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PHÂN TÍCH TÁC ĐỘNG CỦA UKVFTA LÊN XUẤT KHẨU DA GIÀY VIỆT NAM SANG THỊ TRƯỜNG VƯƠNG QUỐC ANH

Đặng Nga Vy¹, Nguyễn Lê Khả Anh, Bỳ Quốc Đạt, Trần Gia Khánh

Sinh viên K62 CLC Kinh tế đối ngoại - Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Hương Giang

Sinh viên K62 CLC Kinh doanh quốc tế - Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Vũ Huyền Phương

Giảng viên Viện Kinh tế và Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Hiệp định thương mại tự do Việt Nam – Vương quốc Anh (UKVFTA) được hoàn thành vào ngày 11 tháng 12 năm 2020 và được ký kết vào ngày 29 tháng 12 năm 2020, được coi là một phần trong nỗ lực không ngừng của Việt Nam nhằm tăng cường xuất khẩu của Việt Nam sang thị trường Anh. Ngành công nghiệp giày dép, một lĩnh vực xuất khẩu quan trọng của Việt Nam, là một trong những lĩnh vực bị ảnh hưởng bởi hiệp định này. Nghiên cứu này đánh giá các cơ hội và thách thức mà UKVFTA đưa ra đối với tăng trưởng xuất khẩu giày dép Việt Nam sang Vương quốc Anh, đồng thời đưa ra các giải pháp thiết thực cho tiến bộ trong tương lai. Kết quả cho thấy việc Vương quốc Anh xóa bỏ thuế quan nhập khẩu đối với giày dép Việt Nam, như

¹ Tác giả liên hệ, Email: k62.2313150275@ftu.edu.vn

được nêu trong UKVFTA, thúc đẩy doanh thu xuất khẩu và tăng cường khả năng cạnh tranh của các sản phẩm này so với các nhà sản xuất quốc tế và Vương quốc Anh.

Từ khóa: UKVFTA, Thị trường Vương Quốc Anh, Việt Nam, giày dép, xuất khẩu

ANALYSIS OF THE EFFECT OF THE UKVFTA ON THE EXPORTATION OF VIETNAMESE FOOTWEAR PRODUCTS TO THE UK MARKET

Abstract

The United Kingdom-Vietnam Free Trade Agreement (UKVFTA), which was completed on December 11, 2020, and signed on December 29, 2020, is considered a part of Vietnam's ongoing efforts to increase Vietnam's exports to the UK market. The footwear industry, a significant export sector for Vietnam, is among the areas impacted by this agreement. This study assesses the opportunities and challenges presented by the UKVFTA for the export growth of Vietnamese footwear to the UK, while offering practical solutions for future progress. Findings indicate that the elimination of import tariffs on Vietnamese footwear by the UK, as outlined in the UKVFTA, boosts export revenue and strengthens the competitiveness of these products against both international and UK manufacturers.

Key words: UKVFTA, UK market, Vietnam, footwear, export

1. Introduction

As one of the leading footwear exporters worldwide, Vietnam maintains a strong presence, contributing significantly to global supply chains. To strengthen its international position and broaden market opportunities, Vietnam has actively engaged in various trade agreements, with the United Kingdom-Vietnam Free Trade Agreement (UKVFTA) being a key example.

The focus of this research paper is: Firstly, to examine the UKVFTA's provisions related to tariff reductions and non-tariff measures specific to Vietnam's footwear exports to the UK. Secondly, to evaluate the impacts of UKVFTA on Vietnam's footwear exports to the UK market, thus assessing the overall situation of Vietnam's footwear export in terms of changes in export volumes, market share, and competitiveness. Thirdly, to identify the emerging opportunities and challenges of Vietnam's footwear industry under the UKVFTA framework and offer strategic recommendations for the government and footwear enterprises to optimize export growth and mitigate trade-related obstacles.

2. Research overview and Research methodology

2.1. Literature review

2.1.1. Previous research studies of Vietnam's exports under UKVFTA

A recent study ([Hoi & Minh, 2024](#)) concluded that the tariff reduction in the UKVFTA for Vietnam's exports in general and agricultural exports in particular is largely inherited from the EVFTA. Additionally, it provides Vietnam with a competitive edge over economies lacking FTAs with the UK, including key ASEAN exporters.

On the other hand, research on UKVFTA and the wood industry suggested that the reduced tariffs may be applied to many Vietnamese wood products ([Thùy et al., 2022](#)). Expanding into the UK market with a diverse product range would help Vietnamese wood manufacturers strengthen their brand and facilitate entry into the EU.

Another important study ([Mai & Trang, 2022](#)) suggested that the implementation of UKVFTA offers Vietnam's garment industry significant tariff advantages over countries without benefits. This leads to trade diversion in the UK, suggesting the replacement of imports from competitors with Vietnamese products. However, this advantage may weaken if countries secure further FTAs ([Mai & Trang, 2022](#)).

2.1.2. Previous research studies of Vietnam's footwear export

According to data from the Vietnam Leather, Footwear, and Handbag Association (LEFASO), Vietnam's footwear exports surpassed \$20 billion in 2022, with major markets including the United States, the EU, China, and Japan. The footwear manufacturing sector is one of Vietnam's largest export industries, employing approximately 1.5 million workers in over 2,000 factories across the country ([Vietnamese Footwear Exporters Aim for Green Standards, 2024](#)). While China remains the largest exporter of footwear, Vietnam has gained market share by maintaining its cost advantage while simultaneously improving productivity and supply chain efficiency ([Tran & Le, 2022](#)).

2.1.3. Research gap

Despite the growing body of research on the impact of UKVFTA on Vietnam's exports, existing studies primarily focus on industries such as agriculture, textiles, and wood products. There remains a gap in assessing the long-term sustainability and strategic adaptations of other potential sectors' exportation efforts.

On the other hand, previous studies on the footwear industry undermine the importance of UKVFTA, focusing instead on EUVFTA and CPTPP. Moreover, there seems to be a limited number of studies on the effect of UKVFTA on Vietnam's footwear industry.

Realising the gap in research, this study aims to fill it by analyzing Vietnam's Footwear Industry Export and its strategies. Therefore, our group will propose long-term suggestions to help the potential industry thrive under UKVFTA.

3. Overview of the UKVFTA

The United Kingdom–Vietnam Free Trade Agreement (UKVFTA), which was officially completed on December 11, 2020, and signed on December 29, 2020, is a free trade agreement

between the United Kingdom and Vietnam. It was signed before the withdrawal of the United Kingdom of the European Union as a Continuity trade agreement to protect trade and investment between the two parties, as the UK would no longer be a party of the European Union–Vietnam Free Trade Agreement. The agreement replicates the European Union–Vietnam FTA terms with minor changes.

The Agreement includes 9 articles; 01 Annex amending some of the EVFTA text; 01 Protocol and 01 bilateral letter exchanged between Vietnam and UK. Key areas covered include trade in goods, rules of origin, customs and trade facilitation, Sanitary and Phytosanitary measures (SPS), technical barriers to trade (TBT), trade in services, investment, trade remedies, competition, SOE, government procurement, intellectual property, trade and sustainable development, cooperation and capacity building, and legal and processing. The Agreement came into effect on December 31, 2020.

3.1. Main commitments

3.1.1. Tariff reduction

In the first 6 years after the UKVFTA takes effect, the UK will eliminate 99.2% tariff concerning Vietnam's imports from the UK, higher than tariff lines under the EVFTA (i.e., 70.3%). Vietnam also pledged to eliminate tariffs as soon as the UKVFTA came into effect, with 48.5%, which is the same as other EU countries under the EVFTA. The British Embassy in Vietnam estimates that Vietnam is expected to save US\$151 million in tariffs from the trade deal, while the UK hopes to save around US\$36 million.

The trade agreement will also help reduce tariffs to zero, eliminate non-tariff barriers on most goods from both countries under a short road map, and help boost the volume of goods from both sides entering the other's market.

3.1.2. Ensuring Trade and Market Expansion

The UKVFTA has also taken major steps forward in adopting trade policy and international trade frameworks to meet the standards of the International Labor Organization (ILO) and the UN Framework Convention on Climate Change.

The UKVFTA will also ensure the non-interruption of trade between the two countries and maintain the recovery of Vietnam's exports to the UK. Garments, furniture, electronic devices, tea, coffee, agricultural products, and construction steel are Vietnamese products likely to be competitive in the UK.

In the service sector, Vietnam also holds a competitive edge in air freight and software design services. As the UK's demand for such products is large, the trade agreement will help Vietnamese enterprises to expand their market share in the country.

3.2. Rules of Origin

3.2.1. Key principles

For a product to qualify as "originating" under the UKVFTA and benefit from preferential tariffs, it must meet one of the following criteria:

- Wholly Obtained: The product is entirely grown, harvested, or extracted in the UK or Vietnam. Examples include:
- Substantially Transformed: If the product incorporates non-originating materials (i.e., materials from outside the UK or Vietnam), it must undergo sufficient processing or transformation in the UK or Vietnam to be considered originating. This is determined by Product-Specific Rules (PSRs).

3.2.2. Product-specific rules (PSRs)

The UKVFTA uses PSRs to define the level of transformation required for a product to qualify as originating. These rules vary by product and are based on the Harmonized System (HS) nomenclature (2012 version). Common types of PSRs include:

- Change in Tariff Classification (CTC): The final product must fall into a different HS tariff heading (or subheading) than its non-originating materials after processing.
- Value-Added Rule: A minimum percentage of the product's value must be added in the UK or Vietnam, or the value of non-originating materials must not exceed a specified threshold.
- Specific Processes: Certain products must undergo specific manufacturing processes (e.g., spinning fibers into yarn for textiles) in the UK or Vietnam to qualify.

3.3. Investor protection

The Vietnamese Government is increasingly open to foreign investments. Companies will benefit from reduced tariffs on imports and exports. Currently, 65% of tariffs are removed on UK-Vietnam trade, but this will increase to 99% of tariffs over time.

The UKVFTA will pave the way for a new wave of FDI and FII from the UK in Vietnam in the former's areas of strength, such as renewable energy and environmental technology.

As of today, there are no specific details revealed on investment protection in the trade deal. However, it is expected that clauses for investors may be like those of the EVFTA, a bilateral trade agreement that Vietnam recently concluded with the EU.

4. Overview of Vietnam's footwear industry

The Vietnam–UK Free Trade Agreement (UKVFTA) has significantly enhanced opportunities for the Vietnamese footwear industry, driving a 25% increase in exports to the UK in the first 8 months of 2024, contributing to a total of 9 billion USD in footwear exports, up 16.54% from the previous year. This growth aligns with recoveries in other major markets like the US (5.58 billion USD, up 17.1%), the EU (3.63 billion USD, up 14.3%), and China (1.32 billion USD, up 5.5%), with the UK alone accounting for nearly 8% of the EU's export turnover. The UKVFTA promises to eliminate 99.2% of UK import tariffs within 6 years, offering substantial advantages for Vietnamese footwear, textiles, and agricultural products. Employing 1.5 million workers across over 1,000 factories, the industry contributes 8% to Vietnam's GDP and ranks second globally in footwear exports, holding an 8% share of the world market, behind China's 40%. Despite a slight dip in 2019-2020, exports to the UK have rebounded impressively, reaching 765 million USD in 2023, making footwear the third-largest export to the UK after

phones (1.31 billion USD) and machinery (1.03 billion USD). The UK market, while competitive and demanding high standards, offers potential, though Vietnam faces challenges from countries like China, the Netherlands, and CPTPP members such as Australia and Mexico. Aiming for 27 billion USD in exports in 2024, the industry is diversifying markets, leveraging tariff incentives, and addressing rules of origin by proposing a raw materials trading center to ensure transparency and sustainability, aligning with global green standards and enhancing competitiveness.

5. Analysis of Vietnam’s footwear industry before and after UKVFTA

5.1. Vietnam’s footwear industry pre-UKVFTA

As the UKVFTA became effective on the 1st of January 2021, in this section, we will be examining footwear exports to the EU market in general and the UK in particular before 2021. During 2016–2020, Vietnam’s footwear exports to the United Kingdom remained relatively stable. However, from 2017 to 2020, the export turnover showed a continuous decline. Specifically, Vietnam’s footwear export turnover to the UK decreased by more than 7%, 1.57%, and 20.9% in 2018, 2019, and 2020, respectively. In 2020, due to the impact of the COVID-19 pandemic, the total export value of G&SPG dropped by nearly 21%, from nearly USD 633 million in 2019 to approximately USD 500 million.

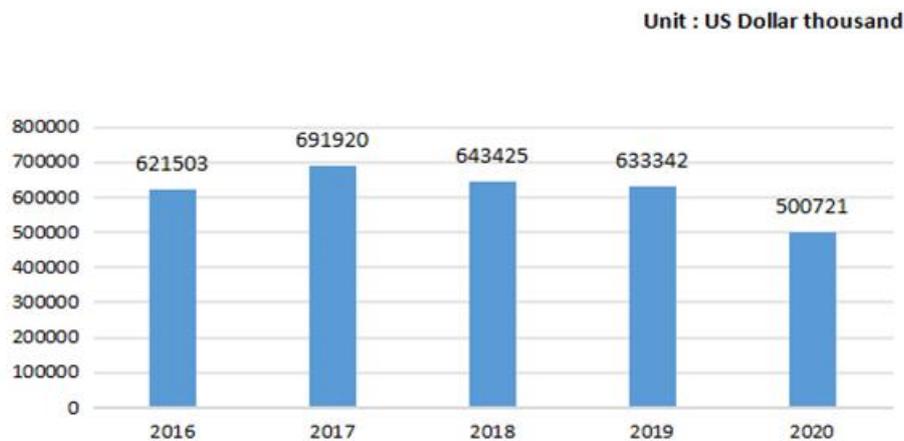


Figure 1: Vietnam's Footwear Export Turnover to the United Kingdom (2016 to 2020)

Source: Trade Map - International Trade Centre (ITC)

Vietnamese footwear exports to the UK lacked uniformity, primarily concentrated in two HS codes: HS 6403 and HS 6404, accounting for 35.69% and 45.94% of Vietnam’s total footwear export value to the UK, respectively (Table 1). Other product groups had a lower proportion. This indicates that Vietnam’s exported footwear categories to the UK were still limited in variety and failed to meet the diverse demands of the market.

Product code	Product label	Viet Nam's exports to United Kingdom						
		2017	2018	2019	Value in 2020	Value in 2021	Value in 2022	Value in 2023
'6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which ...	17	8	23	671	4488	3630	2268
'6402	Footwear with outer soles and uppers of rubber or plastics (excl. waterproof footwear of heading ...	82965	105146	93263	66608	70098	105662	143960
'6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	325133	302445	274390	211726	210230	288531	321620
'6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of ...	264716	218387	246548	205634	234939	353006	311697
'6405	Footwear with outer soles of rubber or plastics, with uppers other than rubber, plastics, leather ...	15932	14468	15999	14173	24676	14210	15057
'6406	Parts of footwear, incl. uppers whether or not attached to soles other than outer soles; removable ...	3157	2971	3119	1909	1455	1697	1115

Figure 2: Export Turnover of Vietnam's Footwear Product Groups to the United Kingdom from 2017 to 2022

Source: Trade Map - International Trade Centre (ITC)

As for the export market, the US is still Vietnam's largest market for leather and footwear exports. In 2020, footwear export turnover to the US reached 6.3 billion USD, down 5.2% compared to 2019 (accounting for 37.5% of total footwear export turnover). The EU is still an important export market, with industry export turnover to this market in 2020 reaching 4.52 billion USD, down 14.1% compared to 2019, accounting for 26.9% of export turnover of the industry. China is a bright spot in the general context, specifically, the export turnover of footwear to the Chinese market in 2020 reached 2.1 billion USD, up 16.3% compared to 2019. (Figure 3)

STT	Market	Footwear		Handbags, wallets, suitcases, hats, umbrellas	
		Export turnover in 2020	Growth rate compared to 2019	Export turnover in 2020	Growth rate compared to 2019
1	USA	6,3	-5,2	1,3	-19,6
2	EU	3,8	-13,7	0,7	-16,4
3	China	2,1	16,3	0,1	-12,9
4	Japan	0,8	-12,8	0,3	19,0
5	Korea	0,5	-9,3	0,1	-12,1

Figure 3: Export market of Vietnam's leather and footwear industry in 2020 (Vu Huy Hung, n.d.)

Unit: Billion USD

The Vietnamese footwear industry suffers from non-tariff barriers that hinder the flow of trade. SMEs, in particular, are required to meet standards in documentation and the use of electronic customs systems to facilitate faster clearance of goods; otherwise, delays are inevitable. Footwear production in Vietnam is sensitive and part of complex global supply chains. Delays caused by inconsistent customs procedures can disrupt delivery schedules, increase storage and demurrage costs, and reduce the competitiveness of Vietnamese products in international markets. Although there have been adaptations from producers, NTMs continue to pose challenges by increasing the cost of compliance and extending lead times for exporters. ([Ministry of Industry and Trade of Vietnam, 2021](#))

5.2. *Impact of UKVFTA on Vietnam's footwear industry*

Numerous Free Trade Agreements signed in 2020, especially UKVFTA, have had a good effect on Vietnam's footwear industry. Some key impacts of UKVFTA on Vietnam's footwear exports include the following:

- **Increased Export Value:** The UKVFTA increases the export value of footwear from Vietnam to the UK by approximately 4.83%.
- **Tariff Elimination:** The UK has eliminated tariff barriers for 37% of footwear goods immediately after the UKVFTA took effect, and will eliminate 100% of footwear goods after 2, 4, or 6 years of implementation.
- **Market Share Increase:** After the implementation of UKVFTA, Vietnamese footwear has been gaining a larger share in the UK's footwear imports. In 2022, Vietnam was the second-largest footwear import market for the UK, behind China.
- **Trade Diversion:** The agreement leads to trade diversion, with the UK likely to shift its footwear imports from countries such as China, Italy, and Germany to Vietnam. The impact of trade diversion is more significant (70.5%) than trade creation (29.5%). Specifically, the UKVFTA increased Vietnam's footwear exports to the UK by \$24,092.3 thousand, with \$7,108.5 thousand from trade creation and \$16,983.8 thousand from trade diversion.
- **Product Focus:** The UKVFTA has a positive impact on exports of HS codes 6403, 6404, and 6405. The highest export growth rate is in HS code 6403 (8.31%), followed by HS codes 6405 and 6404, with growth rates of 8.01% and 3.76%, respectively.
- **Competitive Advantage:** The UKVFTA provides a competitive advantage in price for Vietnamese footwear products. The increase in exports from Vietnam to the UK is mainly due to cheaper footwear as a result of tariff preferences from the UKVFTA.
- **Transparency in the Regulations:** The UKVFTA makes customs procedures simpler with non-tariff measures (NTMs), including TBT that ensure the technical regulations of Vietnam are in line with international standards, resulting in lower costs as well as fewer complexities. For instance, footwear producers do not need recertification if their products are already in compliance with EU directives, which are at the same time recognized in the UK. ([Ministry of Industry and Trade of Vietnam, 2021](#))

5.3. *Vietnam's footwear industry post-UKVFTA*

After the UKVFTA came into effect, Vietnam’s footwear export turnover to the UK began to recover. In 2021 and 2022, the export turnover of Vietnamese footwear to the UK increased steadily by more than 9% annually, reaching USD 5.45 million in 2021 and USD 6.03 million in 2022 (Figure 4).

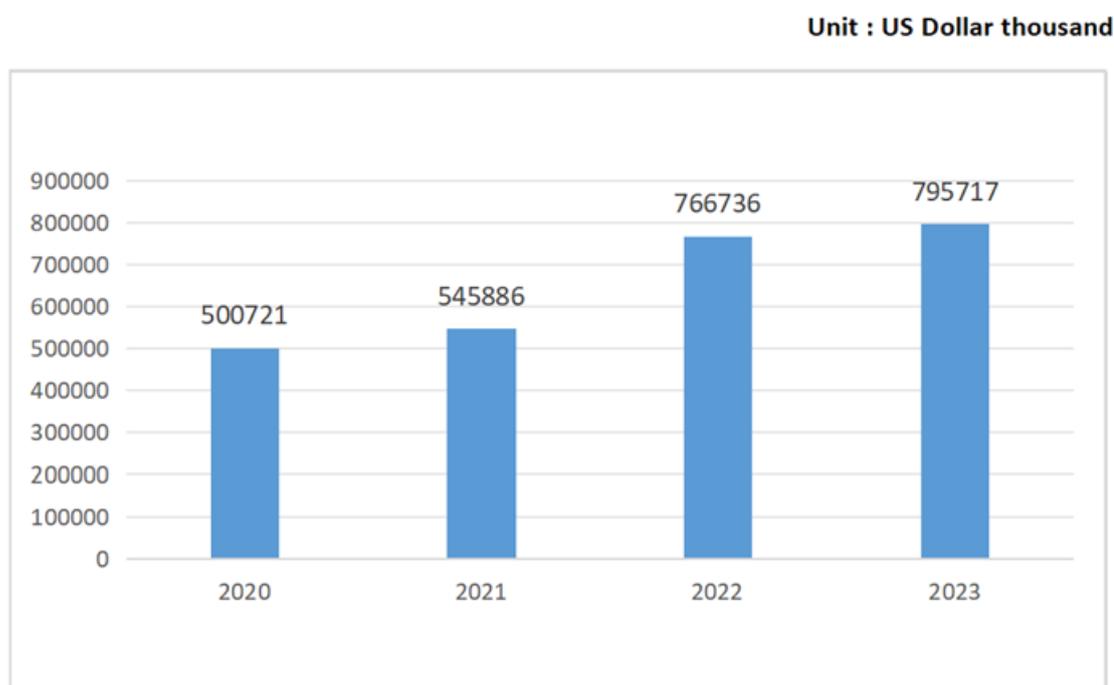


Figure 4: Vietnam's Footwear Export Turnover to the United Kingdom (2020–2023)

Source: Trade Map - International Trade Centre (ITC)

Regarding the export market: While the UK market reached USD 544.6 million, an increase of 9.2%, the primary export market remained the United States, with USD 7.4 billion, up 17.8% compared to 2020, accounting for 41.8% of the total footwear export turnover. Exports to the EU market reached USD 3.9 billion, increasing by 4.0% compared to 2020 and accounting for 22.0% of total footwear exports. The Chinese market reached USD 1.6 billion, decreasing by 23.0% from 2020; the Japanese market reached USD 806.8 million, down 4.9%; and the South Korean market reached USD 503.3 million, declining by 8.2%. (Figure 5)

No	Market	Value(Million USD)	Increase/Decrease with 2020 (%)	Share (%)
1	USA	7.423,17	17,84	41,88
2	EU	3.948,33	3,97	18,90
3	China	1.593,68	-23,05	8,98
4	Japan	806,77	-4,91	4,54
5	UK	544,68	9,19	3,07
6	Korea	503,33	-8,25	2,84
7	Canada	367,71	4,90	2,07
8	Mexico	315,03	32,25	1,77
	Total	17.751,19	5,72	

Figure 5: Export market of Vietnam's leather and footwear industry in 2021

Source: International Trade Centre (ITC)

In recent years, footwear production in the UK has faced a decline due to the influx of low-cost imported goods flooding the market. The UK footwear market is becoming saturated, with most imports driven by replacement demand. As a result, HS code 6406 has shown a continuous decline year by year. Conversely, due to the impact of COVID-19 and economic downturns, UK consumers have increasingly opted for less processed and lower-value footwear products. These are the product categories for which the UK removed import tariffs on Vietnamese footwear immediately after the UKVFTA took effect. Consequently, the export turnover of Vietnam's HS codes 6401, 6402, and 6405 to the UK has shown an upward trend. According to Table 2, Vietnamese footwear faces significant challenges in the UK market, where key competitors include China (the lead in footwear production) and several EU nations such as Italy, Germany, and the Netherlands, which benefit from preferential tariffs. However, the market share of Vietnamese footwear exports to the UK has significantly increased after the implementation of the UKVFTA. Between 2017 and 2020, Vietnam's footwear export share in the UK's total footwear imports continuously declined from 9.0% in 2017 to 8.0% in 2020. However, within two years of the UKVFTA's implementation, Vietnamese footwear has accounted for a growing proportion of the UK's imported footwear (Figure 6).

Countries	Unit: Percentage (%)					
	2017	2018	2019	2020	2021	2022
China	26,4	23,6	22,5	20,2	28,8	35,2
Vietnam	9,0	8,6	8,5	8,0	9,6	22,4
Italia	11,0	11,5	11,4	11,3	13,2	10,4
Indonesia	3,5	4,0	3,7	3,6	4,5	9,7
Germany	7,9	9,9	8,8	9,9	9,9	1,3
Poland	10,3	10,6	11,6	13,1	6,5	0,9
France	4,2	5,3	5,3	4,8	4,4	0,4
Belgium	8,6	8,1	9,3	12,5	4,4	0,1

Figure 6 Market Share of Footwear Export Turnover of Key Partners in the UK (2017–2022)

Source: International Trade Centre (ITC)

Following the UKVFTA's enforcement on January 1, 2021, Vietnam's footwear export value to the UK increased by approximately 4.83%. However, product group-wise, the UKVFTA did not significantly affect the export structure of Vietnamese footwear. The export turnover of HS codes 6403 and 6404 remained dominant (Figure 7). Figure 7 highlights the positive impact of the UKVFTA on the export turnover of various Vietnamese footwear product groups to the UK market. Specifically, the UKVFTA did not alter the export value of HS codes 6401, 6402, and 6406, as these three had already benefited from a 0% preferential rate before the agreement was signed. Conversely, the UKVFTA positively influenced the exports of HS codes 6403, 6404,

and 6405. Among them, HS code 6403 experienced the highest export turnover growth rate at 8.31%, followed by HS codes 6405 and 6404, with growth rates of 8.01% and 3.76%, respectively. This result aligns with the current state of Vietnam's footwear production, which mainly involves final-stage processing (sewing or assembly). The UKVFTA has also altered the export share within each product group's total footwear export turnover. However, HS codes 6404 and 6403 remain the key Vietnamese footwear export categories, accounting for 45.47% and 36.87% of the total footwear export turnover after adjustments. Notably, the change in export value for HS code 6403 (USD 14,781.3 thousand) was more significant than that for HS code 6404 (USD 8,613.6 thousand).

Unit: Thousand USD

HS Code	Export Turnover Before UKVFTA	Export Turnover After UKVFTA	Export Value Change	% Change
6401	2,877.90	2,877.90	0	0
6402	78,085.70	78,085.70	0	0
6403	177,898.80	192,680.10	14,781.30	8.31
6404	228,979.70	237,593.30	8,613.60	3.76
6405	8,700.20	9,397.60	697.3	8.01
6406	1,858	1,858	0	0
Total	498,400.30	522,492.60	24,092.30	4.83

Figure 7: Impact of the UKVFTA on Vietnam's Footwear Export Turnover to the UK

Source: International Trade Centre (ITC)

With the UKVFTA, many types of Vietnamese goods will enjoy many positive incentives. Accordingly, import tariffs on the UK will be eliminated by up to 99,2% within 6 years, creating great advantages for exported goods such as footwear, textiles, agricultural and aquatic products. Vietnam's leather and footwear industry currently has more than 1,000 shoe factories and creates jobs for about 1,5 million workers, contributing about 8% of the country's GDP.

During the difficult period of the COVID-19 epidemic, the supply chain was severely affected, but footwear exports to the UK still increased by 6%. In 2023, when exports to most markets declined, especially in the EU, the export turnover to the UK still saw a moderate increase, reaching about 765 million USD. At this level of performance, footwear is the third largest export item to the UK and accounts for nearly 13% of export volume, just after Phones of all kinds and components, reaching more than 1,31 billion USD, while machinery, equipment, tools, and other spare parts reach 1,03 billion USD. Footwear is currently in the top 10 items with a large export turnover to the UK. Thanks to double-digit export growth for many consecutive years, Vietnam is now ranked 2nd in the world. Regarding footwear exports, Vietnam's exports currently account for 8% of global exports, while China accounts for nearly 40%.

Before the UKVFTA, Vietnamese footwear exports to the UK were subject to the second-highest tariff (2%) among the countries exporting the most footwear to the UK. However, with the UKVFTA, Vietnam can compete equally tax-wise, but it is difficult to compare the tax

benefits of Chinese goods, or the design capabilities, models, cultural and taste similarities of the Netherlands, Italy, Belgium, and Germany. In 2024, the footwear industry aimed to export about 27 billion USD. To achieve this goal, businesses focus on diversifying markets while still focusing on maintaining traditional markets with large purchasing power and market capacity, such as the US, the EU, and the UK.

Assessments: Before the UKVFTA, Vietnam’s footwear exports to the UK remained stable but saw a steady decline in turnover, largely due to the COVID-19 pandemic. Exports were heavily concentrated in HS codes 6403 and 6404, limiting variety and adaptability to the UK market demands. The U.S. and EU dominated as export markets, with 2020 values at USD 6.3 billion and USD 4.52 billion, respectively, while China emerged as a growth spot at USD 2.1 billion. After the UKVFTA, Vietnam’s footwear industry experienced a notable recovery and growth in the UK market, with export turnover rising over 9% annually. The agreement eliminated tariffs on 37% of footwear goods immediately, boosting competitiveness and increasing Vietnam’s market share, making it the UK’s second-largest footwear supplier behind China by 2022. Trade diversion favored Vietnam over competitors like China and EU nations, with export growth led by HS codes 6403 (8.31%), 6405 (8.01%), and 6404 (3.76%). Despite challenges from low-cost imports saturating the UK and a shift toward cheaper products, Vietnam capitalized on tariff preferences. However, diversification in design and domestic raw material development remains critical to sustaining this momentum and meeting origin rules for long-term success.

6. Opportunities

6.1. Competitive edge due to decreased tariff

The UKVFTA has given Vietnam great advantages over other non-signatory competitors. One of Viet Nam’s top competitors in the UK market is China; however, despite the quantity imported, China is not an FTA signatory to the UK. Currently, the third country's duty is set at 4-8% and 16%, with VAT of 0 or 20% for HS Code 6403, for instance. HS Code 6403 is one of the most exported products from Vietnam’s footwear industry. Duty-free access makes Vietnamese footwear more appealing to buyers because of the reduced costs.

Description	VAT	Third country duty	Supplementary unit	Commodity code
▶ Sports footwear				
Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe	20% or 0%	8.00 %	pa	6403 2000 00
Other footwear, incorporating a protective metal toecap	20% or 0%	8.00 %	pa	6403 4000 00
▶ Other footwear with outer soles of leather				
▶ Other footwear				

Figure 8: Third country duty for HS Code 6403 ([UK Integrated Online Tariff, n.d.](#))

6.2. Satisfying the current demands of the UK market

The demand for luxury, athletic, and casual footwear is considerable in the UK's very diverse market. In terms of both sales value and quantity purchased, 2022 saw a notable increase in the

retail industry ([Statista Research Department, 2024](#)). However, as analyzed above, Vietnam's exported footwear categories to the UK were still limited in variety compared to the demands of the market. To stay ahead of the curve, the footwear sector in Vietnam should strive to match the fashion preferences of British consumers, thereby increasing Vietnam's market penetration.

6.3. Supporting SMEs' growth

Generally, small and medium enterprises (SMEs) take up a large portion of Viet Nam's footwear industry, yet they face challenges in accessing financial resources, technology, and international markets. With the help of governmental support programs, SMEs can thrive and further contribute to the ever-rising industry. For instance, export credit guarantees can be provided to mitigate risks for SMEs entering new markets. Conversely, tax incentives for SMEs investing in sustainable production and digital transformation can improve their competitiveness, while simplifying customs procedures for SME exporters through digitalization will reduce trade costs and improve efficiency.

6.4. Following the sustainability trend

Sustainability is becoming a key judging factor in global trade, along with UK consumer taste in prioritizing eco-friendly products, such as vegan leather and eco-friendly leather alternatives. Vietnam could invest in new environmentally friendly materials and production processes to gain support by focusing on sustainable commodities like plant-based leathers (e.g., coconut, pineapple, or mushroom fibers) and reducing reliance on traditional synthetic materials. Additionally, aligning with green manufacturing practices would help meet stringent environmental regulations in a key market like the UK.

7. Challenges

7.1. Market competition

Currently, Vietnam is the world's second-largest exporter of footwear, with its estimated export volume accounting for 10 percent of the global market share, reported by the Ministry of Industry and Trade ([en.baohinhphu.vn, 2024](#)). However, Vietnam still faces formidable competition, particularly from China and India, since both these nations have well-established footwear industries, leveraging economies of scale and robust supply chains. Therefore, it is crucial for Vietnam to continually enhance its competitiveness.

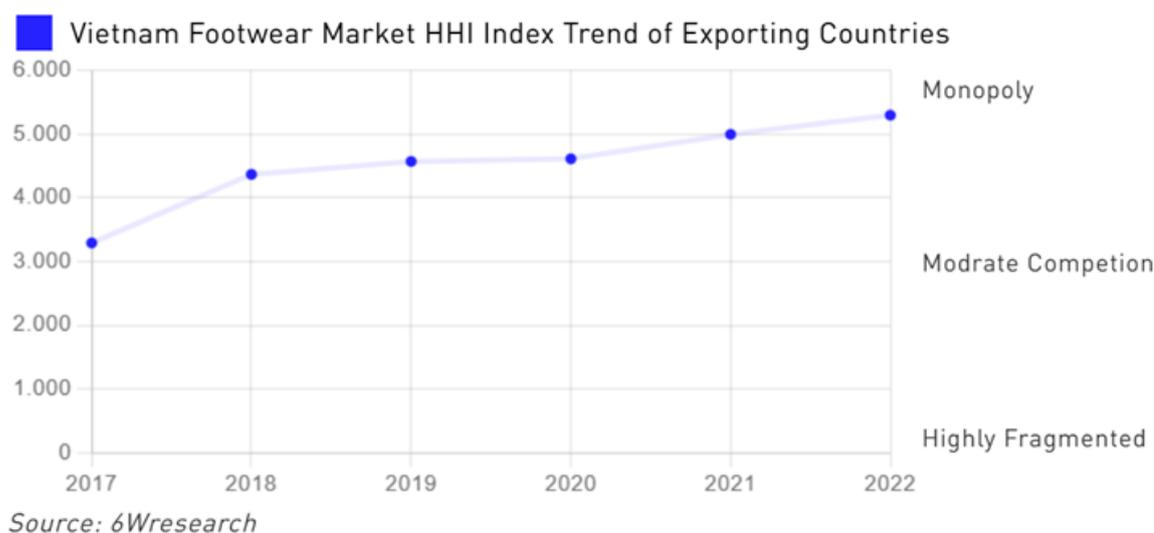


Figure 10: Vietnam Footwear Market HHI Index Trend of Exporting Countries ([6Wresearch, n.d.](#))

It is reported that the Vietnam Footwear market in 2023 has witnessed an HHI of 5296, which has increased slightly as compared to the HHI of 3293 in 2017. This indicates a trend toward market concentration; besides China and India, other nations also actively compete in the global footwear industry. As a result, Vietnam needs to differentiate itself by focusing on product quality, innovative approaches, and efficient supply chain.

7.2. Compliance with strict regulations from the UK

The UK enforces strict regulations like REACH, ISO, and BSCI. Vietnamese firms must ensure products are free from restricted substances and meet safety protocols, which requires costly testing and certification. Besides, according to the requirements for rules of origin ([RULES OF ORIGIN IN THE UKVFTA | VCI-Legal, n.d.](#)), footwear must meet 55% local value-added to qualify for tariffs. The reliance on imported materials complicates ROO fulfillment, which poses a significant challenge for Vietnam. Moreover, UK consumers and retailers currently prioritize eco-friendly products. Moreover, compliance with sustainability standards increases costs, reducing Vietnamese firms' price competitiveness. The trend may also lead UK importers to prioritize products from countries with stronger green certifications, diminishing the appeal of Vietnamese footwear if it fails to keep pace.

7.3. Knowledge gap in terms of UKVFTA among Vietnamese firms

A significant knowledge gap regarding the UKVFTA exists among Vietnamese businesses, particularly SMEs. According to a 2022 survey by the VCCI, only 30% of businesses fully understand the agreement's key provisions, while over 60% of SMEs are unaware of how to leverage its tariff advantages. Many lack knowledge of the rules of origin requirements, which are crucial for accessing zero-duty benefits. This lack of awareness prevents businesses from expanding into the market and weakens their competitiveness against more proactive rivals who better utilize FTAs from countries such as Bangladesh and India. In addition, the burdensomeness of administrative procedures also limits firms from fully exploring the agreement benefits.

7.4. Economic downturn

The Russia-Ukraine war has disrupted global supply chains, increased energy costs, and heightened inflation, leading to reduced consumer spending in the UK. Similarly, the COVID-19 pandemic caused prolonged lockdowns, decreased disposable incomes; thus, consumers are likely to allocate more of their budget towards essential services rather than footwear products. These factors have made UK buyers more price-sensitive, forcing Vietnamese exporters to lower prices despite rising costs. Additionally, currency fluctuations due to economic instability have eroded profit margins when converting GBP to VND. These challenges have stunted Vietnam's ability to maintain its export growth and competitiveness in the UK market.

8. Suggestion

8.1. Suggestions for the government

Firstly, the government should provide financial incentives for R&D and branding support programs, and in-depth consultancy support for exporting firms. This will help businesses develop high-quality products with strong brand identities and compete against major exporters like China and Italy.

Secondly, the government should issue policies to facilitate compliance with international standards. With the UK's increasing focus on sustainability, compliance with REACH, ISO, and BSCI will help enhance Vietnam's credibility.

Thirdly, by funding the establishment of large-scale leather processing zones, the industry's reliance on imports can be immensely reduced. This helps businesses meet UKVFTA's rules of origin, securing tariff advantages, and stabilizing material supply.

Fourthly, developing an online information platform could help firms better acknowledge UKVFTA, making it easier for businesses to access necessary regulations and market insights. A centralized platform will provide SMEs with essential guidance and maximize the Agreement's benefits.

Lastly, supporting policies could be issued to encourage private investments in developing domestic raw material sources to ensure a stable supply chain and reduce dependence on imports. Moreover, encouraging local production ensures long-term industry growth and compliance with the UKVFTA's rule of origin.

8.2. Suggestions for businesses

Firstly, footwear manufacturers should prioritize R&D in innovative designs and materials, particularly in sustainable alternatives that align with global trends, as UK consumers now prefer eco-friendly and durable products.

Secondly, optimizing production techniques will enhance businesses' cost efficiency and help meet the rule of origin requirements under the Agreement. Furthermore, utilizing automation and AI-driven quality control will help lower production costs.

Thirdly, obtaining international quality certifications (e.g., REACH, ISO, BSCI) would help businesses in building trust with UK buyers as this will prove that Vietnamese footwear meets global safety, environmental, and labor standards.

Fourthly, businesses should adopt sustainable practices, such as recycled rubber and plant-based leather. As the UK pushes for net-zero emissions, green production methods will attract environmentally conscious consumers.

Lastly, businesses should stay updated on UK trade policies and collaborate with trade offices to maximize UKVFTA benefits. Engaging in trade dialogues as well as promoting Vietnamese craftsmanship will help businesses maintain market access.

9. Conclusion

This article, through a qualitative analysis method, has examined the potential of the United Kingdom-Vietnam Free Trade Agreement (UKVFTA) for promoting Vietnamese footwear exports to the UK. UKVFTA presents significant opportunities for Vietnam's footwear exports, offering reduced tariffs and enhanced competitiveness in the lucrative UK markets. Nevertheless, there are challenges such as compliance with UK regulations, market competition, economic downturns, and a knowledge gap regarding the UKVFTA that exists among Vietnamese businesses. To maximize the benefits of UKVFTA, the government should provide financial incentives for R&D, branding, and trade promotion; develop policies supporting sustainable production, domestic raw materials, and large-scale leather zones to reduce reliance on imports. Vietnamese footwear enterprises, in turn, should engage in UK trade events, invest in R&D and supply chain efficiency, and obtain certifications such as REACH, ISO to meet standards and boost competitiveness. By collaborating on these initiatives, Vietnam's footwear export can capitalize on UKVFTA's opportunities and achieve sustainable development.

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