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PHÂN TÍCH TÁC ĐỘNG CỦA HIỆP ĐỊNH EVFTA ĐỐI VỚI HOẠT ĐỘNG XUẤT KHẨU SẢN PHẨM GIÀY DÉP CỦA VIỆT NAM SANG THỊ TRƯỜNG EU

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Tóm tắt

Kể từ khi Hiệp định Thương mại Tự do Liên minh Châu Âu-Việt Nam (EVFTA) có hiệu lực vào năm 2020, thương mại giữa Việt Nam và EU đã tăng mạnh. Năm 2022, tổng kim ngạch thương mại đạt mức kỷ lục 62,24 tỷ USD, tăng 9,2% so với năm 2021. Đáng chú ý, xuất khẩu của Việt Nam sang EU đã tăng nhanh hơn, đạt 46,8 tỷ USD, tăng 16,7% so với năm trước (Bảo Thoa, 2023). EVFTA đã mang lại lợi ích cho nhiều sản phẩm, đặc biệt là các sản phẩm may mặc và giày dép. Thuế suất xuất khẩu giày dép của Việt Nam sang các nước EU cũng đã được bắt đầu rõ ràng sau khi hiệp định EVFTA chính thức có hiệu lực vào ngày 1 tháng 8 năm 2020. Tuy nhiên, cùng với nhiều cơ hội, xuất khẩu giày dép của Việt Nam vẫn phải đối mặt với một

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số khó khăn và thách thức, chẳng hạn như các tiêu chuẩn của EU, hàng rào phi thuế quan, tình hình kinh tế thế giới không ổn định vào năm 2023,... Bài viết này nhằm phân tích sâu hơn về những thuận lợi và khó khăn mà EVFTA mang lại cho ngành giày dép xuất khẩu của Việt Nam sang các nước EU. Đồng thời, bài viết cũng sẽ đề xuất một số khuyến nghị cho các doanh nghiệp và cơ quan quản lý để giải quyết các vấn đề và tận dụng tối đa hiệp định, nhằm đạt được tiềm năng phát triển của ngành công nghiệp giày dép Việt Nam.

Từ khóa: Thị trường EU, EVFTA, Vietnam, ngành giày dép, xuất khẩu

ANALYSIS OF THE EFFECT OF THE EVFTA ON THE EXPORTATION OF VIETNAMESE FOOTWEAR PRODUCTS TO THE EU MARKET

Abstract

Since the European Union-Vietnam Free Trade Agreement (EVFTA) took effect in 2020, trade between Vietnam and the EU has surged. In 2022, total trade turnover reached a record-breaking \$62.24 billion, a 9.2% increase from 2021. Notably, Vietnamese exports to the EU grew even faster, reaching USD 46.8 billion, a 16.7% increase compared to the previous year (Bảo Thoa, 2023). The EVFTA has benefited numerous products, particularly garment and footwear products. The tax on footwear exports of Vietnam to EU countries has also been started after the EVFTA agreement officially took effect on August 1, 2020. However, along with the many opportunities, Vietnamese footwear exports still have to face several difficulties and challenges, such as the EU's high standard, non-tax barriers, the unstable worldwide economic situation in 2023,... etc. Therefore, this article aims to provide further analysis of the advantages and difficulties that the EVFTA brings to Vietnam's footwear exports to the EU. Additionally, it also predicts challenges and proposes some recommendations for different parties to deal with the issues and to optimally exploit the agreement, achieving the footwear industry's full potential.

Keywords: EU market, EVFTA, Vietnam, footwear, export

1. Literature review

1.1. Previous research

Although the EVFTA agreement only took effect on August 1st, 2020, this new field has received rising attention from researchers and businesses, focusing on the potential impact of EVFTA on the Vietnamese economy.

Philip et al. (2011) analyze the effect of the EVFTA at a macro level. The study used both qualitative and quantitative data. Using the Computable General Equilibrium (CGE) with the GTAP model, they simulated the effect of a reduction in tariffs in Vietnam. Together with an overall assessment of different trade and economic situations in Vietnam, the authors predict a great positive impact not only on the trade of the two parties but also on investment, saving, employment, and economic growth. Paul Baker (2015) also used the CGE and partial equilibrium analysis to consider the expected activities of EVFTA. The study predicts that by 2025, Vietnam will achieve a significant increase of 7-8% of GDP (in terms of growth rate economy), thanks to foreign capital flows and improved labor productivity.

Domestic studies include research by Nghiêm Xuân Khoát and Laura Mariana Cismas (2019) analyzes the EVFTA as a new-generation FTA, focusing on the opportunity and

challenge for Vietnam; Nguyen Binh Duong, Ta Thuy Anh, Nguyen Thu Trang's research (2015) analyzed commercial impacts on trade and trade redirection of Vietnam and the EU after signing the EVFTA; Nguyen Thanh Cong, Pham Hong Nhung (2017) said that the EVFTA creates favorable conditions for investment and export in industries such as fisheries, products, textiles, garments, and footwear, but it also brings many difficulties for domestic production.

In the specific field of footwear exports, a research paper by Nguyen Thi Huyen Trang argues that EVFTA is more attractive than the GSP scheme for most tariff lines that have been reduced to 0%, creating a better momentum for footwear exports to the EU, with an expected growth rate of 20% - 30%. The countries that import the most footwear products from Vietnam are Belgium, Germany, and the Netherlands, respectively; Nguyen Thi Ha used the gravity model to study the impact of FTAs on Vietnam's leather and footwear exports and concluded that EVFTA will have positive impacts on Vietnam's leather and footwear exports, especially when the import tariffs for this item into the EU market from Vietnam will be reduced from 12.4% to 0% in a 7-year timeframe. EU member countries importing leather and footwear from Vietnam are 3.141% higher than non-EU member countries. However, to achieve these results, the study had to make many assumptions and there were many complex and overlapping tests.

Besides, Nguyen Anh Minh (2016) pointed out that the weaknesses in competitiveness and participation in regional and global footwear supply chains, coping with stringent regulations and new protectionist pressures in the EU pose significant challenges to Vietnamese footwear exports to the EU. These challenges require closer coordination among footwear enterprises, industry associations, and the Vietnamese government, along with the implementation of comprehensive solutions to boost footwear exports to the EU market.

1.2. Research gap

A review of the past studies in the literature pinpoints some significant research gaps:

First, previous studies have primarily examined the effects of the EVFTA on the overall economy, providing valuable insights and general forecasts yet lacking a specific focus on quantifying the agreement's impact on individual sectors. There is also a notable gap in research specifically analyzing Vietnam's footwear exports. Given the new challenges and opportunities presented by the EVFTA, a fresh study using updated data to analyze its impact on Vietnam's footwear exports is essential

Second, the aforementioned studies only assess the impact of tariff reductions, neglecting the influence of non-tariff barriers, political factors, economic integration, inter-product linkages, and the impact of related markets on the product under investigation.

By using updated data to quantify the EVFTA's impact on Vietnamese footwear exports and moving beyond just tariff reductions, this proposal will address these gaps and offer valuable insights for businesses and policymakers to leverage the opportunities presented by EVFTA and navigate the challenges it brings for Vietnam's footwear industry.

2. About EVFTA

2.1. Overview of EVFTA

Partners

The EU is a coalition of 27 countries in Europe (after Brexit) and is one of the largest trading partners of Vietnam. Up until now, Vietnam has not had any FTA with the countries of this region.

In 2019, the EU was the fifth-largest trading partner and the second-largest export market of Vietnam, only after the US. According to the European Commission, at the time the total trade in goods between the two parties was valued at 45.5 billion euros, of which EU exports to Vietnam were valued at 11.3 billion euros, and imports at 33.8 billion. The outstanding feature of the import-export structure between Vietnam and the EU is the significant complementarity and little direct competition.

Progress

The EU-Vietnam Free Trade Agreement (EVFTA) is a trade agreement between Vietnam and the European Union (EU).

Between October 2012 and August 2015, the two parties entered negotiations over the terms of the EVFTA and conducted 14 negotiation rounds as well as many midterm negotiation sessions. On December 1st, 2015, the conclusion of the EVFTA negotiations was officially announced.

On June 26th, 2018, the two parties decided to separate the EVFTA into the Free Trade Agreement and the Investment Protection Agreement (EVIPA), a bilateral investment treaty that also aims to promote and protect Vietnam-EU trade relations by replacing already existing bilateral investment agreements between Vietnam and EU.

On June 30, 2019, the two parties officially signed the EVFTA and EVIPA. The European Commission, the European Parliament, and the National Assembly of Vietnam officially approved both documents between October 2018 and June 2020. EVFTA officially comes into effect on August 1st, 2020.

Trade relations between Vietnam and the EU continued to grow after the implementation of EVFTA. According to the European Commission, in 2022, the total trade volume increased further to 64.2 billion euros, making Vietnam the EU's largest trading partner in the ASEAN for goods.

2.2. The main contents of EVFTA

EVFTA is a new-generation agreement that benefits both Vietnam and the EU. It includes a wide range and high degree of commitments; and is in line with the World Trade Organization regulations (WTO). The agreement came into effect and has made it easier for both parties to conduct business and trade, with a current trade turnover of US\$58.6 billion between the two markets (2023).

The Agreement consists of 17 chapters, 2 protocols, and a number of accompanying memorandums, covering various areas: Trade in goods, rules of origin, Sanitary and

Phytosanitary (SPSs), Technical barriers to trade (TBTs), trade in services, intellectual property, investment, customs and trade facilitation, trade and sustainable development, government procurement, trade defense, legal and institutional issues,... However, this essay will only focus on the trade in goods, which includes 2 key areas presented as follows:

Tariffs reduction:

Upon EVFTA's implementation, the EU will immediately eliminate 85.6% of tariff lines, representing 70.3% of Vietnam's current exports to the EU. Within seven years, this elimination will reach 99.2%. The remaining 0.8% (including some specific agricultural products) will benefit from tariff-rate quotas (TRQs) with a 0% import tariff within the quota limits.

In short, the EVFTA will effectively eliminate almost all tariffs on goods trade between the two parties within a relatively short time frame (maximum 7 years for the EU and 10 years for Vietnam). Notably, the EU offers an import tariff of 0% within quotas for key Vietnamese agricultural and fishery exports.

Non-tariff measures:

Non-Tariff Measures (NTMs) address areas beyond tariffs that can hinder trade. The EVFTA also tackles several NTMs to streamline trade processes.

- Technical Barriers to Trade (TBT):
 - Both Vietnam and the EU will strengthen their implementation of World Trade Organization (WTO) TBT Agreement rules.
 - Vietnam specifically commits to adopting more international standards in its regulations, simplifying compliance for EU exporters. Additionally, Vietnam agrees to accept the "Made in EU" label for non-agricultural goods (except pharmaceuticals) while still allowing specific origin labels from individual EU countries.
- Sanitary and Phytosanitary Measures (SPS): Vietnam and the EU established principles to facilitate trade in animal and plant products (food safety standards or animal health inspection,...)
- Other NTMs: The agreement also includes commitments to reduce other trade barriers such as export/import licensing and customs procedures. This could involve simplifying paperwork, streamlining inspections, and reducing processing times for imports and exports.

3. EVFTA's commitments between EU and Vietnam concerning to footwear industry

3.1. Tariff Commitments

37% of footwear tariff lines (including those on rubber/plastic waterproof shoes, slippers, and raw materials for the footwear industry) will be eliminated immediately upon the agreement's implementation. These taxes previously ranged from 3.5% to 17%.

The rest, up to 100% of the import tariff line, will be eliminated according to the roadmap from 3 to 7 years (most of the footwear that Vietnam has an export strength belongs to this group).

In particular, most products under HS codes 64.01, 64.02 and 64.06 will see tariffs almost entirely eliminated upon implementation, with a few exceptions in HS 64.04 and 64.05 facing a three or five-year reduction schedule. Only HS 64.03 products have a longer phase-out period of three to seven years.

3.2. Non-tariff Commitments

EVFTA's commitment to rules of origin for footwear products

EVFTA continues requiring Vietnamese enterprises to use raw materials (such as leather or fabric) imported from any country that has free trade agreements (FTAs) with both Vietnam and the EU (e.g., Korea). As long as the final product is assembled in Vietnam, it qualifies for reduced import taxes into the EU.

EVFTA's commitment to technical barriers (TBT) for footwear products

In EVFTA, there are no specific commitments about TBT measures for footwear products. Once the EVFTA comes into force, the 2 parties will continue to apply the TBT measures used as before.

Some EU obligations for footwear products in general and leather shoes in particular include the following:

- **Labeling:** Footwear exported to the EU market must clearly state the materials used in its main components (uppers, insoles, outsoles) following Directive No. 94/11/EC. Labels must be permanently attached to at least one shoe.
- **Product safety:** All footwear products to be consumed in Europe are required to comply with the Directive No. 2001/95/EC (The European Union General Product Safety Directive).
- **Restricted material:**
 - **CITES** (Convention on International Trade in Endangered Species of Wild Fauna and Flora): Exporters should check the EU Trade Helpdesk for a list of plants and animals restricted for use in footwear.
 - **REACH:** This regulation controls the registration, evaluation, authorization, and restriction of chemicals in EU products. It outlines limitations or bans on specific chemicals based on quantity.
 - **POPs** (Persistent organic pollutants): The use of POPs is restricted under the EU Regulation No. 2019/1021. Besides, POPs are also used to examine procedures of making fireproof, water-resistant fabrics, or at the end of the shoe-making procedures.
 - **Other Restrictions:** Regulation No. 1907/2006 limits or prohibits specific chemicals in production. Additionally, Regulation No. 528/2012 allows only certain biocides during production.

EVFTA's commitment to intellectual property rights for footwear products

Leather shoe exporters who want to sell their own designs in the EU market need to ensure that they do not infringe on intellectual property rights. If the EU importers provide products that infringe intellectual property rights, they need to be fully responsible.

EVFTA's commitment to CSR (Corporate Social Responsibility) for footwear products

Exporters to the EU market are required to have a commitment to obey the labor law, be responsible for employees' human rights, for the living environment (how to treat waste,...), for each product to the customer, and for providing the certificate of origin of the product, etc...

4. EVFTA and Vietnam footwear industry

4.1. Before EVFTA

As the EVFTA became effective on the 1st of August 2020, in this section we will be examining footwear export to the EU market before the second quarter of 2020.

Amongst the many export markets of Vietnam, it is recorded that the European Union (EU) ranked second in revenue, which was only behind the United States market. To be specific, in 2019, Vietnamese exports of all products to the EU market totaled 41.54 billion USD, accounting for 15.7% of Vietnam's total export turnover. Additionally, the trade relationship between Vietnam and the EU has developed rapidly and effectively. From the year 2000 to 2019, bilateral trade between Vietnam and the EU increased nearly 13.8 times from \$4.1 billion in 2000 to \$56.45 billion in 2019 (Chi Nguyen, 2023).

Footwear products are one of the most dominant and prospective export items in Vietnam. According to data from ITC, footwear exports reached 18,9 billion USD in 2019, increasing by 18,8% compared to 2018. This made Vietnam the second-largest exporter of footwear in 2019. Moreover, the EU market is amongst the top importers of this product from Vietnam, ranking only behind the USA.



Figure 1: Footwear exports turnover from Vietnam to the EU in comparison to other markets (2016 - 2020)

Source: Data collected from ITC Trade map by author

From 2019 onwards, it is necessary to consider the effect of the COVID-19 pandemic on the exportation of footwear to the EU market. The lockdown caused by the pandemic had created a shortage in materials for many industries, including the footwear industry (Thuan Nguyen, 2021). This lack of materials combined with workers shortage due to COVID-19, and a shift in consumer behaviors led to the cancellation of orders by many importers from the US and Europe.

According to the data collected from *trademap.org*, the Vietnamese footwear exports to the EU27 market has declined noticeably by around 15% during 2019-2020, from \$4.6 billion to \$3.9 billion.

In addition, according to reports by the Ministry of Industry and Trade, Vietnamese goods in general only accounted for a very small percentage of around 2% in the EU's 1720 billion USD of total goods imports turnover in 2020. Therefore, with the EVFTA and its opportunities, the overall Vietnamese export turnover and the footwear industry to the EU in specific is expected to witness dramatic growth in the following period.

Table 1: 6 key products of footwear exports value to the EU countries (2016 - 2020) (Unit: billion USD)

Product code	Product label	Value in 2016	Value in 2017	Value in 2018	Value in 2019
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which . . .	625	1,708	1,705	1,897
6406	Parts of footwear, incl. uppers whether or not attached to soles other than outer soles; removable . . .	121,374	127,153	135,346	144,039
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of . . .	1,243,588	1,305,735	1,340,676	1,433,098
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of . . .	1,663,148	1,967,377	2,009,258	2,211,730

Product code	Product label	Value in 2016	Value in 2017	Value in 2018	Value in 2019
6402	Footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear of heading ...	683,417	665,471	710,275	785,935
6405	Footwear with outer soles of rubber or plastics, with uppers other than rubber, plastics, leather ...	11,673	13,075	16,488	23,995

4.2. After EVFTA

Currently, Vietnam continues to maintain its position as the world's second-largest footwear exporter, after China.

Vietnam's export products have had positive changes. The data collected from *trademap.org* shows that the country's footwear exports to the EU market have gradually recovered since the EVFTA Agreement officially took effect. In 2021, the total footwear export turnover to the EU reached 4.185 billion USD, up 5.82% compared to 2020. Meanwhile, as of 2022, two years after the EVFTA took effect, Vietnam's footwear exports to partner countries in the EVFTA reached 6.164 billion USD, up 47.29% over the same period in 2021.

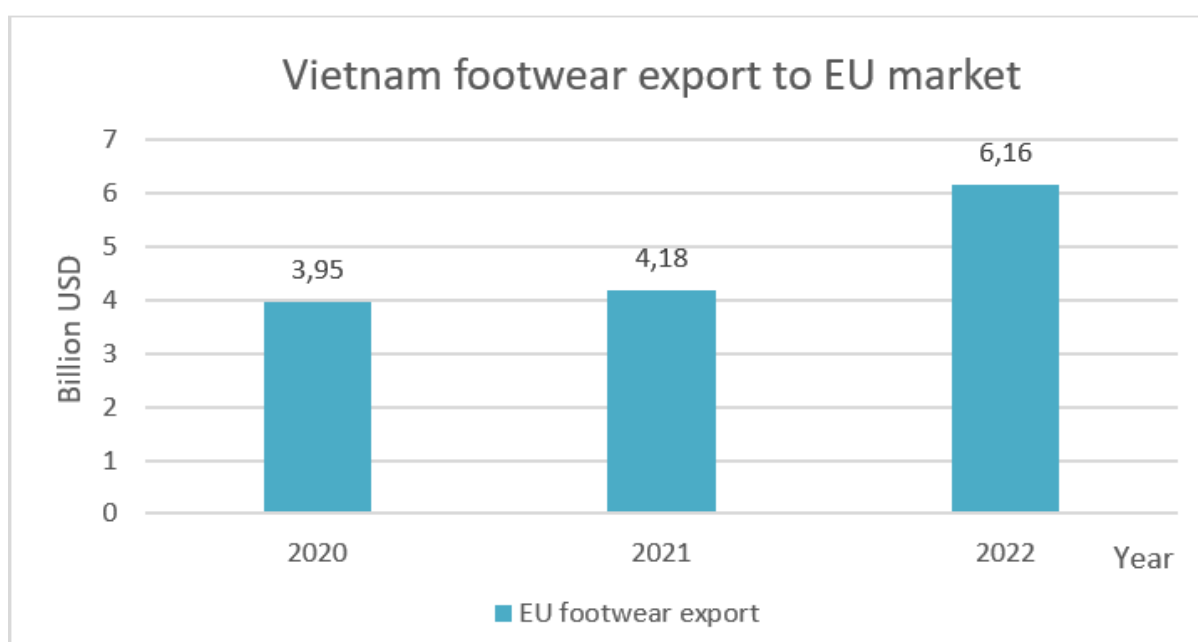


Figure 3: Vietnam footwear exports turnover to the EU market from 2020 to 2022 (Unit: billion USD)

Source: Data collected from ITC Trade Map by author

In specific, after two years of the EVFTA coming into effect, Vietnam's footwear exports to most of the key markets in the EU have witnessed positive trends. Especially in 2022, the

footwear export return increased sharply, typically in Germany (55%); Italy (52%); Netherlands (49%); and Belgium (45%),...

Table 2: Vietnamese footwear export value and growth rate to the EU countries from 2020 to 2022 (Unit: billion USD)

Importers	Export value in 2020	Growth in value (2020-2021)	Export value in 2021	Growth in value (2021-2022)	Exported value in 2022
European Union (EU 27)	3,955	+5.8 %	4,185	+47 %	6,164
Belgium	0,986	+14 %	1,1298	+45%	1,639
Germany	0,900	-2 %	0,884	+55%	1,367
Netherlands	0,683	+5 %	0,714	+49%	1,068
France	0,424	+7 %	0,452	+41%	0,636
Italy	0,264	+12 %	0,296	+52%	0,449

Source: Data collected from ITC Trade Map by author

According to data from the Vietnam Customs, exports of sports shoes, tennis shoes, basketball shoes, gym shoes, training shoes, and other shoes with rubber or plastic outsoles and uppers made of materials textile (HS 640411) to the EU in the first year of EVFTA implementation reached 1.47 billion USD, up 14.2% compared to the same period. Export of footwear with HS codes: 6401, 6402, 6403, 6404, and 6406 to the EU market since the EVFTA took effect has also grown positively, especially in 2022, both increased by double digits (*trademap.org*).

Only the export of HS 6405 - footwear with outer soles of rubber, plastics, with uppers other than rubber, plastics, and leather to the EU experienced a decline of 0.95% two years after the EVFTA came into effect compared to the corresponding period earlier (*trademap.org*).

Table 3: 6 key products of footwear exports value to the EU countries (2020 - 2022) (Unit: billion USD)

Product code	Product label	Value in 2020	Value in 2021	Value in 2022
6401	Waterproof footwear with outer soles and upper or of plastics, the uppers of which...	3,014	4,225	6,379
6406	Parts of footwear, incl. uppers whether or not attached to soles other	112,128	122,164	166,336

Product code	Product label	Value in 2020	Value in 2021	Value in 2022
	than outer soles, removable...			
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	1,232,142	1,210,955	1,803,929
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	1,952,210	2,161,597	3,140,615
6402	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	630,026	660,681	1,022,560
6405	Footwear with outer soles of rubber or plastics, with uppers other than rubber, plastics, leather ...	25,869	26,356	24,734

Source: Data collected from ITC Trade Map by author

According to the EVFTA implications assessing report, compiled by the Ministry of Planning and Investment, Vietnamese footwear exports to the EU are forecast to see a doubled growth rate by 2025, with the total export value jumping by around 34% and that of the whole sector by 31.8%.

Assessment: In general, the EVFTA agreement has created conditions for Vietnamese footwear exports to the EU to recover after the pandemic, especially in the first two years of the Agreement taking effect. In specific, despite a decline in footwear exports with HS6405, the overall trend for Vietnamese footwear exports to the EU has been positive since EVFTA's implementation in August 2020. For the key EU markets like Belgium, Italy, Germany,... they all have witnessed significant rise in export value. This growth is likely fueled by EVFTA's tariff reductions and smoother trade procedures, making Vietnamese footwear more competitive in the EU market.

5. Discussion

The future context can pose new opportunities for Vietnam's footwear export promotion, along with great challenges.

5.1. Advantages

Since the EVFTA Agreement was put into effect when the Vietnamese economy was attempting to recover from the Covid-19 pandemic, it has become a golden opportunity for the country's economy to recover and offset losses, as well as develop after the stagnation caused by the impact of the global pandemic. In particular, despite several challenges posed by the Covid-19 epidemic, the total Vietnamese footwear export turnover to the EU rose 5.82% and 47.29% respectively just by 2 years the agreement was signed. With this remarkable and sustainable growth, Vietnam has been able to maintain its second rank in the world while footwear exports

On the other hand, the EVFTA Agreement opens up great opportunities for Vietnam's footwear exports to reach a demanding market but are also very large and potential with a population of nearly 750 million and a GDP of 24.22 trillion USD. This population is synonymous with the fact that this is a market with great purchasing power. Therefore, once Vietnamese footwear products can enter into the EU market, it will have greater opportunities to gradually reach other difficult markets

Meanwhile, with regard to attracting foreign direct investment (FDI), by signing EVFTA, many foreign investors are considering the possibility of investment in Vietnam to enjoy preferential import tax. This creates a solid foundation for Vietnam's footwear industry to access advanced technology from developed countries. The fact that many Vietnamese enterprises were able to import machinery, equipment, and scientific technology at a more reasonable price from the EU but still provide good quality.

Also, EVFTA may create great chances for Vietnam to reform legal institutions and build up a business policy for investment that is more transparent and complies with international regulation

Last but not least, with the EVFTA agreement, Vietnam had the opportunity to promote cooperative relationships with numerous international cooperations, major partners and affirming its position in the international arena.

5.2. Disadvantages

Along with great opportunities, Vietnamese footwear companies will also face many challenges when the EVFTA officially comes into force.

Firstly, according to the commitments in EVFTA, businesses may face a lot of difficulties in meeting the requirements of the EU's importers. For example, for footwear products to enjoy preferential tariffs, the raw materials must meet a certain percentage of internal content (materials originating in the EU and/or Vietnam). Also, labor standards and corporate social responsibility in the EU's footwear industry is forecasted to become higher, which requires strict compliance by Vietnamese companies. As a result, many Vietnamese footwear companies find it difficult to meet the replacement rates and adapt to the green production process, which in turn limits the agreement's potential.

Secondly, there is a significant knowledge gap regarding EVFTA among Vietnamese businesses. According to survey results of the Vietnam Confederation of Commerce and Industry (VCCI), approximately 70% of domestic enterprises are currently unaware of the prospects presented by the EVFTA or do not have a comprehensive understanding of the

opportunity that was brought by the agreement. Besides, the burdensomeness of administrative procedures also causes difficulties for businesses to fully explore the agreement benefits.

Meanwhile, the implementation of the circular economy model in Vietnam's footwear sector also encounters numerous challenges. Since we are only approximately 40-45% self-sufficient, the supply of raw materials is significantly dependent on imports, making it challenging for enterprises to maintain supply chain quality.

Another problem arises from the fact that European customers are shifting their consciousness from "quick fashion" to sustainable fashion, with diverse features and being safe for the environment. This rising trend may lead to an increase in the production cost, which can further reduce the competitive advantages of Vietnamese footwear in comparison with other countries.

On the other hand, the development of the e-commerce trend, regionalization and globalization, strengthening distribution networks and supply chains require Vietnamese companies to make effective investments to shorten their logistic process as well as ensure the delivery quality.

In addition, when tariff barriers are no longer an effective tool for protection, enterprises in the EU import market can use more measures such as anti-dumping, anti-subsidy, or safeguard to protect their domestic industry, so the risk from trade remedies is alarming.

6. Recommendation

While EVFTA presents significant opportunities for Vietnamese footwear exports to the EU, it also brings challenges. Therefore, this section will explore these challenges and propose recommendations for both the government and Vietnamese businesses to navigate them effectively and maximize the agreement's benefits.

6.1. To the government

Firstly, the government should prioritize disseminating information and conducting training programs to ensure businesses understand the agreement's complexities and benefits.

Secondly, since the current support measures only apply generally to all industries and businesses, the government needs to specifically focus on industries with strategic products. Specifically, developing support measures tailored to the footwear industry, considering its strategic importance and unique needs to capitalize on EVFTA's advantages.

Thirdly, there is a need for the government to focus on bolstering infrastructure critical for the footwear industry, including reliable power supply, access to raw materials and advanced machinery, and proper sanitation facilities. Or, the government can explore options for lowering loan interest rates and ensuring broader access to financing for footwear companies.

Fourthly, the government is suggested to review and simplify import-export procedures to minimize administrative burdens on businesses.

Fifthly, since Vietnam committed to exempt more than 90% of tariffs for EU goods, many European products will flood into the Vietnamese market. Most Vietnamese enterprises are small and medium-sized, while foreign-invested enterprises from the EU have advantages in capital, human resources and management experience, which may reduce market share for domestic businesses. Therefore, the government should protect the legitimate interests of domestic footwear manufacturing industries through investigation, application of safeguards on the principle of publicity, transparency, compliance with legal regulations and Vietnam's international commitments.

Finally, the EVFTA may also affect political security. As bilateral economic and trade relations continue to deepen over time, the EU, through its economic influence, increases pressure on Vietnam, posing a threat to Vietnamese political security.

6.2. To the enterprises

To capitalize on the opportunities and establish a strong presence in the EU's markets, footwear enterprises should take action according to the following suggestions:

Firstly, since country of origin is one of the major challenges for Vietnamese footwear exports to the EU under the EVFTA, it is crucial for Vietnamese footwear companies to reduce the reliance on the importation of the raw materials. One solution for this problem is to develop supporting industries to meet domestic raw material sources. Currently, domestically produced auxiliary materials are mainly labor-intensive items such as foam, shoe pads, shoe boxes, glue, etc... while high-tech materials such as soles and linings are almost impossible to produce. Therefore, to proactively produce, domestic footwear businesses need to build a chain of supply by strengthening linkages between different industries. Domestic firms also need to actively transform, improve management and operational capacity to have enough capacity to participate in the supply chain with other FDI enterprises.

Secondly, compliance and certification. Besides country of origin, TBTs measures are also noticeable challenges that Vietnamese footwear companies have to deal with while exporting to the EU. Therefore, exporters must ensure to obtain all relevant certifications and fully comply with EU regulations and standards. Exported products should not contain any restricted substances listed under the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation. For footwear exports, pay attention to chemicals like Chromium VI, Azo dyes, polyvinyl chloride, or PVC as those are some common reasons for withdrawals.

Thirdly, to employ sustainable practices. As sustainability is becoming increasingly important to EU consumers, adopting eco-friendly practices can be considered a competitive advantage. According to an official survey from the European Union in 2014, 85% of European respondents believe they have a role to play in protecting the environment. Thus, it is advised that exporters pay attention to environmental impacts and be transparent about business activities in order to appeal to their EU consumers.

Fourthly, to focus on quality enhancement. Producers should boost the quality of footwear products to meet the increasing preference toward high-quality items of the EU market. This may involve investing in better materials, technology, and manufacturing processes. With the help of EVFTA, foreign investment in Vietnam's footwear industry will likely increase,

particularly from European companies seeking to take advantage of the trade agreement. Such financial assistance from other nations brings advanced technologies, management expertise, and market knowledge which producers should utilize to enhance their product quality.

Fifthly, to differentiate products. While the EVFTA certainly brings benefits for Vietnamese footwear businesses, it also intensifies competition in the EU market. Vietnamese companies will compete with both European and global footwear brands; therefore, it is important for Vietnamese firms to assert their presence and competitiveness in this market via product differentiation. Footwear manufacturers should develop unique designs, and focus on sustainability, or other characteristics that attract European buyers. For example, firms can adjust their product listings according to the climate and conditions of the target market. Vietnamese companies can export more ankle boots and knee-high boots in colder months and deliver sandals and slippers in the summer.

Sixthly, to form partnerships and collaborations with foreign firms. Business owners are advised to form collaborations with EU-based companies to leverage their market expertise, distribution networks, or access to resources.

Seventhly, to optimize the supply chain. The EVFTA encourages greater integration of supply chains between Vietnam and the EU. Streamlined and internationally integrated supply chains will ensure efficiency, and reduce labor and transportation cost while also increasing credibility in delivering products to the EU market. To achieve this, companies can improve logistics, and inventory management, and maintain positive relationships with suppliers.

Finally, to diversify export markets. While the EU market presents significant opportunities under the EVFTA, Vietnamese footwear exporters should also consider diversifying their export markets to mitigate risks associated with dependence on a single market. Reaching into other areas or nations will enable Vietnamese footwear businesses to balance their export portfolio and reduce vulnerability to market fluctuations.

7. Conclusion

7.1. Conclusion

This paper, through a qualitative analysis method, has examined the potential of the EU-Vietnam Free Trade Agreement (EVFTA) for boosting Vietnamese footwear exports to the EU market. The elimination of tariffs, streamlined customs procedures, and improved rule of origin offer a fertile ground for Vietnamese footwear businesses to expand their reach into the lucrative EU market. However, the proposal also acknowledges the challenges that remain, such as stricter quality standards, competition from established brands, and the need for continuous improvement in production processes and design.

Based on these findings, the proposal recommends a two-pronged approach to maximizing the benefits of EVFTA. Firstly, it calls on the Vietnamese government to provide continued support through policy adjustments, capacity-building initiatives, and fostering industry-academia collaboration. Secondly, the proposal urges Vietnamese footwear enterprises to embrace innovation, invest in quality control and effective supply chain to compete effectively in the EU market.

By harnessing the opportunities presented by EVFTA and addressing the existing challenges through collaborative efforts, Vietnam's footwear industry can seize this pivotal moment to solidify its position as a global leader. This qualitative analysis underscores the potential of EVFTA to act as a catalyst for significant growth and international recognition for Vietnamese footwear exports in the EU market.

7.2. Limitations

During our research, it is unavoidable that there may still be certain limitations. For example:

- Since EVFTA is still relatively new, the data is limited in scope and as such may not accurately reflect the long-term impact.
- The analysis is focused on the footwear export as a whole and does not account for individual segments' trends (i.e. athletic footwear, casual footwear,...)
- Concurrent global events at the time such as COVID-19, and the Russia- Ukraine conflict,... disrupted businesses and made comparisons between pre- and post-EVFTA difficult.

With these limitations in place, our findings may not represent EVFTA's effects on Vietnam's footwear export to the EU in its entirety. However, this report still provides a sufficient general view of the benefits of EVFTA in terms of opportunities granted and challenges in the early years taken into effect. Many of these limitations would have been remedied with a more extensive and succinctly detailed analysis above the limited timeframe that we have available, and as such we believe future researchers will be able to investigate deeper into this subject and lead to new insights.

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