

Working Paper 2023.2.3.6
- Vol 2, No 3

TÁC ĐỘNG CỦA HIỆP ĐỊNH CPTPP ĐẾN NGÀNH XUẤT KHẨU GIÀY CỦA VIỆT NAM SANG CÁC NƯỚC CPTPP

Nguyễn Thị Tố Như¹, Đinh Thị Minh Phương, Nguyễn Thị Ngọc Tâm, Thạch Hà Trang

Sinh viên K60 CLC Kinh tế đối ngoại - Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Thu Hằng

Giảng viên Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Ngành công nghiệp sản xuất giày dép đóng một vai trò quan trọng trong nền kinh tế Việt Nam - nước có sản lượng xuất khẩu giày dép lớn thứ hai trên thế giới. Nghiên cứu đánh giá tình hình tổng thể của ngành hàng xuất khẩu giày dép tại Việt Nam cũng như những ảnh hưởng của việc loại bỏ thuế quan theo Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương (CPTPP) đối với xuất khẩu các sản phẩm giày của Việt Nam đến các thành viên của CPTPP (bao gồm 11 nước thành viên khác). Mô hình SMART, thuộc WITS được dùng để phân tích ngành xuất khẩu giày dép của Việt Nam. 25 dòng sản phẩm giày dép sẽ được đánh giá trong hai tình huống khác nhau. Với CPTPP, ngành xuất khẩu giày dép của Việt Nam được kỳ vọng sẽ thu được nhiều lợi ích, sinh lời nhiều hơn và mở rộng sang thị trường mới. Do chuyển hướng thương mại lớn hơn tạo lập thương mại, Việt Nam sẽ được hưởng lợi nhiều hơn so với các nước không phải thành viên qua việc loại bỏ thuế quan. Trên cơ sở kết quả nghiên cứu, nhóm tác giả gợi ý một số đề xuất nhằm nâng cao năng lực cạnh tranh của ngành sản xuất giày dép Việt Nam.

Từ khóa: CPTPP, tác động, ngành da giày Việt Nam, xuất khẩu giày dép, WITS-SMART

THE INFLUENCE OF THE CPTPP ON VIETNAMESE FOOTWEAR EXPORT TO CPTPP COUNTRIES

¹ Tác giả liên hệ, Email: k60.2112150132@ftu.edu.vn

Abstract

The footwear production industry plays an important role in Vietnam's economy as the country is the second-largest footwear exporter in the world. This study looks at the overall situation of Vietnamese footwear exports as well as the possible effects of tariff elimination under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on Vietnam's exports of footwear products to CPTPP members (including 11 other countries). Vietnam's footwear product exports are examined using the SMART model, a simulation tool that is part of the WITS. 25 HS 6-digit product would be assessed in two different scenarios. With the adoption of CPTPP, Vietnam's footwear export is expected to gain more benefits and become more profitable, as well as having access to new markets. Given that trade diversion outweighs trade creation, Vietnam will benefit more from the CPTPP than non-members due to tariff elimination. Based on the simulation results, several proposals to improve the competitiveness of Vietnam's footwear production industry are recommended.

Keywords: CPTPP, effect, Vietnam footwear industry, footwear export, WITS-SMART

1. Introduction

Vietnam is the second-largest footwear manufacturer in the world after China. Every year, the country exports more than 1 billion pairs of shoes of all kinds to hundreds of countries around the world.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which was signed in March 2018. CPTPP was first signed by 11 countries, which are Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia and Vietnam. On July 16, 2023, the UK officially became a member of CPTPP, and is the first country outside of the founding members. The UK joining CPTPP has increased the total number of members of CPTPP to 12. The Agreement came into force in Vietnam on January 14th, 2019. CPTPP has brought a significant positive impact on Vietnam's footwear export but also presented several challenges, including increased competition from other countries and the need to comply with new regulations and standards.

The overall purpose of this research paper is to analyze the influence of the CPTPP on Vietnam's footwear export market. The research has two objectives: (1) Identify the economic impacts of CPTPP on Vietnam's footwear export to CPTPP countries, and (2) Evaluate the overall situation of Vietnamese footwear export. Subsequently, this article will provide the potential benefits, obstacles, and future outlook that the CPTPP offers to the footwear sector in Vietnam.

2. Literature review

2.1. Previous research

The influence of CPTPP on Vietnam's export activities is a relatively new field that has received attention from researchers and businesses in recent years. Research by Ha, V.S. and Lê,

Q. (2019) analyze the characteristics of the CPTPP as a new-generation FTA, using quantitative methods to forecast the impact of Vietnam's CPTPP participation on the increase in exports. The research also suggests measures to promote the export of Vietnamese goods in the context of participation in CPTPP.

For the specific field of footwear export, a research paper by the Vietnam Chamber of Commerce and Industry - VCCI (2021) provides an overview of the current situation, opportunities, and challenges of the footwear industry in the context of CPTPP, as well as the readiness and response of Vietnamese enterprises to the agreement. The paper proposes some solutions and recommendations for the footwear industry to take advantage of the benefits and overcome the difficulties of CPTPP, such as improving product quality and design, enhancing competitiveness and innovation, diversifying export markets, and strengthening cooperation and integration. Nguyen Vo, T. (2022) investigates the reasons behind the discrepancy in utilizing CPTPP between textiles and footwear industries in Vietnam. The study finds that footwear is the highest utilizer at 10.26%, while textiles are amongst one of the lowest utilizers, only reaching 0.03% in 2020.

2.2. Research gap

Most of the existing studies focus on the general effects of CPTPP on Vietnam's economy, trade, and investment, without paying much attention to the specific sector of footwear. Studies in Vietnam do not go into the opportunities and challenges presented by the CPTPP, as well as discuss the future prospects for Vietnam's footwear industry in the context of the CPTPP. Therefore, there is a research gap on the impact of CPTPP on Vietnam's footwear export, which needs to be addressed by conducting more in-depth and comprehensive analyses.

2.3. The main content of CPTPP on Vietnamese's economy and trade

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a free trade agreement between 12 countries, including Vietnam. The agreement aims to deepen the liberalization of trade in goods and services among the members and break new ground addressing digital trade issues via a comprehensive e-commerce chapter. The CPTPP is expected to generate significant economic benefits for its members, including access to fast-growing markets such as Malaysia and Vietnam.

The main content of the CPTPP includes provisions related to trade in goods, trade in services, investment, intellectual property, labor, environment, and dispute settlement. The agreement includes provisions that eliminate tariffs on a wide range of goods, including agricultural products, textiles, and industrial goods. The CPTPP also includes provisions that address non-tariff barriers to trade, such as customs procedures, technical barriers to trade, and sanitary and phytosanitary measures.

In terms of trade impacts, the CPTPP is expected to open up new markets and create new opportunities for Vietnamese footwear manufacturers. However, the agreement also presents several challenges, including increased competition from other countries and the need to comply

with new regulations and standards. One of the key challenges facing Vietnam's footwear industry is the need to improve the quality of its products in order to compete with other countries in the region. In addition, the agreement includes provisions that require member countries to comply with certain labor and environmental standards, which could be a challenge for Vietnam's footwear industry. However, the agreement also provides opportunities for Vietnam's footwear industry to improve its competitiveness by investing in research and development, improving its supply chain management, and adopting new technologies.

2.4. CPTPP commitments related to Vietnam's footwear industry

2.4.1. Tariff commitments

In March 2019, the Vietnam Chamber of Commerce and Industry (VCCI) published the booklet "CPTPP: Customs and Trade Facilitation", highlighting all the commitments towards Vietnam's footwear industry regarding tariffs, non-tariff barriers, labor and environment standards, etc. According to the booklet, the CPTPP member countries agreed to eliminate duties on 97% to 100% of tariff lines for imports from Vietnam that qualify under the applicable rules of origin. For example, Canada agrees to eliminate duties in 95% of tariff lines, which accounts for 78% of the total value of exports from Vietnam. Up to 78% of the revenue from Vietnamese footwear exports to Canada will be exempt from taxes. For the first time, Japan has pledged to remove the import duty on Vietnam's leather shoes. The tax will be eliminated in the 16th year after the CPTPP takes effect.

2.4.2. Non-tariff commitments

The CPTPP includes provisions on non-tariff measures (NTMs) that aim to facilitate trade by reducing the costs and complexity of complying with regulations and standards. These provisions cover areas such as sanitary and phytosanitary measures, technical barriers to trade, customs procedures, rules of origin, and origin procedures:

Sanitary and phytosanitary measures: The CPTPP requires the parties to apply sanitary and phytosanitary (SPS) measures based on scientific principles and evidence, and to ensure transparency and cooperation in SPS matters.

Technical barriers to trade: The CPTPP encourages the parties to use international standards and conformity assessment procedures, and to facilitate the acceptance of technical regulations and test results among the parties.

Customs procedures and trade facilitation: The CPTPP aims to simplify and expedite customs procedures, enhance transparency and predictability, and promote the use of electronic systems and information exchange.

Rules of origin and origin procedures: The CPTPP establishes rules of origin and origin procedures to determine whether a good qualifies for preferential tariff treatment under the agreement. The CPTPP allows for self-certification of origin by the importer, exporter, or producer.

2.5. Overview of Vietnam Footwear Export

Vietnam is one of the world's largest footwear exporters, with a total export value of \$20.3 billion in 2022 (Statista, 2023, "Export value of footwear in Vietnam 2010-2022"). The country's footwear exports have been increasing steadily over the years, with a growth rate of 19.4% in the first seven months of 2022 compared to the same period in 2021. The top partner countries to which Vietnam exports footwear include the United States, China, Belgium, Germany, and Japan.

According to the Vietnam Leather, Footwear and Handbag Association (LEFASO), there were about 2,200 footwear manufacturing enterprises in Vietnam by the end of 2021, mainly located around Ho Chi Minh City. In the first seven months of 2022, leather and footwear production increased by 25.5% over the same period in 2021.

Vietnam's exports of shoes to markets covered by free trade agreements kept showing signs of improvement. In particular, exports to the EU-Vietnam Free Trade Agreement member markets increased by 18.2%, and the UK market through the Vietnam - UK Free Trade Agreement increased by 10.9% (LEFASO).

In the first half of 2022, Vietnam's footwear exports reached about \$14.15 billion, up 20.1% over the same period in 2021 (VietnamCredit, 2022). The United States is still the largest footwear import market of Vietnam, reaching \$6,029.7 million, followed by Belgium with \$866.6 million, while China dropped to the third position with \$863.2 million.

In terms of the types of footwear exported, Vietnam's leather footwear exports accounted for the largest share of the total export value, followed by sports shoes and canvas shoes. The country's footwear industry has been focusing on developing new materials and designs to meet the demands of consumers and the market.

3. Research Methodology

3.1. WITS - SMART model

3.1.1. Partial Equilibrium

With the goal of trade policy evaluation, two main types of simulation models are applied: partial equilibrium models (PE) and general equilibrium models (GE). These models serve as crucial tools for assessing policy impacts (John Gilbert, 2017).

Although the GE model can be used to analyze the impact of FTAs on the export outcome of the entire economy or different product groups as it captures the whole economy with many interacting markets or sectors, however, this study will use the PE models to assess the influence of the CPTPP on Vietnam's footwear exports because of its straightforwardness to implement computationally and application to real-world data.

The PE model focuses on analyzing only a single market (product), examining the specific effects on an industry or one good at a time by changing the applied tariff. The study used Software for Market Analysis and Restrictions on Trade (SMART), the market access simulation package in WITS, and a PE modeling tool. This model, developed by the World Bank and the United Nations Conference on Trade and Development (UNCTAD), uses many other databases on trade, tariffs and businesses to show commercial simulations. SMART allows analysis and results of direct changes in trade flows such as import and export turnover, impact on creation and trade diversion, changes in world prices, and tax revenue, but it doesn't include other indirect effects.

However, it's important to acknowledge the limitations of the partial equilibrium model. It requires some knowledge of key parameters, particularly elasticities, and the outcomes are highly sensitive to the specific values selected. This model also fails to consider potential interactions within the broader economic landscape, potentially missing out on important feedback loops. Furthermore, its effectiveness relies on the satisfaction of assumptions inherent to the partial equilibrium framework, which may not always hold in real-world scenarios.

3.1.2. Model assumptions

The SMART model requires three parameters as input: (1) the elasticity of import demand; (2) the elasticity of import substitution; and (3) the elasticity of export supply. These elasticities are based on three essential assumptions: (1) the assumption of import demand proposed by Armington (1969), (2) the assumption of the two-stage optimization process of consumers, and (3) the assumption of an infinite export supply elasticity.

Assumption 1: The Import Demand Assumption proposed by Armington:

Assuming that goods imported from one country are an imperfect substitute when imported from another country, the demand for imports is not entirely moved to an FTA country with tax incentives. This means that the beneficiary country (Vietnam) cannot meet the entire import demand for footwear products from the tariff-eliminating countries (CPTPP members). These countries would still need non-FTA suppliers for their remaining needs.

Assumption 2: Consumer two-stage optimization process:

For goods imported from another country, the SMART model also assumes that consumer needs are represented in a two-stage process. In the first stage, the total consumers' expenditure on an imported good depends on the price elasticity of the import demand. In the second phase of the process, consumers will distribute spending among the country's different import-substitute goods, depending on the relative prices. The distribution of consumer spending changes when comparable prices change is determined based on import substitution elasticity. A default substitution elasticity of 1.5 is imposed by SMART for all goods.

Assumption 3: The assumption of elasticity of export supply is infinite:

The degree of responsiveness of foreign exporters' supply to changes in export price is measured by the export supply elasticity. The SMART model assumes that this elasticity is infinite

for each country, implying that foreign exporters can supply any quantity of goods at a set price. Under this assumption, we can assess the effects of removing tariffs without the prices changing, which means that all countries, regardless of their size (Vietnam), encounter stable global prices. As a result, WITS/SMART set supply elasticity equals 99 applied to all goods.

3.1.3. Trade creation

Trade creation is the process of creating economic welfare and new trade opportunities between two or more countries or regions. Trade creation typically occurs when there is a reduction in trade barriers, such as tariffs or quotas, which can lead to a direct increase in imports. The study used the following equation to calculate trade creation:

$$TC_{ijk} = M_{ijk} \cdot E_x \cdot \frac{dt_{ijk}}{(1+t_{ijk})(1+\frac{Em}{E_x})} \quad (1)$$

3.1.4. Trade diversion

Trade diversion is the process of shifting imports from a country with efficient production sources to FTA partners' sources. Trade diversion can be calculated by the following formula:

$$TD_{ijk} = \frac{M_{ijk}}{\sum M_{ijk}} \cdot \frac{\frac{\sum M_{ijk} \cdot \sum M_{ijk} \cdot \sum M_{ijk} \cdot E_s \cdot \frac{d(\frac{P_{ijk}}{P_{ijk}})}{\frac{P_{ijk}}{P_{ijk}}}}{\frac{P_{ijk}}{P_{ijk}}}}{\sum M_{ijk} \cdot \sum M_{ijk} + \sum M_{ijk} \cdot E_s \cdot \frac{d(\frac{P_{ijk}}{P_{ijk}})}{\frac{P_{ijk}}{P_{ijk}}}}{\frac{P_{ijk}}{P_{ijk}}}} \quad (2)$$

Where,

TC: Trade creation

TD: Trade diversion

i: Subscript denoting commodity; in this case, it is footwear products

j: Subscript denoting importing country; in this case, it is CPTPP partners

k: Subscript denoting exporting country; in this case, it is Vietnam

M: Imports

Es: Elasticity of export supply

Em: Elasticity of import demand

t: Tariff rate distortion

d: Prefix denoting change

Es: Elasticity of substitution

P: Price

K: Subscript denoting alternative foreign country

3.2. Model specification

3.2.1. Scenarios

One year after the signing ceremony, the USA, Vietnam's largest footwear import market, confirmed its withdrawal from the TPP, putting an end to the agreement and opening a new era for CPTPP in 2017 with the same members except the USA. Recently, on July 16, 2023, the UK officially announced to join the CPTPP. So the simulation will be run under two scenarios with the base year of 2018. By creating these scenarios, the research hopes to measure the variations in Vietnam's exports of footwear products to other 11 CPTPP members and contrast them with the situation in which the US stayed a member of the agreement.

Scenario 1: Tariffs on footwear products are removed by Vietnam and 11 other original TPP-12 members, including the US. For the designated commodity groups, there is a preferential tariff of 0% applicable to all countries.

After the US officially withdrew from the TPP on January 23rd, 2017 and the remaining countries established the CPTPP, many believe that Vietnam's footwear exports will hardly benefit from the CPTPP on account of the US market's absence while having to compete against China's participation. But actually Vietnam's value of footwear exported to the USA has always remained at a stable growth speed.

Scenario 2: The US left TPP in 2017 and the UK joined CPTPP in 2023. Vietnam and 11 countries in the CPTPP eliminated tariffs on footwear products. No further integration of Vietnam's footwear exports with other nations is taken into account. Tariffs are cut to 0% for the specified commodity groups.

This represents a total opening of the Vietnamese market to the remaining CPTPP members. Based on the availability of secondary data, the study makes the assumption that the process of eliminating tariffs will begin in 2016. Analyzing the effects of full liberalization within a partial equilibrium framework enables the identification of the most "sensitive" goods and industries for which a nation may wish to receive special and differential treatment, even though this may not be the precise result of FTA negotiations in general and the CPTPP in particular. Hence, the authors decided to apply a 100 percent tariff reduction to all products at the HS-6 level.

So, both Scenario 1 and 2 include 11 countries.

3.2.2. Input data

The secondary data as well as the tariff rate used in this paper were obtained from the SMART-WITS, developed by the World Bank's database and UNCTAD.

The simulation was regulated for footwear products of Chapter 64, at HS 4, and 6 - digit level to analyze the impacts of tariff adjustment relating to the base year of 2018. In this SMART model run, this paper will assess the change of tax removal on 6 HS 4-digit, which includes 25 HS 6-digit.

4. Results and Discussion

4.1. Trade effects

Table 1. Change in indicators of Vietnam footwear export to CPTPP's countries in 2 different

Indicators	Scenario 1	Scenario 2
Initial export value (in 1000 USD)	7428931.767	3049671.286
Final export value (in 1000 USD)	8951989.965	3503046.429
Total export change (in 1000 USD)	1523058.198	453375.143
Increase in export (%)	20.5	14.9
Trade creation effect (in 1000 USD)	651914.130	186345.623
Trade diversion effect (in 1000 USD)	871144.090	267029.515
Trade total effect (in 1000 USD)	1523058.199	453375.139

scenarios

Source: The authors' calculation from SMART model

Under CPTPP, Vietnam Footwear export shows an increase in both scenarios. Scenario 1 demonstrates that there is an increase of 20.5% in export value over the base year, reaching nearly 9 billion USD when the tariff is reduced to 0%. Despite the increase in export value in Scenario 2, it clearly shows that the United States market plays a crucial role in export value growth. With the withdrawal of the United States out of CPTPP, the export value experienced a decrease of almost 6%.

Overall, the impact of CPTPP and tariff reduction has been expressed through trade effect, with the trade diversion effect outweighing the trade creation effect. It can be seen that the trade total effect is calculated by trade creation effect plus trade diversion effect, resulting in about 1.5 billion USD and 450 million USD respectively in Scenario 1 and Scenario 2. The trade creation effect in both scenarios is double the trade diversion, illustrating that Vietnam products' price would be lower than other countries producing footwear within the framework of CPTPP countries due to the low tariff. This would lower the welfare of other countries that are efficient in producing and exporting footwear, as low-cost production from the rest of the world is replaced by Vietnam, making Vietnam's footwear products more competitive. However, Vietnam's welfare would be

inconsiderable since the data shows that there is no significant difference between trade creation and trade diversion.

Different product codes have contributed to the increase in trade total effect. Table 2 summarizes the results obtained from partial equilibrium analysis at 4-digit HS code products.

Table 2. Changes in export value and total trade effect of both scenarios at 4-digit HS level

HS Code	Scenario 1			Scenario 2		
	Initial export value (in 1000 USD)	Final export value (in 1000 USD)	Trade total effect (in 1000 USD)	Initial export value (in 1000 USD)	Final export value (in 1000 USD)	Trade total effect (in 1000 USD)
6401	7357.05	9034.014	1676.96	6274.89	7586.67	1311.78
6402	1668408.9	2126478.71	458069.78	633421.56	727663.624	94242.08
6403	2538671.28	2896932.6	358261.27	1040630.3	1198604.32	157974.0
6404	3122642	3794042.19	671399.84	1290289.8	1475172.77	184882.97
6405	41861.42	49919.851	8058.45	48832.842	55018.884	6186.04
6406	49990.69	75582.60	25591.909	30221.895	39000.164	8778.269
Total	7428931.77	8951989.96	1523058.2	3049671.3	3503046.4	453375.1

Source: The authors' calculation from SMART model

Among six 4 - digit HS codes, product group HS 6404 has the highest export value and trade total effect before and after CPTPP came into effect. In Scenario 1, HS 6404 export value escalates by about 670 million USD, whereas in Scenario 2, its export value increases by nearly 185 million USD. This product code also experiences a positive trade total effect, accounting for around 40%. These numbers indicate that the footwear export market for Vietnam's HS 6404 product has enormous potential.

The product codes HS 6402 and HS 6403 also contribute notably to the growth of trade total effect, making up the total of approximately 55% in both scenarios. The growth of the export value of the other three product codes HS 6401, HS 6405, HS 6406 is relatively small compared to the others.

It is interesting to identify which 6-digit HS products have both highest absolute value change and relative value change to further determine more effective export strategies and goals.

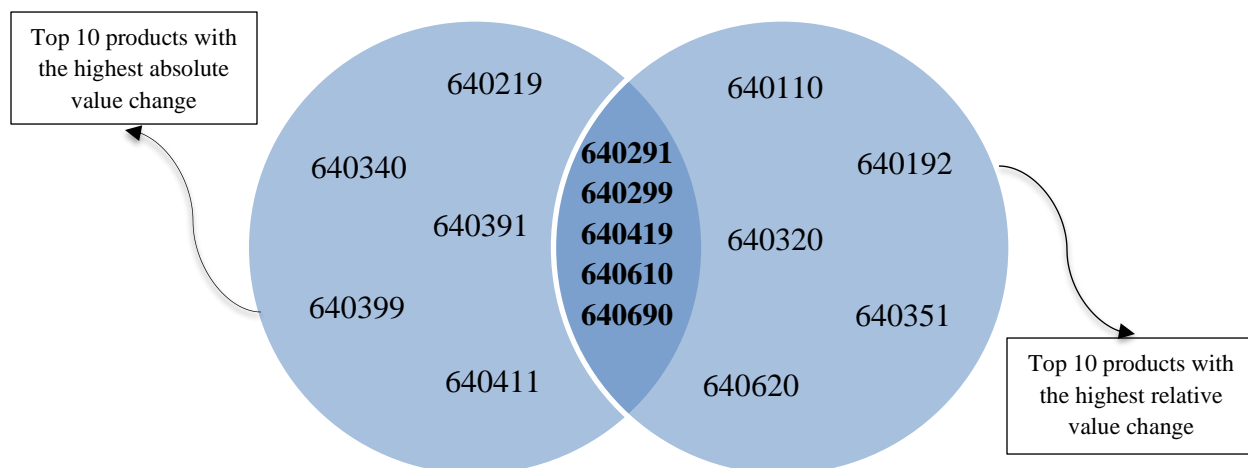


Figure 1. Top 10 products with the highest absolute value change vs. Top 10 products with the highest relative value change

Source: The authors’ calculation from SMART model

A comparison of Top 10 products with highest absolute value change and Top 10 products with the highest relative value change leads to the results of five products appearing in both categories, which are HS 640291, HS 640299, HS 640419, HS 640610, HS 640690. HS 6402 and HS 6406 both have two products in the list, emphasizing the importance of these products in Vietnam Footwear export and should be examined further.

When the absolute value change of products are examined on a 6-digit level, it occurred that the highest absolute value change belongs to product HS 640411 with a rise of 509 million USD. The relative value change of this product is 21%.

When examining the relative value change of the products, the highest relative value change took place in product HS 640690, with the growth of 90%. This product also exists in Top 10 products with the highest absolute value change. It clearly shows that there has been a significant increase in consumption of HS 640690 by CPTPP countries’ citizens and there is potential opportunity to promote export of this particular product of footwear.

Table 3. Changes in export value of Top 10 footwear export products

HS Code	Change in export value (in 1000 USD)
640411	509811.193

640299	391611.61
640399	247561.667
640419	195843.536
640391	125251.626
640291	54780.499
640219	36358.259
640690	13097.952
640340	9212.589
640610	8634.937

Source: The authors' calculation from SMART model

Table 3 shows Top 10 products that gain the most positive change since CPTPP comes into effect. Looking at the numbers, product HS 640411 has the highest change in export value, reaching nearly 510 million USD, while the least change in export value in the Top 10 belongs to product HS 640610, slightly above 8.6 million USD.

4.2. Discussion

4.2.1. Opportunities

According to Industry expert, Phan Thị Thanh Xuân, General Secretary of the Leather, Footwear and Handbag Association (Lefaso), CPTPP was one of the very important agreements for the leather and footwear industry. The export growth of footwear products was prompt at over 20%.

Vietnam might increase output and increase exports of goods to other members - Canada, Mexico, or Peru - with which it did not have the direct free trade agreements. Moreover, exports to nations and areas that planned to join the CPTPP, like China or Taiwan, could be encouraged by means of the agreement.

Many footwear products with high basic tax rates will be reduced to 0% or nearly 0% as soon as CPTPP goes into force or after the agreement has come into effect for a certain period of time, usually 3 - 7 years. Singapore makes a commitment to remove 100% of tariff for all products right after CPTPP is effective, creating a very favorable condition to promote footwear export in this market.

In terms of labor, through exporting footwear to CPTPP countries, this Agreement helps to generate employment opportunities and improve the income for Vietnamese labor, especially female workers, thereby reducing the gender gap and discrimination. Overall, footwear industry labor would access better labor welfare.

In addition, CPTPP brings many more investment opportunities for Vietnam through encouraging collaboration between its members and also countries outside CPTPP. The Vietnam Footwear industry can attract more foreign investment, open up golden opportunities for the improvement of technology, infrastructure and manufacturing proficiency. Also, Vietnam will join the regional supply chains and become an integral part in producing and exporting footwear products. Vietnam's participation in CPTPP also contributes to the reforming of state-owned enterprises (SOEs) and creating a playfield for small and medium enterprises (SMEs).

4.2.2. Challenges

CPTPP sets strict requirements and standards on product origin, making this a challenge for Vietnam enterprises in footwear sectors. Vietnam currently has about 129 enterprises investing in the production of raw materials and accessories, but only 20 of these businesses are able to provide top raw materials, which makes it challenging for producers of leather goods and footwear to take the lead on orders and raw material procurement. Mostly, Vietnamese footwear enterprises are heavily dependent on the supply of raw materials from big world suppliers such as China and India. It is more difficult to meet the rate of using Certificates of Origin because footwear is a limited supporting industry.

Through CPTPP, Vietnam Footwear industry anticipated to increase its export market. However, it also increases the competition with other countries exporting the same products and pressures Vietnam to build its competitive advantages. For example, Italy, Spain or Germany has a tradition of making high end and quality items such as key chains, zips, fur, etc. The most noticeable competitive advantage that Vietnam has in the footwear industry is low cost labor, but in the long run, Vietnam may no longer have the advantages at the labor cost, according to the Vietnam Trade Office in Canada.

Globally, there is a trend toward increased protective measures in many different forms. One such form is the possibility of anti-dumping and anti-subsidy measure misuse, which has started to show up in CPTPP member nations. Shoes belong to the category of goods that are frequently susceptible to this application and measurement.

4.2.3. Recommendations

Ms. Vo Hong Anh, Deputy Director of the European-American Market Department (Ministry of Industry and Trade) has pointed out that to gain more benefits from CPTPP, Vietnam footwear enterprises must put into consideration gaining new competitive advantage and adding more product values. This can be executed through improving the quality, researching specific tastes of target markets, and heading towards sustainable standards. By the end of 2022, Vietnam's Minister has approved the strategy for developing the textile, garment, and footwear industry, including

building a sustainable development program. Business has to immediately build a specific action program with a strategy, clearly stating the content that the world and businesses are asking for, meeting the standardized international requirements.

In terms of product strategies, producing and exporting sports shoes, sandals, tennis shoes, basketball shoes, gym shoes, training shoes and others in (HS 640411) should be the priority. Also, shoes with the outsole and upper parts made from rubber and plastic (HS 6402) should be focused on development, because Vietnam has a huge resources of rubber and developed rubber industry, which can create a competitive advantage compared to other countries in the world. Separate shoe parts (HS6406) such as removable insoles, heel cushions, gaiters, leggings are also expected to bring great growth to Vietnam's footwear export industry as it suits the needs of CPTPP citizens.

Furthermore, Vietnam's footwear sector must effectively leverage the export-oriented features of the Free Trade Area to capitalize on the prospects for importing raw materials from the Agreement's participating economies. Moreover, the Vietnamese footwear industry shall focus on expanding the market, building prestige brands with distinct comparative advantages as well as less reliance on outsourcing materials to meet higher requirements of certificate origin.

The Ministry of Industry and Trade (MoIT) should implement stricter control over quality and international standards of the Vietnamese footwear industry of products accessing the CPTPP market. Vietnamese enterprises should seriously follow the product standards and laws of every target market, including those pertaining to environmental effect, labeling specifications, and material quality. In addition to building trust with partners and customers, this dedication to compliance presents Vietnamese footwear as a trustworthy option in these cutthroat marketplaces.

5. Conclusion and Limitations

5.1. Conclusion

Vietnam, a main exporter in the global footwear market, accounts for over 12% of the total market share, ranking second only after China. With a presence in the CPTPP agreement, Vietnam's footwear products have gained significant export opportunities, especially to the CPTPP partners.

The results gained from the SMART model considered 2 different scenarios developed under the tax elimination of Vietnamese footwear export. Both scenarios indicate an overall positive trend in export value. However, it is worth noting that the increase in export in Scenario 1 is higher than that in Scenario 2, accounting for 20.5% and 14.9% respectively.

Among six 4-digit HS codes, product group HS 6404 stands out as the major contributor, with the highest export value and trade total effect. Products under HS 6402 and HS 6403 collectively constitute around 55% of the total trade effect, indicating their significant role in Vietnam's footwear export growth.

Notably, sports footwear (HS 640411) sees the highest absolute value change with a rise of nearly 510 million USD, while footwear continents (HS 640690) experiences the highest relative value change, growing by 90%. This positions these two product types to derive the greatest advantages from the CPTPP agreement. They present promising opportunities for strategic export planning, emphasizing the importance of targeted promotion and understanding consumer preferences.

This research also points out the opportunities and challenges that Vietnam footwear export meets, and suggests some measures to increase the competitiveness of the industry. The most prominent thing is to focus on certificates of origin, heading toward high quality and sustainable standards, as well as define a distinctive comparative advantage.

5.2. Limitations

While this research provides crucial insights into the impact of CPTPP on Vietnam's footwear exports, certain limitations need more consideration in future studies. The SMART model's static nature restricts it from a pre- and post-policy changes comparison while assuming all other factors remain constant, neglecting real-world complexities. Additionally, SMART results focus only on the direct effects of an international trade policy change in one market, potentially sensitive to modeling assumptions. The study excludes the impact of new foreign exporters entering the domestic market and relies on data from the World Bank, which may be less precise for developing countries like Vietnam. Furthermore, the study solely examines tariff rates, neglecting the impact of non-tariff barriers removed by CPTPP. Lastly, the scarcity of prior research on the same topic limits a deeper exploration and the discovery of new perspectives.

References

Amjadi, A., Schuler, P., Kuwahara, H. & Quadros, S. (2011), “WITS User’s Manual”, UNCTAD, UNSD, WTO, WB.

General Editorial Board. (2022), “United States - Vietnam's largest footwear import market”, *Vietnamese Industry Agency (VIA)*, Available at: <https://vsi.gov.vn/en/news-supporting-industry/united-states---vietnams-largest-footwear-import-market-c2id1072.html>.

Gilbert, J. (2017), “Partial Equilibrium Analysis Part I A Basic Partial Equilibrium Model Capacity Building Workshop Enhancing Capacity on Trade Policies and Negotiations in Laos”, Available at: https://www.unescap.org/sites/default/files/09_PE_I.pdf.

Ha, V.S. & Le, Q. (2019), “The impact of participation in the comprehensive and progressive trans-pacific partnership agreement on exports: The case of Vietnam”, *Management Science Letters*, pp. 1269–1280.

Hoang, N. & Hoan, T. (2019), “Vietnam and the CPTPP: Achievements and Challenges”, *ISEAS*, Available at: https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_41.pdf.

Linh & Diep, B. (2023), “Footwear will become Vietnam's next billion-dollar export item to Canada”, *Customsnews*, Available at: <https://english.haiquanonline.com.vn/footwear-will-become-vietnams-next-billion-dollar-export-item-to-canada-27194.html%C2%A0>.

Lu, S. (2018), “Evaluation of the Potential Impact of CPTPP and EVFTA on Vietnam’s Apparel Exports: Are We Over-optimistic about Vietnam’s Export Potential”, *International Textile and Apparel Association (ITAA)*, Vol. 3, pp. 1-4

Newspaper. (2022), “Market Research Report on Footwear in Vietnam to 2030 - Vietnam Ranks Second in the World in Terms of Leather and Footwear Exports After China”, *Business Wire*.

Nguyen-Vo, T. (2022), “The utilization rate of Vietnam’s Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): a case study in the textiles and footwear industry”, *Working Paper Series*.

Statista. (2023), “Export value of footwear in Vietnam 2010-2022”, *Statista.com*, Available at: <https://www.statista.com/statistics/1042504/vietnam-export-value-of-footwear/>.

Statista. (2023), “Global footwear market”, *Statista.com*, Available at: <https://www.statista.com/topics/4571/global-footwear-market/#topicOverview>.

Suominen, K. (2021), “Two Years into CPTPP. In Center for Strategic and International Studies”, *Center for Strategic and International Studies (CSIS)*.

TTWTO VCCI. (2019), “Vietnam entitled to steep tariff cuts by CPTPP partners”, *VCCI*, Available at: <https://wtocenter.vn/tin-tuc/12987-vietnam-entitled-to-steep-tariff-cuts-by-cptpp-partners>.

TTWTO VCCI. (2021), “Vietnam after two-year implementation of the CPTPP”, *VCCI*, Available at:<https://wtocenter.vn/an-pham/17210-report-vietnam-after-two-year-implementation-of-the-cptpp-from-business-perspective>.

Thanh, N. & Huu, T. (2022), “Overcoming the challenge of rules of origin to make good use of CPTPP”, *Customsnews*, Available at: <https://wtocenter.vn/chuyen-de/20692-overcoming-the-challenge-of-rules-of-origin-to-make-good-use-of-cptpp>.

The World Bank. (2010), “Rationale for Partial Equilibrium modeling”, *Worldbank*, Available at: <https://wits.worldbank.org/wits/wits/witshelp/Content/SMART/Rationale%20for%20Partial%20Equilibrium.htm>.

The World Bank. (2010), “Trade Effects, World Integrated Trade Solution (WITS)”, *World Bank*.

Vietnam Chamber of Commerce and Industry. (2019), “Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương, Tóm tắt Chương 2 – Đối xử quốc gia và mở cửa thị trường đối với hàng hóa”, *WTO Center and International Trade*.

VietnamCredit. (2022), “Vietnam’s footwear exports updates (first half 2022)”, Available at: https://vietnamcredit.com.vn/news/vietnams-footwear-exports-updates-first-half-2022_14804.

WITS SMART, (n.d), “Single Market Partial Equilibrium Simulation Tool”, *Worldbank*.

WITS SMART, (n.d), “Vietnam Footwear Exports by Country in US\$ Thousand 2021”, *Worldbank*, Available at: https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/LTST/TradeFlow/Export/Partner/by-country/Product/64-67_Footwear.