind due to numerous subjective and objective criteria, but it is still one of the world's top developed economies, along with the US, Japan, Canada, Germany, France, Italy, and Russia.

The UK is considered the country of tea drinkers, however, this has been changing. While tea consumption in the past 10 years has decreased from 30 grams to 20 grams per capita, coffee consumption has increased, especially among young generation. The UK is currently the 5th largest coffee-consuming market in Europe (after Germany, Italy, France and Spain).

According to Statista, the UK coffee market's revenue is estimated to reach \$8.81 billion by 2022. The market is expected to grow 10.98% annually (CAGR 2022–2025). Thus, the UK market's revenue is currently about 1/10 that of the US market (\$85.16 billion). By 2025, 83% of spending and 29% of coffee consumption in the UK market will be for consumption activities outside the home, such as at cafes, hotels, bars, and restaurants. According to data from the International Trade Center (ITC), in 2021, total coffee imports from the world market into the UK will reach 203,381 metric tons, worth \$945.56 million. The average import price of coffee into the UK reached \$4,649 per tonne, up 7.5% compared to 2020.

## ***1.2. Introduction of the UKVFTA Agreement and trade commitments between Vietnam and the UK***

The UK-Vietnam Free Trade Agreement (UKVFTA) was officially completed on December 11, 2020, and signed on the evening of December 29, 2020. The Agreement is negotiated on the principle of inheriting the commitments already in the Free Trade Agreement between Vietnam and the European Union (EVFTA) with necessary adjustments to ensure conformity with the trade framework. the bilateral relationship between Vietnam and the UK.

The UKVFTA agreement covers many areas, including market liberalization for goods, services and investment. In addition, the agreement includes programs on government procurement, state-owned enterprises and market competition. In addition, the UKVFTA agreement also presents commitments related to trade and sustainable development, including content on labour, environment and social responsibility.

**Tariff elimination:** The Agreement ensures the elimination of 65% of tariff lines since the EU-Vietnam Free Trade Agreement comes into effect. This level of elimination will increase to 99% after a roadmap of 6 to 9 years. That means eliminating import duties on products like clothing, fabrics and shoes, which means customers and businesses can benefit when these products are sold at lower prices.

**Non-tariff barriers:** To facilitate trade, the content of the UKVFTA Agreement includes commitments to limit non-tariff barriers that are unreasonably hindering trade flows, increase transparency and improve the ability of the Parties to promptly and effectively address non-tariff barriers to trade.

## ***1.3. Overview of Vietnam's coffee products***

### ***1.3.1. Introduction of coffee products in Vietnam***

Coffee appeared in Vietnam in 1857, brought by Catholic missionaries and planted in some churches in Ha Nam and Quang Binh provinces. After that, the coffee growing area was increasingly expanded. From 1994 to the present, Vietnamese coffee has grown very quickly and achieved results in many aspects. Currently, coffee is the second largest exported agricultural product in Vietnam. It can be said that in the current agricultural industry, coffee is second only to rice and has a strong foothold to become an important production industry in the national economy.

There are more than 70 different varieties of coffee, as we are all aware, but only 2 major categories of coffee are typically grown: Robusta (Robusta) and Tea (Arabica). The benefits of quality and yield also depend on each plant's capacity for adaptation. The ripe fruit of the Robusta coffee plant has an egg or circular form, is dark in color, and has a hard skin. It typically ripens starting in February. The two major coffee-producing nations in the world are Vietnam and Indonesia. This variety of coffee is primarily grown in Africa and Asia. Arabica coffee is often grown at an altitude of around 200m and enjoys a cool climate with cold tolerance. The majority of this sort of coffee is grown in Brazil and Colombia.

One of Vietnam's 13 main agricultural products is coffee. Over 600,000 farming households benefit from the 3% of the country's GDP that the coffee sector generates in the

form of jobs and stable earnings. According to the General Department of Customs, in April 2022, Vietnam exported a total of 2137 tons of coffee to the UK market, with an average monthly export price of 2137 USD per tonnes, worth 4.56 million USD. In the first 4 months of 2022, Vietnam's coffee exports to the UK reached 50.3 million USD, up 145.84% in volume and 196.67% in value over the same period in 2021.

In Vietnam, coffee is grown in the absolute majority in the Central Highlands and the Southeast. These are the two main coffee production areas of the country with high yields (over 1.6 tons of kernels/ha) of good quality, with an area of 443.000 hectares, accounting for 86% of the country's area. Coffee and tea are suitable for the northern midland mountains, concentrated in Son La, Lai Chau, Thanh Hoa, Nghe An, Quang Tri and Thua Thien Hue. The area of coffee and tea nationwide in 2003 was 30,000 ha. Coffee and tea have better quality but are more susceptible to pests and diseases, so the yield is also lower by about 0.9-1.2 tons/ha.

### *1.3.2. The economic importance of coffee and coffee exports*

*For the Vietnamese economy*, the coffee industry contributes to economic restructuring. This entails a series of economic development sectors such as the construction of facilities for seed research, irrigation, transportation, machinery manufacturing, etc., thus accelerating the process of structural transformation and the economy in regions where coffee trees grow. Furthermore, the coffee industry has also contributed greatly to the state budget revenue. Annually, the coffee industry brings the country 1-1.2 billion USD/year, accounting for 10% of the country's export turnover. Coffee exports also play an active role in expanding and promoting Vietnam's external economic relations. Currently, Vietnam has successfully exported coffee to over 80 countries around the world, which helps us to have many development relationships. This is an important condition for Vietnam to have bilateral and multilateral cooperation relations to accelerate Vietnam's WTO accession process.

*For Vietnam's agricultural industry*, the coffee industry contributes to the restructuring of crops in our country's agricultural sector, and to the broadening the crop structure of the agricultural sector and Vietnam's agricultural exports. It diversifies business services in the agricultural industry, which leads to a wide range of agricultural production services such as plant variety research services, pesticide and fertilizer supply services, etc. The redistribution of labour resources in agriculture is significantly facilitated by the coffee industry. The development of the coffee industry entails a large amount of labour to serve it. With the scale of the coffee-growing area expanding, a large labour force is needed, creating regular jobs for people in mountainous areas as well as in rice-growing plains. Exporting coffee also helps limit abandoned lands. Because the characteristics of coffee trees are suitable for high plateaus and hills, this place has not been fully exploited. Therefore, it is possible to limit the abandoned land, greening bare land and bare hills.

### *1.3.3. Vietnam's export performance to other countries*

As an agricultural product in the essential export group of Vietnam, currently ranked 2nd in the world (after Brazil), present in more than 80 countries and territories around the world. Vietnamese coffee is gradually introduced and becoming familiar to many international

markets, including some countries and regions that import extremely large quantities. Among them may be the following:

#### *Exporting coffee to Europe*

The EU is the largest consumer market of Vietnamese coffee with 40% of the total volume and 38% of the country's export turnover. Countries that account for the largest import and market share for Vietnamese coffee here are Germany (14.3% - equivalent to 228.1 million USD), and Italy (7.8% - equivalent to 124.5 millions USD). Besides, thanks to the improvement in quality, the export value of coffee in other countries also increased sharply: Belgium (up 20.1%, reaching 74.8 million USD) and Poland (up 53.7%, reaching 23.5 million USD).

#### *Exporting coffee in Southeast Asia*

In this area, the coffee consumed in our country accounts for 13% of the total coffee export output and is the second largest coffee-consuming market in Vietnam.

#### *Exporting coffee in the US*

Many products and items of our country are being exported to the United States then coffee is no exception. Coffee exports to the US market account for 9% of our total coffee exports, equivalent to 142.9 million USD and promise to increase considerably in the future.

## **2) Analysis of Vietnam's coffee exports before and after UKVFTA agreement**

### ***2.1. Vietnam's coffee exports before the signing of the UKVFTA agreement***

#### ***2.1.1. Factors affecting coffee export situation in Vietnam***

Exported coffee, like other goods, is affected by the *demand of the importing country*. If the imported country has a high demand for coffee, our coffee exports will increase significantly, and vice versa, the quantity and turnover of coffee exports will decrease. On the other hand, the importing country's demand for the type of coffee also has a major effect on our coffee exports. When importing countries have a high demand for coffee but prefer Arabica coffee, while we primarily export robusta, it reduces our coffee exports and vice versa.

*Production and processing.* Planning effectively will exploit regional advantages in coffee production, increase yield and quality, and thus improve the conditions for processing and exporting coffee. The rational allocation of processing plants, coffee trading establishments, and coffee producing regions will facilitate the transport, the process, and the export of coffee. As a result, it will lower the price and increase the competitiveness of exported coffee in the world market.

*Distribution channels and services.* A coordinated distribution channel not only lowers operating costs, improves the competitiveness of exported coffee, but also facilitates the export process and accumulates feedback from the importing country market as well as supplier's.

*Legal factors* include the legal system affecting export activities. The following factors affect coffee exports:

Regulations on taxes, prices, types of coffee, volume of imported coffee... Vietnam is still subject to high tax rates because it has not received preferential treatment from the WTO. Therefore, it is challenging to reduce the cost to compete with other suppliers.

Regulations on labor usage regime, salary, insurance and welfare... Coffee growers need specific salary and policies on safety to ensure their production. Coffee export workers must be paid appropriately, and the essential equipment to grasp world market information must be provided.

Regulations on contract transactions of coffee export such as: price, quantity of coffee, means of transport, process and equipment used in transactions...

Thus, the legal aspect is critical because a misunderstanding of the regulations of the importing country can lead to numerous risks.

*The geographical distance* between exporting countries and each partner is also a factor included in costs and risk of export transportation. The closer the distance, the lower the transportation costs, this reality will result in the promotion of export activities. (Bui and Chen, 2017).

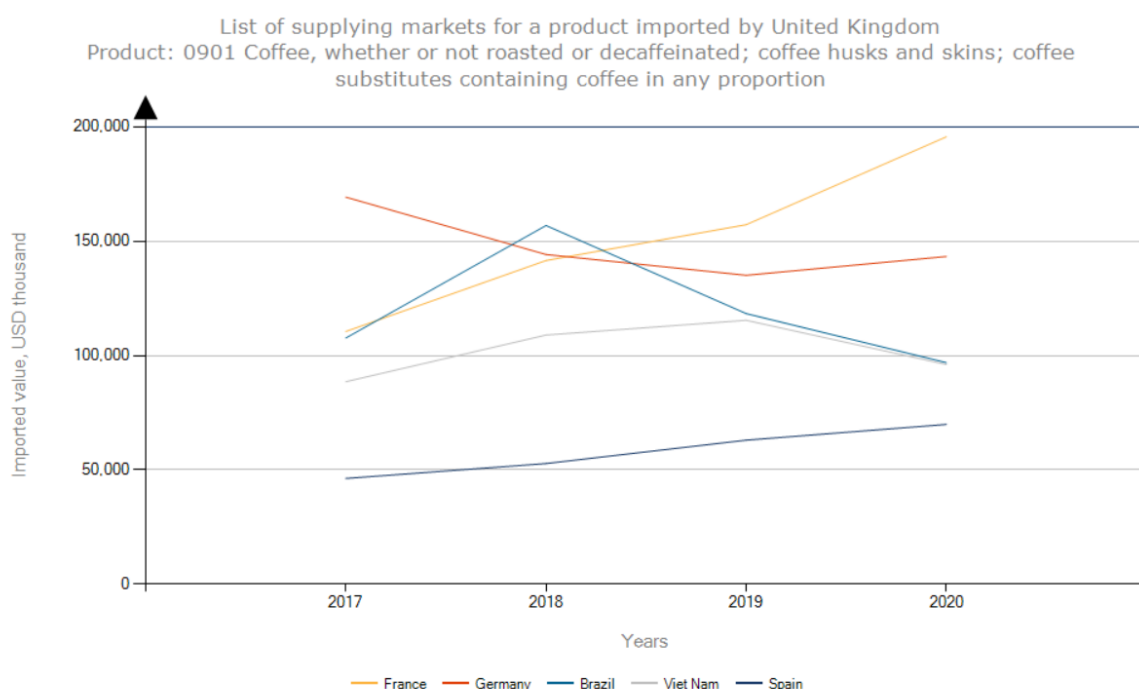
*Exchange rate.* In the long run, 92% of experts interviewed believe that the exchange rate has a positive effect on export volumes and prices. Exchange rates are typically used by exporting countries to support their exports in the global market. When the Vietnamese currency loses its value, the export price in USD would gain. Since the Vietnam dong is pegged to the US dollar, the value of other currencies is ignored in the majority of Vietnamese exports. If the Vietnam dong loses value, the export price in USD would fall theoretically.

*Export tax* is a tax levied on exported goods in international trade transactions. The price of domestic goods will fall below the level of goods sold in the international market due to this tax policy, which will lead to a decrease in export output and a negative change in domestic production for these commodities.

#### *2.1.2. Vietnam's coffee exports market to the UK before the UKVFTA*

According to preliminary data reported by Vietnam Customs, coffee exports in 12/2019 reached 188,246 tons, an increase of 75,355 tons, or an increase of 66.75% compared to the previous month, an increase by 34,787 tons, or 23.67% over the same period last year. In terms of value, the export turnover in 12/2019 reached 327,58 million USD, increased 18,83% compared to the same period last year.

According to Vietnam statistics, Vietnam's coffee exports to the United Kingdom increased steadily and reached nearly 40,000 tons with a value of nearly 67.2 million USD in 2019. However, in 2020, Vietnam's coffee exports to the UK totaled 27,915 tons, a 43.2% decrease, and were worth more than 48 million USD, a 38.9% decrease from 2019.



**Chart 1.** Coffee imported quantity of the UK from 2017 to 2020

**Source:** trademap.org

In 2020, Vietnam exported 26,569 tons of coffee products to the UK market, valued at 69,824 thousand USD and accounting for 3% of share in Viet Nam's exports. The annual growth in export value from 2017 to 2021 is -9% (trademap.org). In 2021, the UK's coffee imports from Vietnam in 2021 will decrease by 35.5% in volume and 31.1% in value compared to 2020, reaching 34.65 thousand tons, worth 66.16 million dollars. Vietnam's coffee market share in total UK imports will decrease from 23.03% in 2020, to 17.04% in 2021. The impact of the COVID-19 pandemic is the primary cause of this decline, the UK Government's prolonged blockade policy caused a sharp drop in coffee consumption demand. Furthermore, a lot of coffee roasters had to change their orders to suppliers in South America and Africa due to the high sea freight costs from Vietnam to the UK.

**Table 1.** Quantity and value of Vietnam's coffee exports to the UK in 2019 and 2020

	2019	2020
<b>Quantity (tons)</b>	49,018	26,569
<b>Values (USD thousand)</b>	77,838	44,347

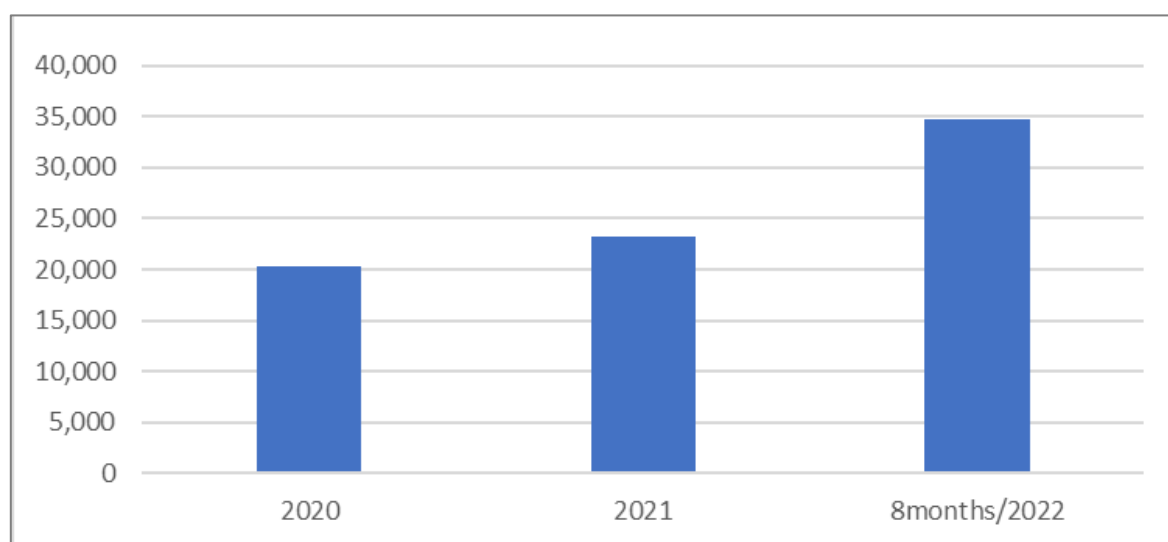
**Source:** trademap.org

## 2.2. Vietnam's coffee exports after the signing of the UKVFTA agreement

### 2.2.1. Effect of the agreement on output and export value of Vietnamese coffee to the UK market

According to the Foreign Trade Agency under the Ministry of Industry and Trade, the Vietnam-UK Free Trade Agreement (UKVFTA) has greatly helped Vietnam's coffee industry increase its market share in the UK (MoIT).

In the first eight months of 2022, Vietnam exported 34,680 tonnes of coffee to the UK, gaining 57.9% in volume and 84.2% in value from the same period in 2017. The MoIT reports that export prices increased 16.6% to \$2,038 USD per tonne. Vietnamese coffee's percentage of all imports into the UK increased from 16.33% to 29.92% in the first half of 2022.



**Chart 2.** Volume of imported coffee of UK in 2020 and 2021

**Source:** Foreign Trade Agency under the Ministry of Industry and Trade

Except for Indonesia, the average import price of coffee from the major sources increased. Colombia had the highest price increase of 18.6%, while Vietnam had the lowest price increase of 6.7%.

The volume and value of the UK's coffee imports from Vietnam decreased by 35.5% and 31.1%, including both, in 2021, to 34.65 thousand tons and 66.16 million USD, respectively. Estimated market share of Vietnamese coffee in total UK imports will decline from 23.03 % to 17.04 % in 2021.

Due to the COVID-19 pandemic's impacts, coffee imports to the UK will decrease substantially throughout the years 2020 and 2021. Even though this will primarily affect the out-of-home marketplace, home tea drinking is still a common practice in the UK.

In addition to the efforts of Vietnamese companies and the progressive development of the UK economy under the strength and direction of national trade promotion programs, the growth rate of agricultural trade in general and coffee in particular is expected to be positive for both 2021 and 2022.

The British government has aggressively implemented all the "Global Britain" trade strategy, according to the Ministry of Industry and Trade, to promote exports. Through FTAs, the UK is likewise committed to "reciprocally" opening its domestic market to international partners. Promote the negotiation of FTAs with the Union of Nations' 19 member states concurrently, giving priority to important commercial partners including the EU, US, Japan, and India. On the basis of agreement among the parties to these FTAs, including the Vietnam-EU FTA, the policy of inheriting all FTAs of the EU is in place simultaneously (EVFTA). Vietnam businesses should quickly move to seize opportunities brought about by the



agreement. They should align production with British quality standards, grasp export procedures, and continue improving product quality by upgrading preservation and transportation technology, especially for farm produce. Firms were also suggested to pay more attention to registering and protecting brands in the UK while proactively seeking partnerships with major distributors in the market.

#### *2.2.2. Effect of the agreement on the business activities of Vietnamese coffee exporters*

After six years since the agreement's implementation, import tariffs will be abolished for 99.2% of the tariff lines, or 99.7% of Vietnam's export earnings. The agency advised firms to act promptly to take advantage of opportunities created by the agreement, which went into effect on May 1, 2021.

Vietnamese companies are acting fast to grasp the prospects presented by UKVFTA, according to the Ministry of Industry and Trade. Because of the UKVFTA's guarantee, 99.2% of tariff lines—or 99.7% of Vietnam's export earnings no longer have import taxes after six years of the agreement's implementation.

In the context of lower tariff barriers, Vietnamese coffee exporting companies have recorded high coffee exports to the United Kingdom. According to ITC, Vietnamese coffee enjoys total tariff elimination for the products code 090111 - coffee (excl. roasted and decaffeinated), other product codes still enjoy preferential tariff from 2.5% to 8%. In August 2022, the export price of coffee to the UK reached 2.125 USD/ ton, 16.6% higher than that in 2021. According to ITC figures, the coffee imports from Vietnam to the UK in the first six months of 2022 reached 162 tons, worth 701.000 USD, which is 1.295% and 1.199% higher in terms of quantity and value respectively (Nguyen Hanh, 2022). The UKVFTA enforces the production of coffee in Vietnam for export as it connects the great demand from the UK citizens from the Vietnamese suppliers. The United Kingdom becomes the potential market for coffee in the EU, to seize the chance to maximize revenue, businesses and government are imposing proper plans and policies to raise the quantity and quality of coffee exported.

Elimination of tariff barriers does not come along with the trade without the non tariff barriers. From the experts perspective, the UK is a competitive market with several import sources from different countries and the market is regarded as a strict market for coffee. To maintain the sustainable coffee export, Vietnamese businesses are improving and will improve their products to meet the requirements of the UK. To approach the UK market, businesses from Vietnam need to be well-informed about the regulations relating to sanitary, phytosanitary, products information (region, cultivation, size, flavor, density, hygiene,...). The government always supports the using of modern and innovative technologies in production to export and consume high quality and competitive products. In 2019, Nestlé Vietnam started the project Nescafé Plan in Gia Lai province, from the traditional household production, farmers were trained to manage the input technology, quality control and consumption. Apart from that, the coffee SME and local businesses are also enhancing the production system to improve the quality of coffee with the strategies of focusing on seed quality, applying modern technology, using preservation warehouses, promoting households and firms collaboration,... (Thanh Tra, 2022). The Vietnamese government and businesses are aware of the regulations of exporting coffee to the UK and are trying to increase the product quality to meet the

requirements of the UK market. Besides, researching and learning about the UK customers taste is the major concern of most businesses. The non tariff barriers for coffee export have created difficulties for Vietnamese firms. However, in the context of globalization and free trade, Vietnamese coffee is asserting its name and quality in the market with attempts of the producers to comply with the regulations of the United Kingdom and other international importing countries in general.

Overall, according to experts, businesses should align production with British quality standards, understand export procedures, and continue improving product quality by upgrading preservation and transportation technology, especially for farm produce, in order to increase the presence of Vietnamese goods in the UK. Furthermore, it was advised that businesses aggressively look for collaborations with significant distributors in the industry while paying closer attention to brand registration and protection in the UK

Entrepreneurs need to actively cultivate their partnerships with prominent distributors. Use technology to actively preserve and transport agricultural products. Take full advantage of British banks' favorable financing policies, credit evaluation, and verification services.

The Vietnamese coffee industry is confronted with both advantages and disadvantages as a consequence of its participation in new free trade agreements (FTAs). Benefiting from tax concessions, growing consumption markets, and luring foreign investment in coffee production and processing are the apparent benefits. To boost their competitiveness and raise the value of their coffee, local businesses must innovate in this area.

### **3) Opportunities and challenges of UKVFTA to Vietnam's coffee exports**

#### ***3.1. Opportunities***

The cooperative trade relationship between Vietnam and the United Kingdom has existed since the strategic partnership in 2010, and the UK became the third largest trade partner of Vietnam in the EU market, after Germany and Netherlands. Replicating the benefits of the EVFTA after Brexit, the UKVFTA assured that the trade between Vietnam and the UK will continue to enjoy preferential treatment, including the elimination of tariffs: 65% of all tariffs have already been eliminated on UK-Vietnam trade. In the first 6 years after the UKVFTA takes effect, the UK will eliminate tariffs on 99.2% of the tariff lines in relation to Vietnam imports.

UKVFTA paved the way for Vietnam coffee exports by lowering the tariff barriers which contributed to the increase in business exports and profits. The quantity of coffee exported to the UK market and the amount of coffee consumed have increased significantly in recent years after the negotiations of UKVFTA. “Vietnam shipped 34,680 tonnes of coffee worth 70.68 million USD to the UK in the first eight months of 2022, up 57.9% in volume and 84.2% in value from a year earlier. Export prices also rose 16.6% to 2,038 USD per tonne, according to the MoIT.”, (Minh Tue, 2022). This helps coffee businesses from Vietnam gain revenue and profits because the demand for consumption increases. As a result, the expansion of coffee production in Vietnam will generate vacancies for households and, to some extent, can tackle unemployment.

The UKVFTA enhances the potential of the export of coffee, thus generating motivation for businesses to improve quantity and quality. To satisfy the strict requirements of UKVFTA, businesses need to continuously keep pace with the adjustments in the UK import regulations, particularly after Brexit because some requirements for the goods imported into the UK mentioned in the UKVFTA are different from the EVFTA.

Vietnam's export of coffee and agricultural products in general stands a chance due to the open market access to the United Kingdom and other European countries. By lowering the tariffs and loosening the requirements of imports, transport, regulations... Vietnam can successfully import the coffee products and become the long term trade partner of the UK. The UKVFTA also brings chances to other agricultural products such as rice, vegetables,...

### **3.2. Challenges**

Despite the opportunities that businesses need to seize, Vietnam faced a lot of difficulties when exporting coffee to the UK market.

In fact, the UKVFTA offers the chance to increase the exports of Vietnam in the field of coffee products to the UK market through tariff policies. However, to access the UK market and successfully deliver the products to the UK citizens, Vietnam businesses still faced numerous challenges: The disconnection and disruption between businesses and trading partners; the payment and financial risks, branding, domestic products competition,...

Although UKVFTA eliminated the tariff barriers and challenges when exporting, Vietnam coffee products are still in need of meeting the demand relating to the packaging, components, sanitary, categories and especially product quality, which are considered to be extremely strict when approaching the UK market and it is difficult to satisfy all the UK citizens taste. The technical barriers in the agreements are considered to be complicated. According to the CBI (Centre for the Promotion of Imports from developing countries), exporting countries when exporting coffee to the UK must follow the European Union legal requirements. These rules mainly mention food safety, especially traceability, hygiene, and specific sources of contamination. In addition, the requirements for quality include: Altitude and region, Botanical variety, Preparation — wet or dry process, washed or natural, Bean size or screen size, sometimes also bean shape and color, Number of defects or imperfections, Roast appearance and cup quality in relation to flavor, characteristics and cleanliness, Bean density. The packaging and labeling requirements can also not be neglected.

Furthermore, other ASEAN countries are negotiating over Free Trade Agreements which creates competition among the regional nations. This requires Vietnam to apply appropriate policies and strategies on coffee production and trade.

### **3.3. Proposes**

#### **3.3.1. Vietnam government's policies**

Through evaluating the RCA index, Vietnam coffee products proved the competitive advantages compared to other agricultural products and other countries' coffee products. (Hoa N.V., Ly T.D., 2019). Therefore, to comprehensively develop the Vietnam coffee products, it

is necessary to impose policies and strategies to increase the competitive ability of Vietnam coffee in the context of UKVFTA.

The Government and the Ministry of Industry and Trade need to implement regulations related to promoting the production of coffee by providing subsidies, expanding access to global markets. Particularly, the government departments should support businesses in the process of production, branding, and cooperation with the UK businesses.

The Ministry of Industry and Trade needs to establish the standards of export products, especially coffee, to be well suited to global standards and the United Kingdom requirements for imported products. The UK government has a tendency to create trade barriers by imposing high standards on products imported from foreign countries. The Vietnamese government should have a plan to impose specialized regulations for coffee when exporting to the UK market and inform enterprises about the regulations to avoid export risk and failure.

### *3.3.2. Strategy of enterprises*

Besides the strategy of the Government to support the coffee export, each enterprise needs to cultivate their own developing plans to make use of the UKVFTA.

After the United Kingdom exited the Europe Union, a number of trade policies were adjusted which directly affected Vietnam coffee exports. To keep pace with the regulations informed by the UK, Vietnamese businesses have to be updated and be well aware of the requirements about the quality and quantity when exporting.

Businesses should have strategies to manage the input materials, supply chain, logistics system, paying methods,... to meet the Rules of Origin, the requirements of quality, components, packaging and labeling when approaching the UK market. Moreover, the marketing and branding departments should exploit the advantages of Vietnamese coffee products to globally advertise them. The key features of Vietnamese coffee can be named as “natural, environmentally friendly, affordable, pure flavor,...”. The environment friendly feature can be the notable and the key value of Vietnamese coffee products as the UK is increasingly focusing on the green market and eco-friendly production system.

In addition, the UK is also determined to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which means that the UK market is open for the importing products from the 11 member countries participating in the agreement in exchange for preferential market access for the export products of British businesses. This is apparently beneficial for Vietnam exporting products. Nevertheless, many Vietnamese products on the UK market, particularly coffee with potential market share, will have to compete with strong competitors from CPTPP countries.

Therefore, Vietnamese businesses need to quickly take advantage of the opportunities brought by UKVFTA to get access to the UK market. In particular, they must be proactive in using technology to preserve and transport agricultural products by sea and make good use of preferential credit policies and credit assessment and verification services for British banks' customers.

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