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XUẤT KHẨU NGÀNH DA GIÀY VIỆT NAM SANG THỊ TRƯỜNG TRUNG QUỐC TRONG BỐI CẢNH HIỆP ĐỊNH RCEP: CƠ HỘI VÀ THÁCH THỨC

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Tóm tắt:

Nghiên cứu này phân tích tác động của Hiệp định RCEP đối với xuất khẩu sản phẩm da giày của Việt Nam sang thị trường Trung Quốc trong giai đoạn từ năm 2015 đến 2024. Nghiên cứu xem xét các cam kết chủ chốt như cắt giảm thuế quan, quy tắc xuất xứ và các quy định về tiêu chuẩn, quy chuẩn kỹ thuật và thủ tục đánh giá sự phù hợp (STRACAP), thông qua việc so sánh hiệu quả xuất khẩu trước và sau khi RCEP có hiệu lực. Phương pháp nghiên cứu sử dụng phân tích thống kê và các chỉ số kinh tế nhằm đánh giá sự thay đổi về sản lượng xuất khẩu, nhận diện những thách thức mới nổi và đề xuất các khuyến nghị chính sách cũng như định hướng cho ngành nhằm tối đa hóa lợi ích từ RCEP. Kết quả cho thấy RCEP đã tác động tích cực đến xuất khẩu da giày của Việt Nam sang Trung Quốc, thể hiện qua sự gia tăng đáng kể về giá trị xuất khẩu và khả năng tiếp cận thị trường được cải thiện sau khi hiệp định có hiệu lực.

Từ khóa: RCEP, da giày, xuất khẩu, Việt Nam, Trung Quốc

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VIETNAM'S LEATHER FOOTWEAR EXPORTS TO CHINA IN THE CONTEXT OF THE RCEP AGREEMENT: OPPORTUNITIES AND CHALLENGES

Abstract:

This study analyzes the impact of the RCEP Agreement on Vietnam's leather footwear exports to China from 2015 to 2024. It examines key commitments, including tariff reductions, rules of origin, and standards, technical regulations and conformity assessment procedures (STRACAP), by comparing export performance before and after RCEP implementation. The research employs statistical and economic metrics analysis to evaluate changes in export volume, identify emerging challenges, and offer policy and industry recommendations to maximize the benefits of RCEP. The findings confirm that RCEP has positively impacted Vietnam's leather and footwear exports to China, with significant increases in export value and improved market access following the agreement's implementation.

Keyword: RCEP, leather footwear, exports, Vietnam, China

1. Introduction

In the context of increasing regional economic integration, Vietnam has actively participated in regional trade agreements (RTAs) to enhance international trade. Among these, the Regional Comprehensive Economic Partnership (RCEP)—involving 15 member countries across the Asia-Pacific—presents both opportunities and challenges for Vietnam's leather and footwear exports to China, the largest consumer market in the region with a growing demand for footwear products.

RCEP facilitates market access through tariff reductions, simplified rules of origin, and harmonized trade regulations, creating favorable conditions for Vietnamese manufacturers to expand their export volumes. Additionally, China's strong manufacturing base and well-developed distribution networks provide both collaboration opportunities and heightened competition for Vietnamese exporters. However, challenges remain, including Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP), evolving consumer preferences, and complex customs procedures. Understanding these commitments is essential for Vietnamese stakeholders to optimize benefits while mitigating potential risks.

This study examines the impact of RCEP on Vietnam's leather and footwear exports to China by analyzing changes before and after the agreement's implementation. It evaluates key achievements and limitations, identifies their underlying causes, and provides policy recommendations for government agencies, industry associations, and manufacturers to strengthen Vietnam's competitive position in the China market under RCEP.

2. Literature review and methodology

2.1. Literature review

2.1.1. Studies on the Vietnam's Leather Footwear Exports

Firstly, the article "*European Union – Vietnam free trade agreement and Vietnam's Footwear. Journal of Asian Business and Economic Studies*" by Vo et al (2018) has employed partial equilibrium theory using the SMART model with 2015 trade and tariff data from WITS to simulate the impact of the EVFTA on Vietnam's footwear industry. The analysis considered both the short-term effects of full tariff elimination by reducing the average footwear tariff from 12.4% to 0% over seven years and the longer-term implications under a 10% anti-dumping duty on leather footwear (HS Code 6403). Their simulation results indicated that full tariff elimination could boost Vietnam's footwear exports to the EU by approximately 4.96%, while the presence of anti-dumping duties would temper the growth to around 4.18%. However, the study's findings are limited by its reliance on a partial equilibrium framework that assumes infinite export supply elasticity and fixed substitution elasticity. Furthermore, its dependence on 2015 data which may not capture recent market developments, and its exclusion of non-tariff barriers and broader macroeconomic effects, thereby narrowing the scope of its policy implications.

The study by Vu Yen Phuong et al. (2024) "*ANALYSIS OF THE EFFECT OF THE EVFTA ON THE EXPORTATION OF VIETNAMESE FOOTWEAR PRODUCTS TO THE EU MARKET*" examines the impact of the European Union-Vietnam Free Trade Agreement (EVFTA) on Vietnam's footwear exports to the EU from 2020 to 2023, using trade theories (Comparative Advantage, New Trade Theory, and the Gravity Model) and economic modeling approaches (CGE Model, Gravity Model). By conducting comparative analysis of pre- and post-EVFTA trade performance and reviewing government policies and industry reports, the research highlights a 47.29% increase in footwear exports to the EU in 2022, with Germany (+55%), Italy (+52%), and the Netherlands (+49%) as the strongest growth markets. Tariff reductions played a crucial role, as 37% of tariff lines were immediately eliminated, with the rest being gradually phased out. The study also notes increased Foreign Direct Investment (FDI) in Vietnam's footwear sector due to improved trade preferences. While the research provides valuable insights, its short time frame (2-3 years post-EVFTA) makes it difficult to predict long-term trends, and external factors like COVID-19 and the Russia-Ukraine war complicate the isolation of EVFTA's exact effects. Additionally, the study does not differentiate between footwear product segments, which could offer a more detailed understanding of the agreement's impact.

2.1.2. Studies in the Context of RCEP Implementation

Xiong, B. (2017), in the article "*The impact of TPP and RCEP on tea exports from Vietnam: the case of tariff elimination and pesticide policy cooperation.*" examining trade and policy data from 2013–2014 by employing a partial equilibrium simulation model to assess how the TPP and

RCEP would affect Vietnam's tea exports. The findings indicate that under the TPP, aligning with Codex standards could boost exports by about US$4 million per year, while adopting stricter U.S. standards might depress export volumes unless offset by technical support. Additionally, RCEP was shown to improve market access, particularly in high-barrier markets like South Korea. However, the study uses a simplified partial equilibrium model that does not take into account broader market interactions, consumer behavior, or the complexities of supply chains. It also assumes that the TPP and RCEP policies will be fully implemented and will rely on trade data from 2013 to 2014. As a result, its projections might not accurately reflect the real-world challenges or capture the long-term impacts of these trade agreements.

By employing an extended gravity model to assess the determinants of Vietnam's agricultural exports to RCEP member countries, Minh Quang Le (2024), in the article "*FACTORS INFLUENCING THE VALUE OF VIETNAM'S AGRICULTURAL EXPORTS TO THE MARKETS OF MEMBER COUNTRIES OF THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)* " demonstrated that both Vietnam's economic growth and the economic size of its trading partners significantly bolster export values. The study revealed that a 1% increase in the GDP of RCEP countries is associated with a 0.749% rise in Vietnam's agricultural exports, while a 1% growth in Vietnam's GDP contributes an additional 0.374% increase. Covering the period from 2013 to 2022, the analysis compares pre- and post-RCEP performance and identifies key markets, including China, the Philippines, South Korea, Japan, and Malaysia, as having significant potential. However, the study's reliance on available data excludes cultural factors and trade infrastructure variables. Furthermore, its analysis of only one year post-RCEP may not capture the full long-term impacts of the agreement. These insights offer valuable guidance for policymakers and exporters seeking to optimize market strategies within the RCEP framework.

In the study "*THÚC ĐẨY XUẤT KHẨU NÔNG SẢN CỦA VIỆT NAM SANG THỊ TRƯỜNG TRUNG QUỐC TRONG BỐI CẢNH THỰC THI HIỆP ĐỊNH RCEP*", Le Manh Hung et al (2022) analyzed Vietnam's agricultural exports to China in the post-RCEP era, focusing on the period after the agreement took effect on January 1, 2022. While tariff reductions under RCEP offer some competitive advantages, Vietnamese agricultural exports to China continue to face significant obstacles due to stringent non-tariff measures such as SPS and STRACAP regulations. Grounded in the gravity model of trade, the authors employ Poisson Pseudo Maximum Likelihood (PPML) estimation to quantify the effects of tariff benefits and non-tariff regulations on trade flows. The study found that exports of key products like rice, fruits, and tea have been notably reduced, while competition from regional players such as Thailand and Indonesia further intensifies market pressures. However, the study does not address other important export sectors such as footwear,

overlook long-term supply chain impacts, or assess how Vietnamese firms are adapting to these evolving non-tariff measures.

2.1.3. Research gap

Despite the increasing scholarly attention on Vietnam's exports under the RCEP, there remains a significant gap in research specifically addressing Vietnam's leather and footwear exports to China. Existing studies on Vietnam's footwear exports primarily focus on the EVFTA (Vo et al., 2018; Vu Yen Phuong et al., 2024), examining tariff reductions and short-term trade performance within the EU market. However, there is limited research on how the RCEP affects Vietnam's footwear exports to China, a key high-value market within the agreement.

Moreover, studies analyzing Vietnam's trade under the RCEP have largely concentrated on agricultural exports (Minh Quang Le, 2024; Le Manh Hung et al., 2022). While these studies provide insights into the broader trade patterns within RCEP, they do not assess industry-specific challenges such as non-tariff barriers, supply chain adjustments, or shifting consumer demand in China's footwear market.

Additionally, most existing research relies on short-term empirical data. For instance, studies employing partial equilibrium and gravity models have projected the potential benefits of trade agreements but often fail to incorporate real-world challenges, such as evolving fashion trends, or competition from other RCEP members like Indonesia. Furthermore, the role of technological advancements and sustainable production requirements in China's footwear market remains underexplored.

Given these gaps, further research is needed to comprehensively assess the opportunities and challenges for Vietnam's leather and footwear exports to China under RCEP. A longitudinal analysis of post-RCEP trade data, combined with an examination of tariff and non-tariff barriers, supply chain dynamics would provide a more holistic understanding of Vietnam's competitive position and strategic directions in this key market.

2.2. Methodology

2.2.1. Data Collection:

Qualitative Data: This study relies on official documents and trade agreements, particularly the RCEP agreement and its commitments related to tariff reductions, rules of origin, and standards, technical Regulations, and conformity assessment procedures (STRACAP).

Quantitative Data: Export statistics (2015-2024) from ITC, RCA index, RO index, and relevant research studies.

2.2.2. Analytical Framework:

This study adopts a structured analytical framework focusing on three dimensions. First, Tariff Commitments assess Vietnam and China's tariff reduction schedules and their impact on export costs. Second, Rules of Origin analyze RCEP's origin rules and their effect on Vietnam's eligibility for preferential tariffs. Lastly, Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP) examine how China's technical standards and conformity assessments under RCEP create compliance challenges for Vietnamese manufacturers.

This framework guides the study in evaluating trade conditions and regulatory factors influencing Vietnam's exports under RCEP.

2.2.3. RCA & RO Calculation:

RCA (Revealed Comparative Advantage) follows Balassa (1965):

$$RCA_{ki} = \frac{\frac{X_{ki}}{X_i}}{\frac{X_{kw}}{X_w}} \quad (1)$$

Where:

- RCA_{ki} is the revealed comparative advantage index of product k;
- X_{ki} is the export value of product k from country i;
- X_i is the total export value of country i;
- X_{kw} is the global export value of product k;
- X_w is the total global export value.

If RCA > 1, the product is competitive; if RCA < 1, it lacks an advantage. A higher RCA indicates stronger global competitiveness.

However, RCA reflects a product's comparative advantage in the global market but does not indicate its competitiveness in specific markets. For example, Vietnam's rice may have a high comparative advantage overall but cannot compete in the Japanese market. To determine a product's competitiveness in a particular market, the Regional Orientation (RO) index must be considered.

RO (Regional Orientation) follows Yeats (1998) & Yamazawa (1970):

$$RO_{kij} = \frac{\frac{X_{kij}}{X_{ki}}}{\frac{X_{ki-j}}{X_{i-j}}} \quad (2)$$

Where:

- RO_{kij} is the Regional Orientation index;
- X_{kij} is the export value of product k from country i to region j;
- X_{ki} is the total export value of product k from country i;
- X_{ki-j} is the export value of product k from country i to markets outside region j;
- X_{i-j} is the total export value of country i to markets outside region j.

If RO > 1, intra-regional exports are higher than extra-regional exports; if RO < 1, intra-regional exports are lower than extra-regional exports. If RCA > 1 and RO > 1, the product has a comparative advantage in market j. In other cases, the product either lacks a comparative advantage or its status is undetermined (David, C. 2010). Thus, trade relations between two countries are built on the principle of exporting products with comparative advantage and importing those without it, ensuring mutual benefits in international trade.

2.2.4. Data Analysis Methods:

This study employs a mixed-method approach, integrating quantitative analysis of trade data and economic indicators with qualitative insights from industry reports and policy documents. Export trends before and after RCEP implementation are assessed alongside market access conditions and regulatory challenges. The combination of both methods ensures a comprehensive understanding of RCEP's impact on Vietnam's competitive position in the Chinese market.

3. Theoretical background

3.1. Introduction of the RCEP

The Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement involving ASEAN member states (AMSs) and five free trade agreement (FTA) partners namely: Australia, China, Japan, South Korea, and New Zealand. The objectives of RCEP are to establish a modern, comprehensive, high-quality, and mutually beneficial economic partnership that facilitates regional trade and investment expansion while supporting global economic growth. According to WTO, these RCEP participating countries account for about 30% of the global GDP and 30% of the world population.

The negotiation process of RCEP lasts 8 years (2012-2020) with multiple rounds and discussions. In 2012, AMSs and its six trading partners (Australia, China, Japan, South Korea, India, and New Zealand) officially launched the negotiations. The objective of launching RCEP negotiations is to combine existing bilateral free trade agreements into one single trade agreement.

Throughout the process, 31 negotiation rounds, 19 ministerial meetings, and 4 summits were conducted. On November 15th, 2020, the RCEP agreement was officially signed by 15 RCEP member countries (excluding India). The agreement consists of 20 chapters covering various areas:

trade in goods, rules of origin, customs procedure and trade facilitation, sanitary and phytosanitary measures (SPS), standards, technical regulations, and conformity assessment procedures (STRACAP), trade remedies, trade in services,...

On January 1, 2022, the RCEP agreement came into effect for six ASEAN countries (Brunei, Cambodia, Singapore, Thailand, Laos, and Vietnam) and four partner countries (China, Japan, Australia, and New Zealand). Then came into force for South Korea on February 1, 2022, for Malaysia on March 18, 2022 and for Indonesia on January 2, 2023.

3.2. Main contents of RCEP:

Currently, existing ASEAN+1 Free Trade Agreements (FTAs) already provide high levels of tariff liberalization. RCEP builds upon these commitments and aims to eliminate approximately 90% of import tariffs within 20 years from the agreement's entry into force.

The maximum timeline for tariff commitments under RCEP, both for Vietnam and other member countries, extends up to 25 years.

The RCEP Agreement includes commitments to facilitate trade and implement customs procedures, standards, and technical regulations, specifically:

- Ensuring transparency and simplifying customs procedures by timely publishing information online and measuring and disclosing clearance time results.
- Applying information technology based on internationally accepted standards to support customs operations for faster clearance and release of goods.
- Facilitating trade for "Priority Enterprises" and allowing negotiations for mutual recognition of such programs.
- Establishing regulations on complaints and appeals, ensuring that any individual affected by customs administrative decisions has the right to file complaints and appeals on a non-discriminatory basis.

The main commitments of the agreement are as follows:

3.2.1. Trade in Goods

RCEP commits to trade liberalization by reducing or eliminating tariffs on specified tariff lines. The parties also ensure national treatment for goods originating from member countries, fostering a fair competitive environment. In addition to tariff reductions, the agreement establishes provisions to eliminate non-tariff barriers, such as quantitative restrictions and complex import procedures. RCEP reaffirms commitments under the WTO framework, particularly the elimination of export subsidies on agricultural products to ensure fair competition in global markets.

3.2.2. Rules of Origin (ROO)

The Rules of Origin chapter in RCEP defines the criteria for determining whether a product qualifies as originating within the region and is eligible for preferential tariff treatment. The parties agree on a unified set of rules of origin, simplifying the certification process compared to previous free trade agreements. The agreement also sets clear provisions on direct consignment to maintain the originating status of goods. Additionally, exporters can self-certify the origin of their goods, reducing administrative burdens and facilitating trade.

3.2.3. Sanitary and Phytosanitary Measures (SPS)

RCEP establishes a common framework for the development and implementation of SPS measures to protect human, animal, and plant health while avoiding unnecessary trade barriers. The parties commit to enhancing transparency in the application of SPS measures and to cooperating and consulting to resolve issues affecting trade. Furthermore, the agreement emphasizes the importance of recognizing equivalence in sanitary and phytosanitary standards among countries and applying risk-based measures where appropriate.

3.2.4. Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP)

To reduce technical barriers to trade, RCEP reinforces the implementation of the WTO Agreement on Technical Barriers to Trade (TBT). The parties commit to adopting international standards to ensure consistency in technical regulations, facilitating smoother trade flows. The agreement also emphasizes bilateral and multilateral cooperation to promote mutual recognition in conformity assessment, enhance transparency, and improve information exchange among member countries.

Other commitments included in RCEP are as follow:

- Customs Procedures and Trade Facilitation (CPTF)
- Trade Remedies
- Trade in Services
- Intellectual Property (IP)
- Competition
- Movement of natural persons
- Investment

4. Overview of RCEP and its commitments of Vietnam and China under RCEP on Leather and Footwear Exporting

4.1. Commitments of Vietnam and China under RCEP on Leather and Footwear Exporting

4.1.1. Tariff Commitments

When RCEP goods are imported into China, the preferential tariff rate applied to a specific shipment will be determined based on the following conditions:

For goods listed in the Sub-Annex of China's Annex I

Depending on whether the goods meet the specific additional rules of origin (ROO) requirements, the preferential tariff rate for imported goods will be determined based on either:

1. The preferential tariff schedule that China grants to the exporting country within RCEP, or
2. The preferential tariff schedule that China grants to the RCEP country contributes the highest share of originating materials in the product's value.

Under China's RCEP tariff commitments for ASEAN countries, including Vietnam, leather footwear enjoys a phased tariff reduction schedule. Key HS codes covered under this commitment include HS 6403.19.10, 6403.20.00, 6403.51.00, 6403.91.00, and 6404.20.00, which primarily consist of various types of leather shoes, including sports footwear, safety shoes, and boots. These products start with a base tariff of 24%, gradually decreasing each year until reaching 0% after 20 years.

Similarly, HS 6405.10.10 and 6405.10.90, which cover footwear with leather uppers and soles made of rubber, plastic, or composition leather, follow the same 24% to 0% over 20 years reduction plan. However, a specific category under HS 6405.90.10, which includes certain footwear with outer soles made of rubber, plastics, or leather, benefits from an immediate tariff elimination, dropping from 15% to 0% in the first year.

4.1.2. Rules of Origin

The RCEP agreement establishes specific rules of origin (ROO) to determine whether goods qualify for preferential tariffs. According to Annex 3A of the RCEP agreement, leather footwear (HS Code: 64.03) traded between Vietnam and China must meet one of the following criteria to qualify as originating:

Table 1: Product-specific rule of leather footwear

HS Code (HS 2012)			Product Description	Product-Specific Rule
Chapter	**Heading**	**Subheading**		
	64.03		Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	CTH or RVC40

Source: The RCEP agreement

where:

- CTH (Change in Tariff Heading): The product must undergo a transformation that results in a change in tariff heading (first four digits of the HS code) from non-originating materials.
- RVC40 (Regional Value Content 40%): At least 40% of the product's value must originate from RCEP member countries, calculated using one of the following formulas.

4.1.3. Standards, Technical Regulations, and Conformity Assessment Procedures (STRACAP) Measures

The Regional Comprehensive Economic Partnership (RCEP) establishes a framework to streamline standards, technical regulations, and conformity assessment procedures (STRACAP) among its member states. The agreement aims to reduce trade barriers by promoting regulatory alignment, facilitating the acceptance of conformity assessments, and ensuring transparency in technical regulations. Articles 6.6 (Standards), 6.7 (Technical Regulations), and 6.8 (Conformity Assessment Procedures) outline specific commitments to harmonize regulatory practices across the region while maintaining consumer safety and product quality.

Standards (Article 6.6)

Under Article 6.6 of RCEP, both Vietnam and China are encouraged to align their national standards with international benchmarks to facilitate trade and prevent unnecessary regulatory divergence. This includes adopting chemical safety limits (e.g., formaldehyde, heavy metals), durability requirements, and material composition standards in line with international practices.

By promoting greater harmonization of standards, RCEP reduces compliance burdens for Vietnamese exporters and ensures that standard-setting bodies cooperate in exchanging technical information to support regulatory alignment.

Technical Regulations (Article 6.7)

Under Article 6.7, China's technical regulations on footwear imports must be based on international standards where applicable. If China adopts stricter technical regulations that deviate from international norms, RCEP requires it to provide justification upon request and consider less trade-restrictive alternatives. Additionally, China is encouraged to recognize the equivalence of Vietnam's technical regulations, even if they differ in approach, as long as they meet the same regulatory objectives. To ensure predictability for Vietnamese exporters, RCEP also recommends a minimum six-month transition period before enforcing new footwear regulations, allowing businesses sufficient time to adjust their production and compliance strategies.

Conformity Assessment Procedures (Article 6.8)

Article 6.8 of RCEP strengthens Vietnam–China trade by promoting mutual recognition of conformity assessment procedures. Vietnamese footwear must undergo quality testing and certification before entering the Chinese market, covering aspects like slip resistance, labeling accuracy, and restricted substances. Under RCEP, China is encouraged to accept Vietnamese conformity assessment results when they meet equivalent standards, reducing the need for retesting in China. If China refuses to recognize Vietnam's testing results, it must provide a clear justification. Additionally, Vietnam and China can enhance cooperation between their accreditation bodies, ensuring greater efficiency in recognizing testing laboratories and reducing export clearance delays.

Vietnam's footwear exports to China, especially HS 6403 (footwear with rubber, plastic, or leather soles and leather uppers), have benefited from the STRACAP (Standards, Technical Regulations, and Conformity Assessment Procedures) provisions under RCEP. China enforces strict safety standards on imported footwear—such as limits on chemicals like formaldehyde and heavy metals, durability tests, and labeling requirements. RCEP helps align Vietnam's standards with international benchmarks, reducing regulatory discrepancies and easing compliance for exporters.

Under RCEP, China's technical regulations must align with international norms, lowering regulatory uncertainty. China is also encouraged to accept Vietnam's testing and certification results if they meet equivalent objectives, avoiding redundant procedures. A six-month transition period for new regulations provides exporters time to adapt.

Additionally, enhanced cooperation between Vietnam and China's accreditation bodies improves mutual recognition of conformity assessments. This reduces compliance costs and speeds up customs clearance. By promoting regulatory harmonization and reducing trade barriers, RCEP boosts Vietnam's export efficiency and market access for its footwear industry in China.

5. Overview of the Vietnam's Leather and Footwear industry

Vietnam's Leather and Footwear industry has experienced rapid development and is recognized as one of the driving forces of the Vietnamese economy. As of 2021, Vietnam was home to approximately 2,200 footwear manufacturing enterprises, with a strong concentration in Ho Chi Minh City, the country's industrial hub.

Looking ahead, the market's revenue is projected to reach US$2.35 billion in 2024, with a 2.5% increase in 2025 pushing the total to US$2.49 billion. By 2028, Vietnam's footwear market is expected to grow to US$2.92 billion, reflecting a compound annual growth rate (CAGR) of 5.58% for 2024-2028.

This sustained expansion highlights Vietnam's rising global competitiveness in the footwear sector, driven by its integration into international supply chains, increasing foreign direct investment (FDI), and the impact of trade agreements such as RCEP and EVFTA. However, challenges such as rising production costs, sustainability requirements, and dependence on imported raw materials remain key factors shaping the industry's future trajectory.

6. Vietnamese Leather and Footwear exports under RCEP

6.1. Vietnam's Leather and Footwear export before RCEP

Table 2: Vietnam leather footwear RCA index (2015-2021)

HS Code	2015	2016	2017	2018	2019	2020	2021
6403	9.12	7.91	7.28	7.47	7.29	6.92	6.56
6404.20	0.13	0.12	0.08	0.08	0.18	1.19	0.30
6405.10	0.68	0.53	0.58	1.22	1.95	1.27	2.43
6405.90	10.50	9.43	8.02	7.27	9.83	8.88	7.84

TOTAL	8.76	7.67	7.06	7.24	7.15	6.81	6.45

Source: Author's calculation base on ITC Trademap figures

Table 3: Vietnam leather footwear RO index (2015-2021)

HS Code	2015	2016	2017	2018	2019	2020	2021
6403	2.18	2.13	2.41	3.23	3.83	6.19	5.06
6404.20	2982.04	1645.72	7321.15	0.00	1364.04	2.64	0.00
6405.10	127.68	37.39	130.75	52.63	1.06	2677.82	334.14
6405.90	105.47	119.97	132.49	129.42	70.12	65.77	83.58
TOTAL	2.14	2.11	2.39	3.14	3.61	5.79	4.76

Source: Author's calculation base on ITC Trademap figures

The analysis of Vietnam's leather footwear (HS 6403, 6404.20, 6405.10, and 6405.90) in the Chinese market using the Revealed Comparative Advantage (RCA) index and the Market Penetration Index (RO) reveals notable trends in competitiveness and market performance. The RCA index, which measures Vietnam's relative export performance in global trade, shows a declining trend from 8.76 in 2015 to 6.45 in 2021, indicating a weakening comparative advantage, especially in HS 6403 and HS 6405.9. In contrast, HS 6405.1 saw an RCA increase from 0.68 to 2.43, suggesting improved competitiveness. HS 6404.2 experienced fluctuations, peaking in 2020 before declining, likely due to temporary demand shifts.

In contrast, the RO index, which measures market penetration, increased from 2.14 in 2015 to 4.76 in 2021, indicating that Vietnam has been expanding its market presence in China. HS 6403 experienced steady growth in RO, rising from 2.18 to 5.06, showing Vietnam's increasing share in China's import market despite its declining RCA. The most notable change was in HS 6405.10, where the RO index surged from 127.68 to 334.14, reflecting a sharp increase in China's demand for this product from Vietnam. However, HS 6404.20 exhibited extreme volatility,

peaking at 7321.15 in 2017 before dropping to 0 in 2018 and 2021, signaling instability in market penetration.

The declining RCA alongside the rising RO suggests that while Vietnam's comparative advantage in leather footwear exports to China is weakening, its market penetration is increasing. This indicates that Vietnam is expanding its presence despite facing stronger competition. The divergence in trends may be driven by trade policies, shifting consumer demand, or changes in China's import structure. The fluctuations in HS 6404.20 further highlight instability in certain segments, suggesting challenges in maintaining a consistent market position.

Table 4: RCA and RO Index of some ASEAN Countries

Year	Country	Vietnam	Indonesia	Cambodia
2015	RCA	8.76	4.55	14.91
	RO	2.14	4.81	0.46
2016	RCA	7.67	4.81	16.21
	RO	2.11	4.55	0.50
2017	RCA	7.06	4.91	16.63
	RO	2.39	5.85	0.70

2018	RCA	7.24	5.03	15.68
	RO	3.14	6.38	0.84
2019	RCA	7.15	4.41	14.13
	RO	3.61	8.94	0.87
2020	RCA	6.81	4.93	8.88
	RO	5.79	11.12	2.82
2021	RCA	6.45	5.00	10.91
	RO	4.76	10.06	1.73

Source: Author's calculation base on ITC Trademap figures

The data reveals distinct trends in the comparative advantage and market penetration of Vietnam, Indonesia, and Cambodia in China's leather footwear market. Vietnam's RCA declined from 8.76 in 2015 to 6.45 in 2021, while its RO increased from 2.14 to 4.76, revealing a growing market presence despite weakening comparative advantage. Indonesia's RCA remained stable around 4.5–5.0, but its RO surged from 4.81 to 10.06, indicating stronger penetration in the Chinese market. Cambodia, despite having the highest RCA (14.91 in 2015 to 10.91 in 2021), maintained a low RO, fluctuating around 0.46–1.73, suggesting challenges in converting its export strength into market dominance. By 2021, Indonesia surpassed Vietnam in RO, revealing shifting competitiveness in ASEAN footwear exports to China.

Before the RCEP agreement came into effect, Vietnam held a significant share in China's imported shoe market, as indicated in Table 1. From 2015 to 2021, Vietnam's share increased from 36% to a peak of 48.6% in 2020 before slightly declining to 38.9% in 2021. This trend suggests that Vietnam was a dominant supplier of footwear to China, reflecting its strong manufacturing capabilities and competitive advantage in the sector. However, the slight decline in 2020 and 2021 could be attributed to disruptions caused by the COVID-19 pandemic, shifts in trade policies, or increased competition from other exporters like Italy, whose share rose significantly in 2021. The data highlights Vietnam's crucial position in China's footwear imports and underscores the importance of trade agreements like RCEP in maintaining and expanding market access.

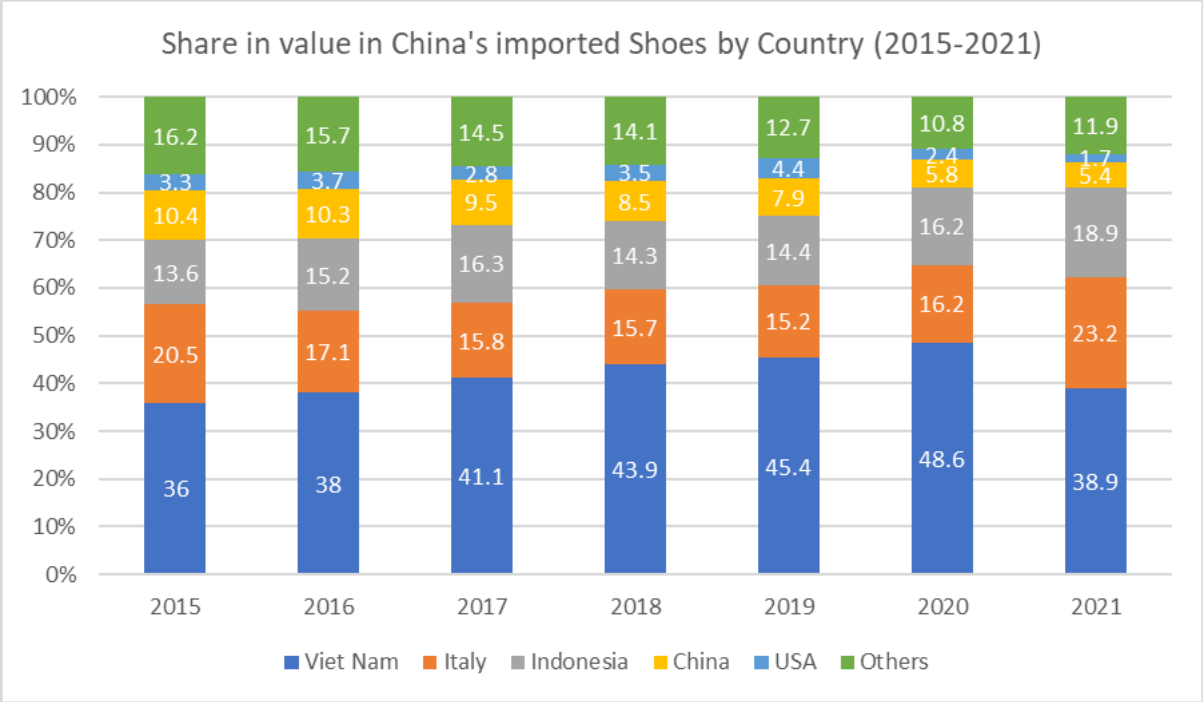

Figure 1: Share in value in China's imported Shoes by Country (2015-2021)

Source: ITC, trade map

Prior to the RCEP agreement, Vietnam has been an important supplier of leather footwear to China, with exports changing a lot between 2015 and 2021. During this period, Vietnam's exports fluctuated significantly across different product categories, with some segments experiencing rapid expansion, while others showed signs of decline or stagnation.

Table 5: Vietnam Leather footwear exported value to China from 2015-2021

HS Code	Metrics	2015	2016	2017	2018	2019	2020	2021
6404.20	**Quantity (Tons)**	2	1	0	9	28	4	2
	Value (Thousand USD)	119	74	36	182	204	244	174
	Growth in value (%)	-	-38%	-51%	+406%	+12%	+20%	-29%
6405.10	**Quantity (Tons)**	206	266	313	228	360	164	209
	Value (Thousand USD)	380	108	112	634	1194	,635	1751
	Growth in value (%)	-	-72%	+4%	+466%	+88	+37%	+7%
6405.90	**Quantity (Tons)**	168	246	275	205	311	103	163
	Value (Thousand USD)	9424	14161	15514	10430	11412	4411	6716

	Growth in value (%)	-	+50%	+10%	-33%	+9	-61%	+52%
6403	**Quantity (Tons)**	14061	11394	12091	18120	24174	28235	22102
	Value (Thousand USD)	382441	329244	356936	510065	654510	792527	667264
	Growth in value (%)	-	-14%	+8%	+43%	+28%	+21%	-16%

Source: ITC, trade map, author's calculation

According to table 2, export performance of Vietnam's leather footwear to China from 2015 to 2021 experienced fluctuations in both quantity and value across different HS codes. The export quantity of HS code 6403 increased from 14,061 tons in 2015 to 22,102 tons in 2021, while export value peaked at $754,937 thousand USD in 2020 before dropping 16% in 2021. Other categories, such as HS code 6405.10, experienced sharp declines in 2016 but recovered significantly in later years. These variations suggest that Vietnamese exporters faced market uncertainties, tariff barriers, and shifting demand before RCEP took effect, highlighting the potential benefits of improved trade conditions under the agreement.

Table 6: Market share of Vietnam's leather footwear exports to China from 2015 - 2021

Year / **HS code**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
6403	26.42%	25.17%	25.37%	27.91%	29.04%	33.12%	30.85%
6404.20	0.33%	0.26%	0.09%	0.30%	0.31%	0.41%	0.22%

6405.90	57.3%	52.9%	67.9%	32.8%	25.9%	16.3%	17.8%
6405.10	7.3%	1.6%	3.5%	7.8%	7.3%	19.1%	13.3%

Source: ITC, trade map

According to Table 2, the market share of Vietnam's leather footwear exports to China from 2015 to 2021 experienced notable shifts across different HS categories before the RCEP agreement took effect. HS 6403 maintained a steady upward trend, increasing from 26.42% in 2015 to 30.85% in 2021, indicating its stable demand in the Chinese market. Meanwhile, HS 640590, which held the largest share in 2015 (57.3%), exhibited significant volatility, peaking at 67.9% in 2017 before dropping sharply to 16.3% in 2020 and 19.3% in 2021, suggesting a decline in competitiveness or shifting consumer preferences. HS 640510 showed gradual growth, rising from 7.3% in 2015 to 13.3% in 2021, indicating an expanding market segment for this product category. In contrast, HS 640420 maintained a marginal presence, never exceeding 0.41%. Overall, the data highlights shifts in Vietnam's leather footwear exports to China, with HS 6403 and HS 6405.10 gaining market share, while HS 6405.90 experienced a decline.

6.2. Vietnam's Leather and Footwear export after RCEP

Table 7: Viet Nam leather footwear RCA index (2022-2023)

HS Code	2022	2023
6403	8,15	7,90
6404.20	0,27	0,22
6405.10	5,02	3,33
6405.90	3,98	6,47
TOTAL	7,87	7,64

Source: Author's calculation base on ITC Trademap figures

Table 8: Viet Nam leather footwear RO index (2022-2023)

HS Code	2022	2023
6403	3,43	4,44
6404.20	982,65	355,94
6405.10	118,02	355,83
6405.90	218,00	97,00
TOTAL	3,33	4,24

Source: Author's calculation base on ITC Trademap figures

The table presents the export performance of Vietnam's footwear industry worldwide and in the Chinese market for 2022 and 2023, along with the calculation of the RCA index and the RO index. The results indicate that Vietnam holds a strong export advantage across all footwear categories, as evidenced by RCA values exceeding 1. The 6403 category has the highest advantage, with an RCA index of 8.15 in 2022 and 7.90 in 2023, reaffirming its strong competitiveness. Meanwhile, 6404.20 and 6405.90 saw slight decreases in RCA, from 4.37 to 4.33 and 3.98 to 3.94, respectively, but still maintained a competitive edge. The RO index indicates that China remains a key market, particularly for 6403, where RO rose significantly from 3.33 to 4.24, suggesting a growing focus on this market. Conversely, 6404.20 (RO declined from 4.55 to 4.44) and 6405.90 (RO decreased from 3.35 to 3.33), reflecting a slight decline in concentration in the Chinese market.

Examining the correlation between RCA and RO, the product category with the highest RCA (6403.00) also experienced the most significant RO increase, demonstrating both strong global competitiveness and a growing foothold in China. In contrast, 6404.20 and 6405.90, with declining RCA and RO values, indicate increasing competitive pressure. Overall, Vietnam continues to hold a strong position in footwear exports.

Table 9: RCA and RO Index of some ASEAN Countries

Country \ Year	2022		2023	
	RCA	**RO**	**RCA**	**RO**
Việt Nam	7,87	3,33	7,64	4,24
Indonesia	4,40	11,73	4,32	11,62
Cambodia	11,40	1,47	7,35	2,14

Source: ITC, trade map, author's calculation

When compared to Indonesia and Cambodia, Vietnam exhibits a stronger export advantage in footwear, with an RCA of 7.64 in 2023, surpassing Cambodia (7.35) and significantly higher than Indonesia (4.32). This highlights Vietnam's dominant position in ASEAN footwear exports. However, in terms of market concentration, Vietnam's RO (4.24) remains significantly lower than Indonesia (11.62) but higher than Cambodia (2.14). This indicates that Indonesia has the highest dependency on the Chinese market, while Cambodia, despite having a strong global export advantage, has yet to focus extensively on China. Vietnam falls in between, maintaining a balanced and flexible export strategy compared to its regional counterparts.

After the RCEP agreement came into effect on 1 January 2022, Vietnam's market share of footwear exports to China experienced a notable upward trend. Vietnam's share increased from 40.4% in 2022 to 43% in 2023, and further to 45.7% in 2024, maintaining its position as the largest footwear exporter to China. This growth reflects Vietnam's competitive advantage, likely enhanced by tariff preferences under RCEP. In contrast, other major exporters such as Italy and Indonesia saw a gradual decline in their shares over the same period.

Table 10: Market structure of footwear exported to China in 2024 (%)

Exporters	**2022**	**2023**	**2024**
World	100	100	100
Viet Nam	40,4	43	45,7

Italy	23,1	23,8	21,6
Indonesia	17,4	15,6	14,2
China	4,9	4	3,7
USA	2	2,2	2,7
Others	12,2	11,4	12,1

Source: ITC, trade map

The market structure of footwear exports to China in 2024, two years after the RCEP agreement came into effect, reflects a dominant position for Vietnam, which holds the largest share at 45.7%. This suggests that Vietnam has benefited significantly from RCEP, potentially due to tariff advantages and strengthened trade ties under the agreement.

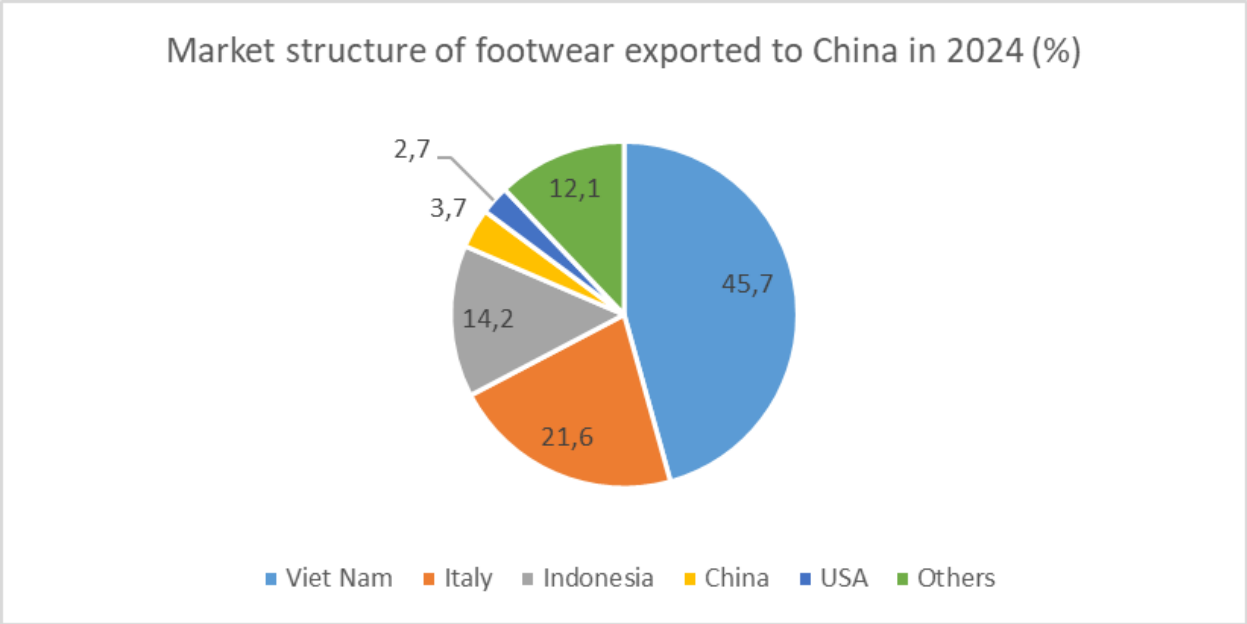

Figure 2: Market structure of footwear exported to China in 2024 (%)

Source: ITC, trade map

This structure highlights that Vietnam has not only maintained but likely strengthened its competitive edge in the Chinese footwear market post-RCEP. The significant gap between

Vietnam and the next largest exporter (Italy) underscores the effectiveness of regional integration and Vietnam's role as a manufacturing hub within the RCEP bloc.

In terms of leather footwear particularly, the table below shows Vietnam's leather footwear exports to China from 2022 to 2024 by HS code. After RCEP took effect, exports improved notably, especially HS 6405.10, which doubled in both quantity and value (+100% and +107% respectively) in 2022. HS 6403 consistently led in export value, with steady growth across all three years (13% in 2022, 18% in 2023, and 10% in 2024). HS 6405.10 saw sharp fluctuations—strong growth in 2022 and 2023, followed by a steep drop in 2024. HS 6405.90 grew moderately in 2023 but slightly declined in 2024. HS 6404.20 remained negligible.

Table 11: Vietnam Leather footwear exported value to China from 2022 - 2024

HS Code	Metrics	2022	2023	2024
6404.20	**Quantity (Tons)**	3	1	2
	Value (Thousand USD)	207	143	123
	Growth in value (%)	+19%	-31%	-14%
	Growth in quantity (%)	+50	-67%	+100%
6405.10	**Quantity (Tons)**	44	172	45
	Value (Thousand USD)	3625	5093	2692

	Growth in value (%)	+107%	+40%	-47%
	Growth in quantity (%)	+100%	+291%	-74%
6405.90	**Quantity (Tons)**	160	211	213
	Value (Thousand USD)	6372	8745	7450
	Growth in value (%)	-5%	+37%	-15%
	Growth in quantity (%)	-2%	+32%	+1%
6403	**Quantity (Tons)**	25975	30259	31989
	Value (Thousand USD)	754937	887767	973351
	Growth in value (%)	+13%	+18%	+10%
	Growth in quantity (%)	+18%	+16%	+6%

Source: ITC, author's calculation

Figure 3: Vietnam leather footwear value exported to China for HS code other than 6403 from 2022 - 2024 (thousand USD)

Source: ITC, trade map

The above chart shows the export values for HS codes 6404.20, 6405.10, and 6405.90. Among these, HS 6405.90 recorded the highest values throughout the three years, peaking in 2023 before slightly declining in 2024. HS 6405.10 experienced strong growth in 2023 but saw a significant drop in 2024. HS 6404.20 remained consistently low across all years, contributing minimally to Vietnam's total footwear exports to China.

Figure 4: Vietnam leather footwear value exported to China for HS 6403 from 2022 - 2024

Source: ITC, trade map

The second chart, on the other hand, illustrates a steady and substantial increase in the export value of HS code 6403, rising from around 755 million USD in 2022 to over 973 million USD in 2024. This highlights HS 6403 as the dominant export category and suggests its growing importance in Vietnam's leather footwear trade with China following the implementation of RCEP.

Table 12: Market share of Vietnam's leather footwear exports to China from 2022 - 2024

HS code \ Year	2022	2023	2024
6403	27.11%	29.89%	33.05%
6404.20	0.28%	0.16%	0.22%
6405.90	20.0%	28.6%	32.8%

6405.10	20.1%	31.1%	20.3%

Source: ITC, trade map

Following the implementation of RCEP, the market share of Vietnam's leather footwear exports to China showed notable shifts from 2022 to 2024. HS code 6403 witnessed a steady increase in market share, rising from 27.11% in 2022 to 33.05% in 2024, affirming its growing dominance. Similarly, HS 6405.90 saw strong growth from 20.0% to 32.8%, indicating improved competitiveness under the trade agreement. In contrast, HS 6405.10 experienced a sharp rise in 2023 (31.1%) but dropped to 20.3% in 2024, suggesting potential instability or changing demand. HS 6404.20 remained marginal throughout, with its market share remaining below 0.3%. Overall, RCEP appears to have facilitated increased market penetration for key Vietnamese leather footwear categories, especially HS 6403 and 6405.90.

6.3. Discussion

6.3.1. Overall assessments

Before RCEP, ACFTA played a crucial role in boosting Vietnam's footwear exports to China, as HS 6403, HS 6404, and HS 6405 benefited from 0% tariffs between 2015 and 2018 (ASEAN-China Free Trade Agreement). As a result, HS 6403 exports surged from 14,061 tons in 2015 to 24,174 tons in 2019, marking a 71.2% increase in value. However, as ASEAN-wide tariff reductions were implemented, Vietnam gradually lost its competitive edge over Indonesia, leading to a slowdown in export growth after 2018. This trend aligns with RCA data, which shows a decline in Vietnam's comparative advantage, especially in HS 6403, while Indonesia's stable RCA and rising RO reflect its increasing market dominance. Despite growing export volume, Vietnam's declining RCA suggests that its competitiveness relied heavily on tariff preferences, which diminished post-2018.

China's "Made in China 2025" (MIC2025) strategy aims to enhance domestic manufacturing capabilities and reduce reliance on imports (Melissa Cyrill, 2018). Its intensified implementation in 2019-2020 included financial support, tax reductions, expanded production, and enhanced competitiveness for domestic firms (MOF, 2020). At the same time, the COVID-19 pandemic further shifted spending toward health-related products (McKinsey, 2020), lowering footwear demand. Also, China introduced policies to stimulate domestic demand, promoting economic recovery and boosting local consumption so as to recover from the pandemic. As a result, these factors significantly impacted Vietnam's exports. Specifically, HS 6403 peaked at 28,235 tons in

2020 (+21% value), while HS 6405.90 plunged 61%. Exports fell another 16% in 2021 as China adjusted import policies and high-end product demand rose (McKinsey, 2021).

RCEP aids Vietnam's exports, albeit with slower tariff reductions compared to ACFTA, where Vietnam eliminated most tariffs for China by 2018, while RCEP follows a more gradual schedule, extending up to 20 years for certain goods. However, its flexible Rules of Origin (ROO) significantly improve eligibility. For instance, HS 6403 qualifies either through a 4-digit HS code change (CTH) or by meeting the 40% Regional Value Content (RVC) requirement, thereby easing material sourcing. Moreover, the broader ROO criteria help optimize supply chains and reduce costs, which is particularly beneficial amid China's ongoing MIC2025 expansion. These provisions are critical for Vietnam, given that its RCA in HS 6403 is declining but its RO is rising. This suggests that despite losing some comparative advantage, Vietnam can still maintain and even expand its market presence by leveraging favorable trade policies and supply chain integration.

Vietnam's leather footwear exports (HS 6403, 6404.20, 6405.10, 6405.90) to China show a declining RCA from 8.76 (2015) to 6.45 (2021), signaling weakening competitiveness, especially in HS 6403 and HS 6405.90. However, HS 6405.10 improved, with RCA rising from 0.68 to 2.43. Meanwhile, RO increased from 2.14 to 4.76, reflecting stronger market penetration despite falling RCA, particularly in HS 6403 and HS 6405.10.

Compared to Vietnam, Indonesia's RCA remained stable (4.5–5.0), but its RO surged from 4.81 to 10.06, indicating stronger market expansion. Cambodia, despite the highest RCA (14.91 in 2015 to 10.91 in 2021), maintained a low RO (0.46–1.73), struggling to convert export strength into market dominance. By 2021, Indonesia surpassed Vietnam in RO, highlighting shifting competitiveness in ASEAN's footwear exports to China.

Beyond ROO, RCEP also reduces technical barriers through STRACAP by simplifying standards and testing procedures. Moreover, the mutual recognition of Vietnamese test results helps lower compliance costs, making it easier for exporters to meet regulatory requirements. Additionally, the six-month transition period for new standards further aids businesses in adapting smoothly to regulatory changes.

Post-2022, exports—particularly HS 6403—began recovering. However, slower tariff cuts continue to limit short-term competitiveness. Nevertheless, RCEP's ROO flexibility and reduced technical barriers play a vital role in strengthening Vietnam's supply chain integration. Furthermore, despite China's strong push for domestic production, RCEP remains crucial for sustaining and expanding Vietnam's footwear exports in the long run.

Vietnam's strong RCA index reaffirms its global competitiveness in footwear, particularly in HS 6403, while other categories, despite fluctuations, maintain a stable export edge. This

resilience reflects not just tariff benefits but also Vietnam's supply chain efficiency and solid market positioning.

Meanwhile, the rising RO for HS 6403 highlights Vietnam's deepening integration into China's import market, though declines in HS 6405.90 suggest shifting trade patterns due to China's domestic production push and evolving consumer demand.

Compared to Indonesia, Vietnam boasts a stronger RCA while maintaining a more diversified market strategy, reducing dependency risks and ensuring long-term stability. To sustain growth, Vietnam must capitalize on RCEP's ROO provisions, streamline its supply chain, and navigate regulatory barriers. With a balanced export approach and proactive trade policies, Vietnam is well-positioned to reinforce its leadership in the global footwear industry.

6.3.2. Key achievements

Vietnam has solidified its position as China's top footwear supplier, with its market share rising from 40.4% in 2022 to 45.7% in 2024—a strong recovery from 38.9% in 2021. This growth reflects Vietnam's agility in adapting to shifting market dynamics and intensifying global competition.

Among key product categories, HS 6403 remains dominant, with exports growing by 13.19% in 2022, 17.62% in 2023, and 9.57% in 2024. The Revealed Comparative Advantage (RCA) index for HS 6403 stood at 8.15 in 2022 and 7.90 in 2023, reaffirming Vietnam's strong global competitiveness. Meanwhile, HS 6405.90 saw a surge in RCA from 3.98 to 6.47, further underscores the success of Vietnam's product diversification strategies in expanding market reach.

Vietnam has effectively leveraged the RCEP, benefiting from tariff reductions, flexible Rules of Origin (ROO), and streamlined technical regulations. These advantages have bolstered Vietnam's price competitiveness, reducing costs and facilitating smoother access to the Chinese market.

Notably, Vietnam's RO index in China for HS 6403 rose from 3.43 in 2022 to 4.44 in 2023, underscoring Vietnam's deepening market penetration.

Beyond policy benefits, Vietnam's investments in automation, supply chain optimization, and workforce upskilling have strengthened its production capabilities. Additionally, manufacturers have strategically aligned with China's evolving consumer preferences, focusing on high-quality, stylish, and sustainable footwear to capture the premium segment.

Compared to regional competitors, Vietnam outperforms Indonesia and Cambodia in global export competitiveness, with an RCA of 7.64 in 2023, surpassing Indonesia (4.32) and closely trailing Cambodia (7.35). This suggests that while Cambodia also has a competitive edge, its

exports may be more concentrated in specific industries like textiles and footwear, whereas Vietnam maintains a more diversified approach. Additionally, Vietnam's RO of 4.24 indicates a balanced export strategy, lower than Indonesia's 11.62—signifying heavy reliance on a few key industries—but higher than Cambodia's 2.14, which reflects extreme concentration. This diversification makes Vietnam's exports more resilient to market fluctuations. With a strong RCA and stable RO, Vietnam is well-positioned to leverage free trade agreements and global supply chain shifts, attracting more FDI into high-value sectors like technology and electronics. In contrast, Indonesia needs to diversify its exports to reduce risk, while Cambodia must expand its portfolio to ensure long-term stability.

Looking ahead, sustaining Vietnam's export leadership will require continued innovation, deeper integration into regional value chains, and strategic market positioning. While RCEP provides a robust trade framework, Vietnam's ability to adapt to evolving regulations and consumer trends will be key to maintaining its competitive edge.

6.3.3. Limitations

Despite the benefits brought by RCEP, Vietnam's footwear exports continue to face several persistent challenges. One major limitation is the delayed implementation of tariff reductions under RCEP. While the agreement offers preferential tariffs, these reductions take time to be fully enforced, preventing Vietnamese businesses from immediately leveraging lower costs to enhance their competitiveness in the Chinese market. As a result, exporters struggle to gain a significant short-term advantage over competitors.

Market volatility remains another pressing issue. In 2024, exports of products under HS 6405.10 witnessed a sharp decline of 47%, reflecting unstable demand patterns and exposing businesses to heightened risks. Notably, the RCA of HS 6405.10 declined from 5.02 in 2022 to 3.33 in 2023, suggesting increasing global competition and weakening export strength. Additionally, the RO index for HS 6405.90 fell from 218.00 in 2022 to 97.00 in 2023, indicating a declining concentration in the Chinese market. These trends reflect shifting consumer preferences, economic uncertainties, and external shocks, making it difficult for Vietnamese manufacturers to sustain consistent export growth.

Moreover, competition is intensifying due to China's "Made in China 2025" strategy, which prioritizes the development of domestic manufacturing, including footwear production. This initiative not only strengthens China's own footwear industry but also reduces reliance on imports, thereby limiting market opportunities for Vietnamese exporters. The RO index for HS 6403 increased from 3.43 in 2022 to 4.44 in 2023, showing that Vietnam is still gaining a stronger foothold in China, but this also signals increasing competition from domestic Chinese producers.

Additionally, Vietnamese footwear producers face rising pressure from European competitors, particularly Italian manufacturers, who dominate the high-end footwear segment with their superior craftsmanship, brand value, and established reputation.

Furthermore, the enforcement of stringent technical barriers to trade (STRACAP) by China significantly raises compliance costs for Vietnamese exporters. Meeting these regulatory requirements demands substantial investment in quality control, certification, and production adjustments, increasing operational burdens for businesses. Smaller firms, in particular, struggle to adapt to these regulatory challenges, reducing their ability to access and expand in the Chinese market.

Lastly, Vietnam's footwear industry remains heavily dependent on exports of products under HS 6403, making it highly susceptible to shifts in consumer preferences and policy changes in China. The RCA of HS 6403 slightly declined from 8.15 in 2022 to 7.90 in 2023, indicating potential risks if diversification is not prioritized. While Vietnam continues to hold a strong global export position, greater product diversification and strategic adaptation will be essential to mitigate risks and sustain long-term competitiveness.

6.3.4. Causes of Limitations

Vietnam's footwear exports face several structural limitations driven by policy changes, market fluctuations, and intensifying international competition. While RCEP offers tariff reductions, these benefits are phased in gradually rather than taking effect immediately. As a result, Vietnamese exporters cannot capitalize on lower import duties in the short term, limiting their ability to improve price competitiveness and expand their market share in China. The delayed impact of tariff reductions also weakens Vietnam's ability to respond swiftly to shifting demand and competitive pressures.

Simultaneously, China's "Made in China 2025" (MIC2025) strategy continues to strengthen its domestic manufacturing sector through targeted financial incentives, corporate tax reductions, and strategic industrial expansion. This policy is designed to enhance China's self-sufficiency, reducing its reliance on imports, including footwear. Consequently, Vietnamese exporters not only face increasing competition from Chinese manufacturers benefiting from state support but also encounter growing consumer preference for domestically produced goods.

Shifting consumer behavior in China presents an additional challenge. Chinese consumers are progressively favoring high-end, premium-quality footwear and well-established domestic brands, while Vietnam primarily supplies mid-range and low-cost footwear. This mismatch in market positioning limits Vietnam's ability to penetrate the growing premium segment, making it

increasingly difficult to compete with both Chinese and European suppliers in higher-value product categories.

Beyond competition with China's domestic footwear industry, Vietnam also faces external pressures from other key footwear-exporting nations. Italy maintains dominance in the high-end footwear segment, leveraging its longstanding reputation for superior craftsmanship, luxury branding, and product innovation. Meanwhile, Indonesia is aggressively expanding its presence in the low-cost footwear segment, benefiting from lower production costs and competitive pricing strategies. As a result, Vietnam finds itself squeezed between these two competitors, making it difficult to sustain growth across different market segments.

Moreover, China enforces increasingly stringent technical barriers to trade (STRACAP), imposing higher quality control and safety standards that raise compliance costs for Vietnamese exporters. Adhering to these regulatory requirements necessitates significant investment in product testing, certification, and supply chain adjustments, creating additional financial burdens, particularly for small and medium-sized enterprises (SMEs). Failure to meet these evolving standards can lead to shipment rejections, delays, and increased operational risks.

Vietnam's footwear industry also faces structural vulnerabilities due to its heavy reliance on exports under HS 6403. This dependence on a specific product category heightens exposure to external risks, including changes in China's import policies, regulatory adjustments, and evolving consumer trends. Any policy shift affecting HS 6403 could have disproportionate consequences for Vietnam's overall footwear export performance, underscoring the need for diversification and strategic adaptation to mitigate long-term risks.

7. Proposed recommendations to promote Leather and Footwear exports to RCEP market

While RCEP offers opportunities for Vietnam's leather and footwear industry, challenges such as delayed tariff reductions, increasing competition, and strict compliance requirements remain. Therefore, this section explores these challenges and proposes recommendations for the government, industry associations, and manufacturers to enhance Vietnam's export competitiveness.

7.1. Recommendations for Vietnam's Ministry of Industry and Trade

Firstly, the Ministry of Industry and Trade should establish a Raw Materials Center to reduce import dependency. Vietnam still relies heavily on imported raw materials, especially leather and high-quality synthetic materials. A Raw Materials Center strategically located in Binh Duong would help develop a domestic supply base, reducing costs and improving production stability. This initiative will ensure a stable supply chain, reduce dependency on imports from China, Korea, and ASEAN countries, and strengthen domestic material production. Additionally, the government

should provide tax incentives and financial support to encourage businesses to invest in domestic raw material production.

Secondly, the government should facilitate Vietnamese exporters' access to Chinese e-commerce platforms. Expanding into platforms like Tmall, JD.com, and Pinduoduo will enhance market penetration. The government should negotiate agreements to simplify entry requirements, provide guidance on platform registration, and assist businesses with digital marketing strategies tailored for Chinese consumers.

Thirdly, the government should optimize RCEP's Rules of Origin (ROO) policies to enhance export competitiveness. Currently, RCEP's flexible ROO allows Vietnamese footwear (HS 6403) to qualify under a 4-digit HS code transformation (CTH) or 40% Regional Value Content (RVC). The Ministry of Industry and Trade should assist businesses in understanding and applying these criteria effectively to maximize tariff benefits and supply chain advantages. Implementing policies that facilitate the transition to more localized supply chains and better integration into RCEP's trade networks will be crucial.

Fourthly, the Ministry of Industry and Trade should negotiate with China to simplify the technical certification process for Vietnamese footwear exports. Vietnam should seek recognition of domestic testing laboratories in China's STRACAP system to reduce compliance costs. Additionally, the government should establish a certification support program where Vietnamese businesses receive financial aid and technical assistance to meet international standards efficiently.

7.2. Recommendations for the Vietnam Leather, Footwear, and Handbag Association (LEFASO)

Firstly, LEFASO should enhance industry collaboration by fostering partnerships among domestic firms to improve information sharing and competitiveness. Establishing a strong industry network will enable businesses to collectively address common challenges, optimize procurement, and enhance supply chain efficiency.

Secondly, LEFASO should conduct regular market research and disseminate insights on consumer preferences, technical barriers, and regulatory updates in China. Providing businesses with up-to-date data will enable them to make informed decisions and adapt to shifting market demands.

Thirdly, LEFASO should organize training sessions and sustainability workshops for manufacturers. With growing global demand for environmentally friendly footwear, these programs should focus on green manufacturing techniques, waste reduction, and sustainable material sourcing. Collaborations with global brands and certification agencies can provide

Vietnamese businesses with the necessary knowledge and tools to meet international sustainability standards.

7.3. Recommendations for Vietnamese Manufacturers

Firstly, manufacturers should diversify their product range by investing in high-value and niche market segments. Vietnamese exports are overly reliant on HS 6403 (leather footwear), making them vulnerable to market shifts. Businesses should expand into high-end segments such as eco-friendly footwear, smart shoes with integrated technology, and specialized sports footwear, which have growing demand in the Chinese market.

Secondly, businesses should prioritize upgrading product quality, strengthening branding, and enhancing marketing efforts to better compete in the high-end market. This requires investing in advanced manufacturing technologies to improve precision and durability. Additionally, companies should focus on skilled craftsmanship to ensure detailing and superior construction, aligning with premium consumer expectations. Brands should adopt storytelling marketing strategies that emphasize Vietnam's rich heritage in craftsmanship and collaborate with global e-commerce platforms like Alibaba and Tmall to enhance visibility in Chinese markets.

Thirdly, manufacturers should invest in workforce development to improve production efficiency and ensure compliance with international quality standards. Companies should provide training programs to enhance worker skills, ensuring efficiency and adaptability to new manufacturing technologies. Collaborating with the government and industry organizations will help optimize training efforts and modernize production processes.

8. Conclusion

RCEP has created new opportunities for Vietnam's leather footwear exports to China, particularly by enhancing market access through tariff reductions, flexible Rules of Origin (ROO), and streamlined technical compliance. As a result, Vietnam's market share has expanded, especially in HS 6403 and HS 6405.90. However, challenges remain, including delayed tariff benefits, competition from China's MIC2025 strategy, and strict STRACAP requirements.

To strengthen long-term competitiveness, Vietnam must optimize ROO applications, invest in domestic raw material production, and support technology upgrades. LEFASO should enhance industry collaboration and sustainability initiatives, while manufacturers should diversify products, adopt automation, and expand digital marketing.

While RCEP provides advantages, Vietnam must proactively address market volatility and evolving trade dynamics. A strategic approach to production, branding, and supply chain

integration will be essential to sustaining growth and strengthening Vietnam's position in the Chinese and broader RCEP markets.

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