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**UKVFTA: CƠ HỘI VÀ THÁCH THỨC ĐỐI VỚI HOẠT ĐỘNG XUẤT KHẨU  
HẠT ĐIỀU CỦA VIỆT NAM SANG ANH**

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**Tóm tắt**

Hiệp định Thương mại Tự do giữa Vương quốc Anh và Việt Nam (UKVFTA) chính thức có hiệu lực từ ngày 1/5/2021, đánh dấu một cột mốc quan trọng trong quan hệ thương mại giữa hai quốc gia. Hiệp định này không chỉ mang lại nhiều cơ hội lớn cho các ngành xuất khẩu của Việt Nam mà còn đặt ra những thách thức đáng kể, đặc biệt là đối với ngành điều. Vương quốc Anh (UK) là một thị trường tiềm năng với nhu cầu cao đối với hạt điều, nhưng đồng thời cũng là một thị trường khó tính với các tiêu chuẩn khắt khe về chất lượng và an toàn thực phẩm. Nghiên cứu này sử dụng phương pháp nghiên cứu định tính để phân tích tác động của UKVFTA đối với hoạt động xuất khẩu hạt điều của Việt Nam sang thị trường Anh, từ đó xác định những cơ hội và thách thức mà các doanh nghiệp Việt Nam cần cân nhắc. Ngoài ra, nhóm nghiên cứu cũng đề xuất một số khuyến nghị đối với Chính phủ, các doanh nghiệp xuất khẩu hạt điều Việt Nam, Hiệp hội Điều Việt Nam và nông dân trồng điều nhằm tối đa hóa lợi ích từ hiệp định, đồng thời vượt qua những thách thức để đảm bảo sự phát triển bền vững của ngành điều Việt Nam trong tương lai.

**Từ khóa:** UKVFTA, xuất khẩu hạt điều, Việt Nam, Anh

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# UKVFTA: OPPORTUNITIES & CHALLENGES FOR EXPORT ACTIVITIES OF VIETNAM'S CASHEW NUT TO THE UK

## Abstract

The United Kingdom & Vietnam Free Trade Agreement (UKVFTA) officially came into effect on May 1st, 2021, marking a significant milestone in trade relations between the two countries. This agreement has not only offered great opportunities to numerous of Vietnam's export industries but also presented considerable challenges, especially for the cashew industry. The United Kingdom (UK) is a potential market with a high demand for cashew nuts, but it is also a demanding market with strict qualifications and food safety standards. This research employs a qualitative research approach to analyze the impacts of the UKVFTA on Vietnam's cashew export to the UK market, thereby identifying the opportunities and challenges that Vietnamese businesses need to consider. In addition, the authors also propose some recommendations to the government, Vietnamese cashew exporters, Vietnam Cashew Association, and Vietnamese cashew farmers to maximize the benefits of the agreement while overcoming challenges to ensure the sustainable development of Vietnam's cashew industry in the future.

**Keywords:** UKVFTA, cashew nut export, Vietnam, UK

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## 1. Introduction

The UK-Vietnam Free Trade Agreement (UKVFTA), effective since 2021, has opened new opportunities for Vietnam's cashew nut exports to the UK market. As the world's top cashew exporter, Vietnam stands to benefit from tariff reductions under the agreement. However, challenges such as strict food safety standards, sustainability requirements, and reliance on imported raw materials may hinder growth.

This research analyzes the agreement's effects, identifying key opportunities and challenges for Vietnamese exporters. By addressing these barriers while strategically adapting to market demands, Vietnam can not only strengthen its dominant position in the UK cashew market but also maintain sustainable development.

## 2. Literature Review & Research Methodology

### 2.1. Literature Review

According to the authors' research, the topic of the impact of the UKVFTA agreement on Vietnam's cashew nut exports to the UK market has not been previously explored. Due to the limited number of studies on this subject, relevant research conducted while the UK was still a member of the EU serves as an important reference for comparison and insight when undertaking this new study. Trang et al. (2023) assessed the impact of the EVFTA on Vietnam's agricultural product exports to the EU market (including the UK). Their findings suggest that tariff reductions under EVFTA significantly boosted Vietnam's agricultural exports. However, their research also identified non-tariff barriers, noting that Vietnamese agricultural shipments faced a 23% higher incidence of sanitary and phytosanitary (SPS) measures compared to other ASEAN suppliers. Besides, Hoang and Ngan (2021) applied the SMART model to quantify the effects of EVFTA's zero-tariff incentives, concluding that

Vietnam's key agricultural products (coffee, rice, and seafood) benefited most, while processed goods faced stricter regulatory problems.

Recent studies have begun examining post-Brexit trade dynamics, though none focus specifically on cashew nuts. Tien and Hoi (2024) employed the SMART model to quantify the impact of the UKVFTA on Vietnam's agricultural exports to the UK, finding that tariff reductions could increase Vietnam's export revenue by 8-12% in key sectors like seafood and spices. Their findings particularly highlight how the agreement's simplified rules of origin could benefit processed agricultural exports. Truong & Hong Dao (2023) discussed Vietnam's competitive advantages in agricultural goods exports with the UKVFTA coming into effect, emphasizing that processed agricultural goods have higher growth potential than raw commodities. However, no research has looked specifically into the impacts of this agreement on the cashew nut product sector.

According to the General Department of Customs, Vietnam's cashew kernel exports surpassed 723,800 tons in 2024, reflecting a 12.4% growth in quantity and a 19.2% surge in value compared to 2023. Tran Huu Hau, vice Secretary General of the Vietnam Cashew Association (VINACAS), stated that Vietnam has maintained its position as the top global cashew exporter for 18 straight years, representing more than 80% of worldwide cashew shipments. Each year, the UK imports between 17,000 and 19,000 tonnes of various types of cashew nuts, with a trade value of nearly \$100 million annually, positioning it among Vietnam's top ten export markets for cashew nuts (VINACAS).

Given Vietnam's deepening economic integration through FTAs and its dominant position in global cashew trade, the need for further specific research is highlighted. While existing studies have examined the broader impacts of FTAs on Vietnam's agricultural exports, none have specifically analyzed the implications for Vietnam's cashew nut industry. The UKVFTA's zero-tariff incentives present significant opportunities, but the UK's stringent food safety regulations, sustainability requirements, and competitive market dynamics pose distinct challenges. Recognizing these gaps, the need for further in depth analysis, and updated export data, the authors have chosen the research topic: "UKVFTA: Opportunities and threats for export activities of Vietnam's cashew nut to the UK."

## ***2.2. Research Methodology***

This study uses a qualitative method through the synthesis and analysis of secondarily collected data from the Ministry of Industry and Trade of Vietnam, the General Department of Vietnam Customs, international trade reports, and market analysis from organizations such as Mordor Intelligence and the World Bank. The data collected include the numbers on Vietnam's turnover of cashew nuts exported to the UK before and after the UKVFTA came into effect. In addition, the study examines the regulations and commitments in the UKVFTA related to cashew nut exports, thereby discussing the opportunities and challenges this agreement offers to the industry. Based on the findings from this study, the authors propose recommendations to the Government, businesses, organizations, and farmers to capitalize on the advantages gained from the agreement.

### **3. United Kingdom & Vietnam Free Trade Agreement (UKFTA)**

#### **3.1. Introduction of UKVFTA**

After the United Kingdom left the European Union (Brexit), the two countries Vietnam and the United Kingdom have had a negotiation to maintain free trade agreements between the two nations, with the aim of avoiding disruption to the bilateral trade relations. Built upon the commitments of the EVFTA, the UKVFTA is a trade agreement between the United Kingdom and Vietnam. The agreement was signed on December 29, 2020, in London and officially came into effect on May 1, 2021.

This agreement is aimed at promoting bilateral trade and investment activities between the UK and Vietnam, by eliminating tariffs and providing opportunities for export and import businesses. The UKVFTA not only enhances economic cooperation between the two countries but also encourages the competitiveness of Vietnamese businesses, which eventually promotes sustainable economic growth.

#### **3.2. Main Contents of UKVFTA**

The document consists of 9 articles, 1 Annex amended from some of the EVFTA text; 1 Protocol, and 1 letter exchanged bilaterally between Vietnam and the UK.

Basically, the contents of the UKVFTA inherited and were adjusted based on those of the EVFTA, including these areas: trade in goods (including general regulations and market access commitments), rules of origin, customs and trade facilitation, Sanitary and Phytosanitary measures (SPS), technical barriers to trade (TBT), trade in services (including general regulations and market access commitments), investment, trade remedies, competition, State-Owned Enterprises (SOE), government procurement, intellectual property, trade and sustainable development, cooperation and capacity building, and legal and processing.

#### **3.3. Tariff Incentives from UKVFTA**

Both parties agreed to immediately reduce 65% of tariff lines when the EVFTA agreement comes into force. This means that up to 99% of tariff lines will be reduced after 6 to 9 years. The reduction of import duties on products such as clothing, fabric, and footwear means that both consumers and businesses will benefit from lower prices. Tariffs will be reduced according to a set schedule with equal annual reductions from the date the agreement takes effect.

With these commitments, exporters from both the UK and Vietnam will benefit, specifically:

##### **3.3.1. For goods exported from the UK to Vietnam:**

- 48.5% of tariff lines were eliminated on January 1, 2021;
- 91.8% of tariff lines will be eliminated on January 1, 2027;
- 98.3% of tariff lines will be eliminated from January 1, 2029;
- 1.7% of tariff lines will be partially liberalized through tariff quotas (with quota volumes in line with Vietnam's WTO commitments, and in-quota tariffs will be eliminated by 2031) or will not be eligible for preferential treatment.

##### **3.3.2. For goods imported into the UK from Vietnam:**

- 85.6% of tariff lines were eliminated on January 1, 2021;
- 99.2% of tariff lines will be eliminated on January 1, 2027;
- 0.8% of tariff lines will be partially liberalized through tariff quotas (with a preferential tariff rate of 0% for in-quota products).

In addition to import tax, the UK offers Vietnam a preferential tariff quota (TRQ) for a number of items with an import tax rate of 0%, such as: garlic, tuna, mushroom, ...

### 3.4. Provisions Related to the Cashew Nut's Export

#### 3.4.1. Tariff Commitments

- Under the UKVFTA, the UK has committed to eliminating tariffs on fresh or dried cashew nuts, whether shelled or unshelled, originating from Vietnam (HS codes 08013100, 08013200). Processed nut products, including cashew nuts imported from Vietnam (HS code 200819) will also benefit from the elimination of tariffs after the Agreement coeffect.
- Compared to countries without a Free Trade Agreement (FTA) with the UK, Vietnamese cashew nuts gain competitive advantage thanks to these favorable tariff rates.

#### 3.4.2. Rules of Origin

- The UKVFTA regulates that cashew nuts exported to the UK must be wholly obtained or produced in Vietnam, applicable to both shelled and unshelled cashews. The mere unshelling process is not considered sufficient to meet the rules of origin.
- For processed cashew nuts, the UKVFTA allows the use of raw materials that do not originate from the UK or Vietnam, provided that the weight of sugar used does not exceed 20% of the weight of the final product.
- Exports from Vietnam to the UK will require a Certificate of Origin (C/O) in the EUR.1 format, aligned with the UKVFTA and Circular 02/2021/TT-BCT by the Ministry of Industry and Trade of Vietnam.

**Table 1:** Required Working or Processing for Cashew nuts and other nuts and fruits under the UKVFTA

Heading (1)	Description of the good (2)	Required Working or Processing (3)
Chapter 8	Edible fruit and nuts; peel of citrus fruits or melons.	Manufacture in which: - all the fruit, nuts, and peels of citrus fruits or melons of Chapter 8 used are wholly obtained; and - the weight of sugar used does not exceed 20% of the weight of the final product.

(Source: UKVFTA, Annex II to Protocol 1, List of Required Working or Processing, Chapter 8)

### 3.4.3. *Non-Tariff Measures*

#### a. *Technical Barriers to Trade (TBT)*

- The UKVFTA follows the WTO TBT Agreement, ensuring trade facilitation while maintaining compliance with UK regulations.
- Both the UK and Vietnam harmonize technical regulations with international standards (ISO, IEC, ITU, CODEX).
- English-only labels are accepted; Vietnamese translations are not required.
- The UK recognizes Vietnamese quality testing results from accredited laboratories, reducing redundant assessments.

#### b. *Sanitary and Phytosanitary (SPS) Measures*

- Cashew exports must comply with UK aflatoxin limits ( $\leq 4$   $\mu\text{g}/\text{kg}$  total,  $\leq 2$   $\mu\text{g}/\text{kg}$  aflatoxin B1).
- Phytosanitary certification is required to confirm pest-free status.
- The UK may reduce border inspections for exporters with a strong compliance record.

#### c. *Other Market Requirements*

- Customs procedures are simplified, with digital documentation encouraged.
- Consular legalization of origin documents is no longer required (since August 1, 2022).
- While not mandatory, sustainability certifications (e.g., Fairtrade, Organic) are often requested by UK buyers.
- Large UK importers must comply with the Modern Slavery Act 2015, requiring Vietnamese suppliers to demonstrate ethical labor practices.

### 3.4.4. *Market Access Opportunities*

- The UKVFTA offers opportunities for Vietnamese cashew nuts to access the UK market, one of the largest cashew-consuming markets in Europe.
- The Agreement also facilitates the export of processed cashew products, catering to the increasingly diverse consumption trends in the UK.

### 3.4.5. *Sustainable Development Commitments*

The UKVFTA requires cashew products to meet standards for sustainable sourcing and environmentally friendly production processes. This requires Vietnamese businesses to pay more attention to supply chain management and the adoption of green production technology.

### 3.4.6. *Trade Defense Measures*

The UKVFTA includes provisions for trade defense measures including anti-dumping, anti-subsidy, and safeguard mechanisms to ensure a fair trading environment between two parties. Businesses must comply with these regulations to minimize risks during the export process.

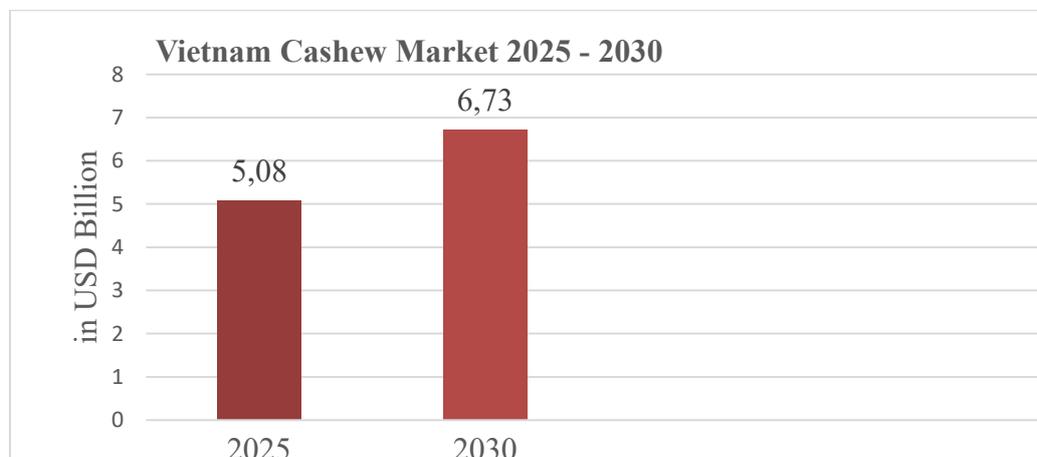
#### 4. The impacts of UKVFTA on Vietnam’s cashew nut export to the UK

##### 4.1. The Situation of Vietnam’s Cashew Nut Export Industry

Vietnam's cashew nut exporting industry has demonstrated remarkable resilience and growth, solidifying its position as a global leader. In 2024, the country achieved a record export volume of approximately 730,000 tons, valued at \$4.37 billion, marking a 13.3% increase in volume and a 20.2% rise in value compared to 2023 (Do, 2025).

The United States remains Vietnam's largest cashew importer, accounting for nearly 26.6% of the total export value. In 2024, the U.S. imported approximately 192,200 tons of Vietnamese cashews, valued at over \$1.15 billion, reflecting increases of 21.3% in volume and 30.3% in value from the previous year. Other significant markets include China and the European Union, with Germany being the largest European consumer, driven by a growing trend toward healthy snacking and plant-based diets (AseanConnect, 2025).

This promising industry is projected to grow from an estimated US\$5.08 billion in 2025 to US\$6.73 billion by 2030, with a compound annual growth rate of 5.80 percent during the forecast period. According to a *Mordor Intelligence Report (2025)*, this growth is driven by Vietnam’s strong export capabilities, advanced processing infrastructure, and expanding global demand for cashew products.



**Figure 1:** Vietnam Cashew Market Forecast Data 2025-2030

(Source: *Mordor Intelligence Report 2025*)

However, Vietnam's cashew processing sector relies heavily on imported raw cashew nuts (RCN), primarily from African countries (World Bank, 2021). This dependency is attributed to the limited domestic production, which has not kept pace with the processing industry's capacity. Moreover, in the first seven months of 2024, Vietnam imported nearly 790,000 tons of raw cashew nuts from Cambodia, accounting for about 95% of Cambodia's total raw cashew output during that period (VIR, 2024).

Furthermore, the domestic cashew cultivation area has declined from 440,000 hectares in 2007 to approximately 300,000 hectares in 2023 (Nguyen, 2024). This reduction is largely attributed to farmers shifting to more profitable crops, such as durian and avocado, which can generate significantly higher income per hectare compared to cashew farming.

To mitigate these, the Vietnamese cashew industry is exploring strategies to enhance domestic raw material supply and reduce dependency on imports. Initiatives include developing stable raw material zones, increasing deep processing capacity, and building a sustainable supply chain to maintain global market leadership (VCCI, 2025).

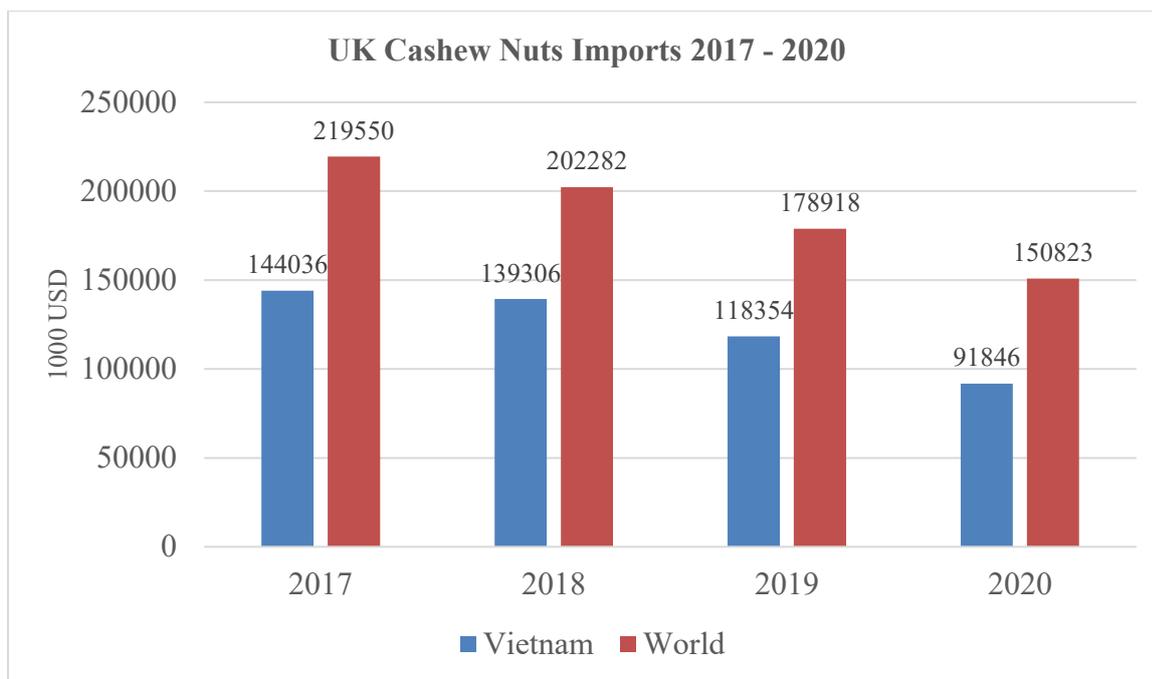
## **4.2. Export Situation of Cashew Nut from Vietnam to The UK Before and After UKVFTA**

### **4.2.1. Export Situation Before UKVFTA (Before 2021)**

Before the implementation of the UKVFTA in 2021, Vietnam had consistently been one of the top exporters of cashew nuts to the United Kingdom, accounting for approximately 60% to 70% of the UK's total cashew nut imports. This dominant position was a testament to Vietnam's strong production capacity, competitive pricing, and established trade relationships with UK importers. However, despite this significant market share, Vietnamese cashew exporters faced considerable challenges that hindered further growth and market expansion.

One of the most significant barriers was the high tariff rates imposed on Vietnamese cashew nuts entering the UK market. Prior to the UKVFTA, cashew nuts exported from Vietnam were subject to tariffs under the UK's Most Favored Nation (MFN) rates, which significantly increased the cost of Vietnamese products compared to those from countries with preferential trade agreements. These tariffs made it difficult for Vietnamese businesses to compete with local UK producers and other exporting nations that enjoyed lower or zero tariffs due to existing free trade agreements. As a result, Vietnamese cashew nuts, despite their high quality and competitive pricing, faced limitations in penetrating deeper into the UK market.

The outbreak of the COVID-19 pandemic in early 2020 further exacerbated these challenges. The global health crisis disrupted supply chains, increased transportation costs, and caused logistical delays, all of which negatively impacted Vietnam's cashew exports. The pandemic also led to a decline in consumer demand in the UK, as lockdowns and economic uncertainty reduced spending on non-essential goods, including premium food products like cashew nuts.



**Figure 2:** UK cashew nuts imports 2017 - 2020

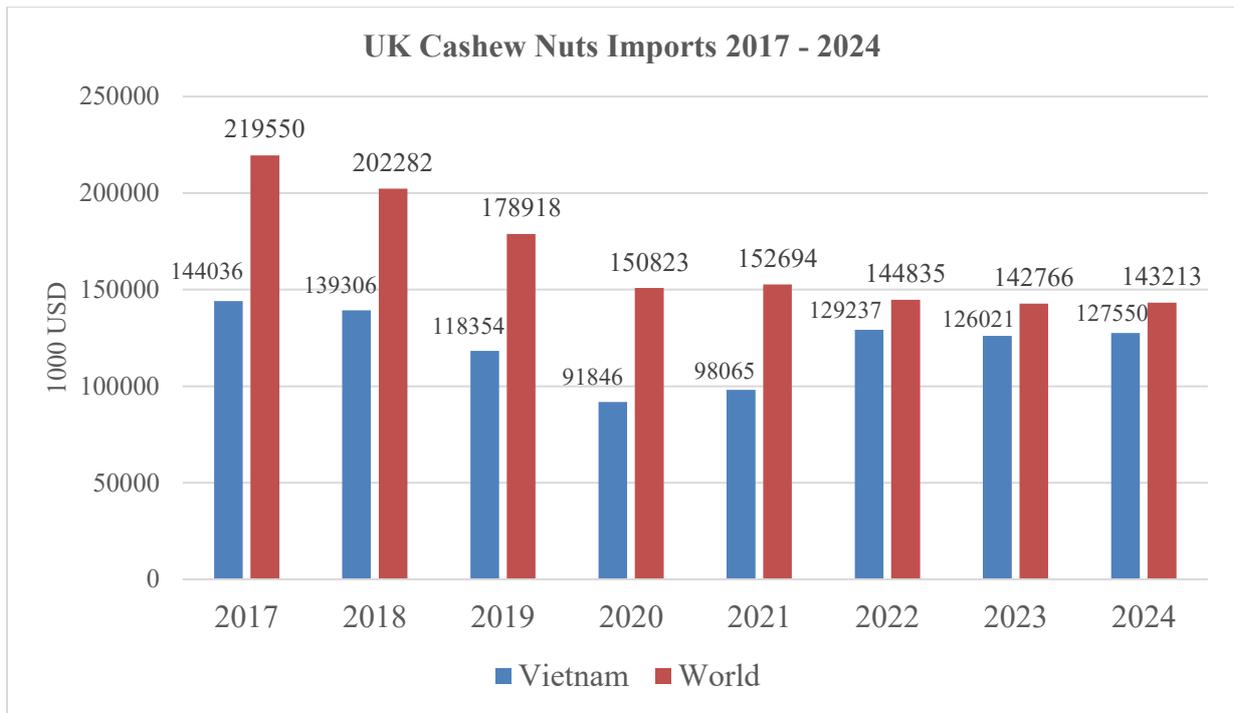
*(Source: World Integrated Trade Solution)*

Overall, during this period, although the amount of cashew nuts Vietnam exported to the UK market still made up a significant proportion of the total imports, the figure illustrated a downward trend in the quantities due to the outbreak of the COVID-19 pandemic. Combined with the spread of the pandemic, a high tariff became an even more hindering barrier to the exportation of Vietnamese businesses.

#### 4.2.2. *Export Situation After UKVFTA (2021 - 2024)*

The implementation of the UKVFTA on May 1, 2021, marked a transformative moment for Vietnam’s cashew nut exports to the UK, significantly boosting the industry’s market share and competitiveness. One of the most impactful provisions of the agreement was the elimination of tariffs on Vietnamese cashew nuts, reducing the rate to 0% for both shelled and unshelled cashews (HS codes 08013100 and 08013200) as well as processed cashew products (HS code 200819). This tariff elimination provided Vietnamese cashew nuts with a substantial competitive advantage over products from countries without a free trade agreement with the UK, such as India and African nations, which still faced the UK’s Most Favored Nation (MFN) tariff rates.

In addition to tariff elimination, the UKVFTA streamlined customs procedures and harmonized standards, reducing non-tariff barriers and making it easier for Vietnamese exporters to comply with UK regulations. This facilitated smoother trade operations and enhanced the efficiency of supply chains, allowing Vietnamese businesses to respond more quickly to market demands. The agreement also encouraged Vietnamese exporters to invest in quality improvements and sustainable practices, aligning with the UK’s stringent food safety and environmental standards.



**Figure 3:** UK Cashew nuts imports 2017 - 2024

*(Source: World Integrated Trade Solution)*

As can be seen from the graph, between 2021 and 2022, the share of UK cashew imports from Vietnam noticeably increased from 64.2% to a peak of 89.2%. The statistics of the 3 following years showed a stable trend in Vietnam’s cashew market share, maintaining a consistent presence in the UK’s cashew imports.

From 2017 to 2024, Vietnamese cashew exports to the UK experienced a growth in the proportion of total cashews exported from all countries around the world. In merely 4 years, from 2020 to 2024, the UK’s market witnessed a rise of 28.2% in Vietnam’s market share, proving a rapid expansion of this nation, especially when compared to the global growth. As a result, Vietnam continuously maintained its leading position in the cashew exports market throughout the period, reflecting a positive outcome of trade agreements in the UKVFTA.

## 5. Opportunities & Challenges for Export Activities of Vietnam’s Cashew Nut to the UK

### 5.1. Opportunities

The UKVFTA brings significant opportunities that strengthen Vietnam’s cashew export potential and global competitiveness. First, the Agreement eliminates tariffs on numerous agricultural products, including cashew nuts. This tariff reduction not only lowers costs for UK consumers but also makes Vietnamese cashew nuts more attractive to importers, potentially increasing market share and export turnover. As aforementioned, under the UKVFTA, tariffs on fresh or dried cashew nuts (HS codes 08013100, 08013200) and processed cashew products (HS code 200819) have been reduced to 0%, giving Vietnamese exporters a competitive edge over countries without an FTA with the UK.

The second notable opportunity is improved market access. The UK is one of the largest cashew-consuming markets in Europe, with a high demand for organic and high-quality products. The UKVFTA supports long-term trade stability, providing Vietnamese exporters

with favorable conditions for market expansion. For instance, Vietnam's market share in the UK's cashew imports surged from 64.2% in 2021 to a peak of 89.2% in 2022, demonstrating the immediate impact of the agreement.

Finally, the UKVFTA encourages quality improvement and sustainable practices, which motivates Vietnamese businesses to invest in advanced technology, improve product quality, and adopt environmentally friendly production methods. This aligns with the UK's growing consumer preference for sustainably sourced and ethically produced goods. By meeting these standards, Vietnamese businesses can enhance their credibility and appeal in the global market.

## **5.2. Challenges**

Despite the opportunities, Vietnamese cashew exporters face notable challenges under the UKVFTA. The first and most pressing challenge is Vietnam's reliance on imported raw materials. Vietnamese farmers are increasingly abandoning cashew nut cultivation due to its declining profitability, leading to a sharp reduction in domestic production and a growing dependence on imported raw materials from Africa and Cambodia. This dependency exposes the industry to global price volatility, supply chain disruptions, and geopolitical uncertainties. For instance, fluctuations in global commodity prices or logistical challenges, such as shipping delays, can severely impact Vietnam's ability to maintain stable production. Additionally, the aging cashew orchards and low yields in domestic cultivation further exacerbate the problem, making it difficult for Vietnam to meet the growing demand for raw materials. The combination of reduced domestic cultivation and increased import dependency has become the major challenge for Vietnam's cashew industry, threatening its position as a global leader in cashew processing.

The second challenge is the intense competition from other major cashew-exporting countries, such as India and some African nations. These countries are also seeking to increase their exports to the UK market, especially as the demand for cashew nuts continues to rise. For example, India's advanced processing capabilities and established trade relationships with the UK pose a significant competitive threat to Vietnamese exporters.

Finally, the UK market's strict requirements for food safety, quality standards, and sustainable practices present a significant challenge. Under the UKVFTA, Vietnamese cashew exports must comply with the Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT) regulations. These include stringent limits on pesticide residues, aflatoxin levels, and hygiene practices, as well as adherence to EU and UNECE standards for product quality and safety. For example, the UK requires cashew nuts to have aflatoxin levels below 4 µg/kg for total aflatoxins and 2 µg/kg for aflatoxin B1, which are among the strictest in the world. Additionally, processed cashew products must meet specific labeling, packaging, and traceability requirements under the TBT provisions.

Meeting these standards demands significant investment in technology, certifications, and quality control systems, which may create financial difficulties for many Vietnamese businesses, particularly small and medium-sized enterprises (SMEs) with limited resources. Failure to comply with these standards could result in shipment rejections, financial losses, and reputational damage, further complicating market access.

## **6. Proposed Recommendations to Promote Vietnam's Cashew Exports to the UK**

### **6.1. Recommendations for The Government**

#### *6.1.1. Centralizing a quality control system*

The Vietnamese government should establish a centralized and standardized quality control system to ensure that cashew exports meet the stringent sanitary and phytosanitary (SPS) regulations imposed by the UK. This includes the implementation of national cashew quality standards that align with UK import requirements, covering essential aspects such as aflatoxin levels, pesticide residues, hygiene practices, and product traceability. Regular monitoring and inspection systems should be introduced at various stages of production, from processing facilities to export checkpoints, to prevent contaminated shipments from being rejected by UK authorities. Additionally, the government should organize training programs for exporters, farmers, and processors, equipping them with the necessary knowledge to adhere to UK food safety standards. Without a comprehensive quality assurance system, Vietnam risks facing trade restrictions that could undermine the benefits of the UKVFTA.

#### *6.1.2. Upgrading processing infrastructure and logistics*

To stay competitive in the UK market, the Vietnamese government should invest in infrastructure, focusing on modernizing processing facilities to meet international quality standards, including food safety and environmental regulations. Expanding cold storage and transportation networks is crucial for maintaining freshness and reducing post-harvest losses. Establishing cashew export hubs in key agricultural areas will streamline shipping, improve supply chain efficiency, and lower export costs. Additionally, investing in rural infrastructure like irrigation and transportation can boost cashew farming productivity. Without these improvements, Vietnam risks losing its edge to competitors with better processing capabilities.

#### *6.1.3. Reducing dependence on imported raw cashew nuts*

Vietnam's reliance on imported raw cashews from Africa and Cambodia creates supply chain risks, price volatility, and quality issues. The government should support domestic cultivation by offering financial incentives like low-interest loans, subsidies, and tax breaks for sustainable farming. Additionally, R&D programs should improve seed quality and yield, enabling farmers to produce high-quality cashews that meet UK standards. Boosting domestic production will stabilize the supply chain, lower production costs, and strengthen Vietnam's global cashew trade position.

#### *6.1.4. Securing Stable and Cost-Effective Raw Material Imports Through Trade Agreements*

To address Vietnam's heavy reliance on imported raw cashew nuts, the government should also negotiate favorable trade agreements with key suppliers in Africa and Cambodia. These agreements would help stabilize the supply chain and ensure cost-effective access to raw materials. By establishing long-term partnerships with major producing countries such as Ivory Coast, Tanzania, and Cambodia, Vietnam can secure consistent volumes of raw cashew nuts at predictable prices, reducing the industry's exposure to global price volatility and supply disruptions. Additionally, these agreements could include provisions for technical cooperation, such as sharing best practices in cashew cultivation and processing, which would benefit both Vietnam and its trading partners.

## **6.2. Recommendations for Vietnamese Cashew Exporters**

### *6.2.1. Strengthening Compliance with UK quality and safety standards*

Ensuring compliance with UK food safety regulations is crucial for Vietnamese cashew exporters, as failure to meet these standards can result in shipment rejections, financial losses, and reputational damage. Exporters should invest in advanced quality control measures at every stage of production, including state-of-the-art processing technology and rigorous hygiene protocols. Implementing traceability systems, such as blockchain technology and QR-coded packaging, which will enhance transparency and allow UK consumers to verify product origins. Securing international certifications such as BRC, GlobalGAP, Fairtrade, and Organic Certification is essential for gaining access to premium segments of the UK market. By prioritizing quality assurance and regulatory compliance, Vietnamese cashew exporters can build long-term trust with UK buyers and reduce trade risks.

### *6.2.2. Diversifying product offerings with value-added cashew products*

The UK market has a growing demand for processed and value-added cashew products, such as roasted, flavored, and organic cashews. Vietnamese exporters should shift their focus from raw cashew exports to the production of high-margin, consumer-ready products tailored to UK market preferences. Investing in product innovation, including unique flavor profiles and eco-friendly packaging, will help Vietnamese cashews stand out in a highly competitive marketplace. Additionally, expanding into organic and ethically sourced cashews will attract health-conscious consumers and strengthen Vietnam's position as a leading supplier in the UK. By diversifying product offerings, Vietnamese exporters can capitalize on shifting consumer trends and maximize profitability in the UK cashew industry.

### *6.2.3. Establishing direct trade partnerships in the UK*

To enhance market access and reduce reliance on third-party importers, Vietnamese exporters should actively seek direct trade partnerships with UK retailers, wholesalers, and distributors. Establishing long-term contracts with UK supermarkets and specialty food stores will provide greater stability in pricing and demand. Participation in UK food trade fairs and exhibitions is essential for building relationships with potential buyers and increasing brand recognition. Additionally, expanding e-commerce channels and collaborating with UK-based online grocery platforms will allow Vietnamese exporters to reach a broader consumer base. Strengthening direct market access will enable Vietnamese exporters to secure a stronger foothold in the UK and gain greater control over product distribution and pricing.

### *6.2.4. Ensuring Raw Material Stability Through Backward Integration*

Cashew exporters in Vietnam can address the industry's reliance on imported raw materials by investing in backward integration, which involves directly engaging in domestic cashew cultivation. This can be achieved by partnering with local farmers or acquiring farmland to establish a stable and reliable supply of raw cashew nuts. One effective approach is through contract farming agreements, where exporters provide farmers with financial support, technical assistance, and high-quality inputs in exchange for a guaranteed supply of raw cashew nuts at a fixed price. This not only ensures a steady flow of raw materials for processing but also provides farmers with financial security, encouraging them to continue cashew cultivation despite fluctuating market conditions.

### **6.3. Recommendations for the Vietnam Cashew Association (VINACAS)**

#### *6.3.1. Strengthening trade promotion and market research*

VINACAS should lead efforts to expand trade promotion initiatives by organizing business matchmaking events, networking sessions, and trade delegations between Vietnamese exporters and UK buyers. Conducting market research on UK consumer preferences, pricing trends, and competitive landscapes will provide Vietnamese businesses with valuable insights to tailor their export strategies. Facilitating training programs on UK regulatory compliance will also help businesses navigate market entry challenges and ensure smooth trade operations.

#### *6.3.2. Supporting digital transformation in the cashew industry*

VINACAS should encourage the adoption of digital traceability solutions within the cashew industry to improve transparency and food safety compliance. Blockchain-based traceability systems will allow exporters to provide verifiable information on product origins, sustainability practices, and supply chain integrity. Additionally, promoting e-commerce adoption and online B2B platforms will help Vietnamese exporters establish direct connections with UK importers and reduce trade intermediation costs.

### **6.4. Recommendations for Vietnamese Cashew Farmers**

#### *6.4.1. Adopting sustainable farming practices*

Transitioning to organic and pesticide-free farming will enable Vietnamese cashew farmers to meet the UK's environmental and sustainability standards. Training programs on natural pest control methods, soil health management, and organic certification requirements should be provided to farmers to facilitate this transition.

#### *6.4.2. Strengthening cooperative farming models*

Small-scale farmers should form cooperatives to pool resources, negotiate better prices with exporters, and access government funding for improved agricultural practices. Cooperatives will enable farmers to benefit from shared knowledge, equipment, and market access, ensuring that their products remain competitive in the UK market.

#### *6.4.3. Diversification of Income Sources While Ensuring Cashew Nut Supply*

Vietnamese farmers can adopt a dual strategy of diversifying their income sources while maintaining and even enhancing cashew nut production. By intercropping cashew trees with complementary crops such as pepper, coffee, or fruit trees, farmers can generate additional revenue streams, reducing their financial dependence on cashew nuts alone. This diversification not only mitigates risks associated with fluctuating cashew prices but also improves land utilization and soil health, which can indirectly boost cashew yields. For example, intercropping with nitrogen-fixing plants like legumes can enrich the soil, benefiting cashew trees.

## **7. Conclusion**

The Vietnam-UK Free Trade Agreement (UKVFTA) brings both opportunities and challenges to Vietnam's cashew export industry. The tariff reduction from the agreement helps improve the competitiveness of Vietnamese cashew nuts in the global market, as well as enhances access to the UK market. However, Vietnamese businesses also face challenges from

international competition, reliance on imported raw materials, and strict requirements for quality and food safety standards.

To fully capitalize on the advantages of the UKVFTA and overcome challenges, coordination among Vietnam's government, exporters, the Vietnam Cashew Association (VINACAS), and Vietnamese cashew farmers is necessary. The government should centralize a quality control system, upgrade processing infrastructure and logistics, and reduce dependence on imported raw cashew nuts. Vietnamese cashew exporters must comply with the UK quality and safety standards, diversify product offerings, and establish direct partnerships with UK partners. VINACAS should strengthen trade promotion and support digital transformation in the cashew industry, while Vietnamese cashew farmers should adopt sustainable farming practices and strengthen cooperative farming models.

With unified efforts from all parties, Vietnam's cashew industry can maintain its leading position in the UK market and ensure sustainable development in the future.

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