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Trade dynamics between Vietnam and the regional comprehensive economic partnership

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Abstract: This paper analyzes the trade dynamics between Vietnam and the Regional Comprehensive Economic Partnership (RCEP) member countries over the past five years. By conducting a detailed examination of trade volumes, balance of trade, product categories, and bilateral trade indices, this study uncovers significant trends and patterns in Vietnam's economic interactions with its RCEP partners. The findings of this study highlight the current situation of Vietnam's trade within the RCEP framework, identifying key areas of growth and potential challenges. The study also provides potential prospects for Vietnam's trade relations with RCEP members. The policy recommendations are suggested to help policymakers formulate strategies that optimize the opportunities presented by the RCEP agreement, contributing to the development of Vietnam's economy.

Keywords: Bilateral trade, trade dynamic, trade outcome indices, Vietnam, RCEP.

1. Introduction

The Regional Comprehensive Economic Partnership (RCEP) is the world's largest trade agreement, involving 15 countries: The 10 ASEAN member states and five key partners—China, Japan, South Korea, Australia, and New Zealand. This landmark agreement aims to enhance regional economic integration by reducing trade barriers and improving market access. For countries like Vietnam, which stand to benefit significantly from these developments, the RCEP represents a critical area of study.

Vietnam's participation in the RCEP provides a strategic opportunity to strengthen economic ties with some of the largest and most dynamic economies globally. Covering around 30% of the world's population and GDP, the RCEP opens up a vast market for Vietnamese goods and services. The agreement's provisions for tariff reduction and harmonization of trade regulations are expected to streamline supply chains, reduce production costs, and boost exports, thereby fostering Vietnam's economic growth (Kang et al. 2020).

Over the past decade, Vietnam has experienced substantial growth in its trade with RCEP member countries. Significant changes in trade volumes, balance of trade, and the composition of traded commodities have marked this period. By examining these trends, the focus on trade volumes, trade balance, key export and import commodities, and bilateral trade indices

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will shed light on the strengths and weaknesses of Vietnam's trade relations with its RCEP partners.

The potential benefits of the RCEP for Vietnam are manifold. Enhanced market access to large economies such as China, Japan, and South Korea can lead to increased exports of Vietnamese products, particularly in sectors where Vietnam holds a comparative advantage, such as electronics, textiles, and agriculture. Moreover, reducing non-tariff barriers and simplifying customs pro

cedures under the RCEP can further facilitate trade, making Vietnamese goods more competitive in international markets. However, it is important to recognize that these benefits may also be influenced by other free trade agreements (FTAs) such as AFTA, ACFTA, AKFTA, AANZFTA, CPTPP, VJEPA, and VKFTA, which also contribute to Vietnam's trade dynamics. Understanding these combined influences is crucial for policymakers to develop strategies that maximize the benefits of the RCEP and address any challenges that may arise.

By examining the trade dynamics within the RCEP, this study aims to offer valuable insights for policymakers and business leaders to enhance Vietnam's trade relations, leverage new opportunities, and address the challenges of increased economic integration. This analysis takes into account the overlapping effects of multiple FTAs to provide a comprehensive understanding of Vietnam's trade environment. It is essential for ensuring that Vietnam can fully capitalize on the benefits of the RCEP and other agreements, thereby achieving sustainable economic development.

2. Literature review and research method

2.1. Literature review

The Regional Comprehensive Economic Partnership (RCEP) is anticipated to significantly boost Vietnam's economic integration, leading to notable gains in trade and income. Studies by the World Bank highlighted that Vietnam is expected to achieve the highest trade and income gains among RCEP member countries, with potential increases in GDP and trade volumes due to reduced tariffs and non-tariff barriers (NTBs). Specifically, the World Bank projects that Vietnam's income could rise by nearly 5% by 2035, surpassing other RCEP countries' average growth (World Bank, 2022).

The Asian Development Bank (ADB) underscores that the RCEP will bolster Vietnam's manufacturing sector, particularly in high-value industries such as electronics and machinery. This enhancement is attributed to improved productivity and competitiveness driven by the adoption of advanced technologies and modern production techniques (Asian Development Bank, 2021). Additionally, RMIT University emphasizes the importance of small and medium-sized enterprises (SMEs) adapting to e-commerce and international standards to leverage these opportunities fully (RMIT University, 2022).

Research on non-tariff measures (NTMs) within the RCEP reveals that these regulations have sector-specific impacts on trade. For instance, NTMs related to sustainable development goals (SDGs) can enhance trade in logistics but may distort trade in other sectors, such as health and manufacturing (Zainuddin et al., 2020). These findings are crucial for policymakers aiming to balance regulatory frameworks to promote sustainable production while minimizing trade distortions.

The RCEP agreement also opens numerous opportunities for Vietnamese businesses, particularly in e-commerce and digital products. Vietnamese enterprises are expected to gain access to larger markets for electronic products, textiles, and agricultural goods. However, this access comes with challenges, such as increased competition from foreign products and the need for local firms to innovate and adapt (UNCTAD, 2021; Viettonkin Consulting, 2022).

To maximize the benefits of the RCEP, Vietnam must undertake several policy measures, including improving the investment environment, enhancing human resource quality, and focusing on higher-value products. Institutional reforms and a strengthened banking sector are also critical to facilitate trade and enable firms to capitalize on new market opportunities. Effective dissemination of information about the RCEP's benefits and challenges to businesses, especially SMEs, is essential for successful implementation (Pereira et al., 2021; Viettonkin Consulting, 2022).

Despite the optimistic outlook, Vietnam faces significant challenges under the RCEP. Increased competition from foreign firms, particularly in the domestic market, poses a threat to local businesses. Vietnamese firms must innovate and improve efficiency to withstand competitive pressures from more advanced economies within the RCEP (RMIT University, 2022). Furthermore, harmonization of regulations, such as intellectual property and e-commerce, will require substantial legal and institutional reforms in Vietnam.

The long-term strategic implications of the RCEP for Vietnam are profound. Proactive engagement in the RCEP could catalyze broader economic reforms and sustainable development. This agreement facilitates immediate trade benefits and positions Vietnam as a key player in regional economic integration (World Bank, 2022; UNCTAD, 2021).

Empirical studies utilizing gravity models indicate that tariff reductions under the RCEP significantly boost Vietnam's manufacturing exports, particularly garments and footwear while having limited effects on agricultural exports. Additionally, improvements in logistics performance can significantly enhance export efficiency, emphasizing the importance of adopting environmentally sustainable practices to optimize trade benefits under the RCEP (Nguyen, 2018; Cao, 2021; Tran, 2024).

2.2. Research method

This study employs Trade Outcome Indicators (TOIs) as described in *A Practical Guide to Trade Policy Analysis* (WTO, 2012) to analyze the trade patterns and structures between Vietnam and the RCEP. These indicators provide a framework for describing and analyzing a specific country's trade model and structure, forming the basis for evidence-based policymaking. The TOIs utilized in this study are categorized into three main groups: (i) Aggregate Trade Indicators: These include market share, trade balance, and trade concentration; (ii) Sectoral Trade Indicators: These encompass revealed comparative advantage, intra-industry trade, and growth orientation of products and markets; and (iii) Overlap Indicators: This category includes trade complementarity.

The application of these trade opportunity indicators (TOIs) provides a detailed understanding of Vietnam's trade dynamics with the RCEP. Market share and trade balance indicators measure Vietnam's overall competitiveness and integration into the RCEP market, which is essential for crafting policies to enhance trade relations and market access.

Trade concentration indicators, such as the trade intensity index (TII) and the Herfindahl-Hirschman index (HHI), help analyze the concentration of exports. This understanding can inform strategies to diversify markets and products, reducing dependency on a few sectors or regions and mitigating risks.

Revealed Comparative Advantage (RCA) identifies products with a comparative advantage, enabling Vietnam to focus on strengthening these sectors, enhancing production capabilities, and promoting exports. High levels of intra-industry trade (IIT) suggest successful integration into global value chains, indicating a shift towards more specialized and sophisticated production.

The Growth Orientation of Markets (GOM) indicator helps pinpoint markets and sectors with the highest growth potential, guiding investments and policy support towards these promising areas. The Trade Complementarity Index (TCI) reveals high complementarity, indicating strong potential for mutually beneficial trade relationships and suggesting areas where Vietnam and the RCEP can enhance cooperation and trade volume.

The study uses the Harmonized System (HS) classification to identify the origin and structure of inputs in the textile and garment industry. The HS code is used to classify imported and exported goods worldwide according to the Harmonized System issued by the World Customs Organization (WCO), which is called the "Harmonized Commodity Description and Coding System" (HS). The trade data used in this study is extracted from the United Nations Comtrade Database.

3. Results and discussion

3.1. Current Situation of Vietnam-RCEP Trade

Trade growth and structure

From 2018 to 2022, Vietnam's trade with RCEP countries has grown significantly (figure 1). The total export volume increased from USD 107,545 million in 2018 to USD 146,286 million in 2022, representing an average annual growth rate of 8.0%. On the import side, Vietnam's imports from RCEP countries grew from USD 168,235 million in 2018 to USD 261,048 million in 2022, with an average annual growth rate of 11.6%. However, the trade balance remained negative, with the trade deficit widening from USD 60,690 million in 2018 to USD 114,761 million in 2022.

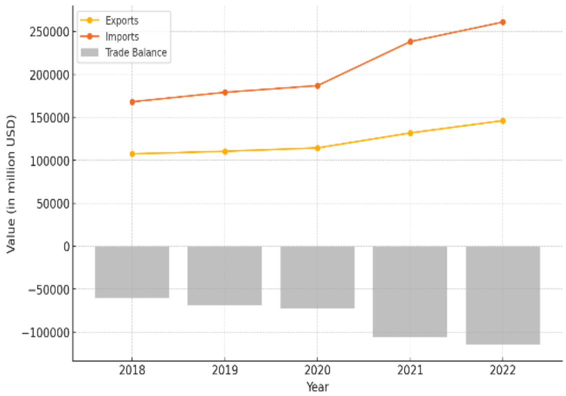

Figure 1: Trade volumes, growth, and balance between Vietnam and the RCEP in the period of 2018-2022

Source: Author's calculation from UN comtrade database.

Regarding trading partners, China accounted for the largest share of exports (39.4%) and imports (45.1%) in 2022. Other significant partners included Japan (16.6% of exports and 8.9% of imports) and South Korea (16.6% of exports and 23.8% of imports). Australia, Malaysia, and Thailand also played important roles in Vietnam's trade within the RCEP.

Table 1: Vietnam's trade shares with RCEP partners in 2022

Partner	Export (%)	Import (%)
Australia	3.8	3.9
Brunei	0.1	0.2
Cambodia	3.9	1.8
China	39.4	45.1
Indonesia	3.1	3.7
Japan	16.6	8.9
Korea Rep.	16.6	23.8
Lao PDR	0.4	0.4
Malaysia	3.8	3.5
Myanmar	0.4	0.1
New Zealand	0.5	0.3
Philippines	3.5	1.0
Singapore	2.9	1.9
Thailand	5.0	5.4

Source: Author's calculation from UN comtrade database.

Vietnam's trade with RCEP countries is characterized by significant exports in electronics, which comprise 45.9% of total exports to these nations. This is reflective of Vietnam's growing role in the global electronics supply chain, particularly in manufacturing and assembling products such as smartphones, computers, and other consumer electronics. The textile and footwear industries also play crucial roles, with textiles accounting for 10.9% and footwear for 3.4% of exports, highlighting Vietnam's strength in labor-intensive industries (Table 2).

On the import side, electronics dominate, making up 46.3% of imports from RCEP countries. This indicates Vietnam's reliance on imported electronic components and machinery for its manufacturing sector. Machinery imports, at 10.4%, further underscore the importance of these inputs in sustaining industrial and infrastructure development. Chemicals, representing 6.2% of imports, are critical for various manufacturing processes and agricultural needs.

Table 2: Vietnam's trade shares with RCEP by product category in 2022

Product category	HS chapters	Export (%)	Import (%)
Animal products	01-05	3.0	0.8
Vegetables	06-15	5.4	3.1
Foodstuffs	16-24	3.0	1.6
Minerals	25-26	0.7	0.6
Fuels	27-27	2.9	6.7
Chemicals	28-38	3.0	6.2
Plastics and rubber	39-40	4.6	7.5
Hides and skins	41-43	0.7	0.5
Wood products	44-49	4.1	1.7
Textiles and clothing	50-63	10.9	6.9
Footwear	64-67	3.4	0.5
Stone and glass	68-71	0.9	1.1
Metals	72-83	5.8	10.4
Machinery and electrical	84-85	45.9	46.3
Transportation	86-89	1.8	2.9
Miscellaneous	90-99	3.2	3.9

Source: Author's calculation from UN comtrade database.

The analysis result of Vietnam's intra-industry trade (IIT) with RCEP countries from 2018 to 2022 in Table 3 reveals significant variations across different product categories. High IIT indices in textiles and clothing (0.94 to 1.00) indicate robust mutual trade and regional solid integration. Similarly, vegetables and foodstuffs showed increased indices, reaching near-perfect levels by 2022, reflecting growing mutual trade and integration in agricultural products. In contrast, sectors such as fuels and chemicals exhibited lower indices (0.39 to 0.53 for fuels and 0.39 to 0.43 for chemicals), suggesting less integration and more distinct trade patterns within these industries.

Moderate indices were observed in categories like animal products and minerals, indicating balanced but not highly integrated trade. Machinery and electrical products had relatively stable indices (0.69 to 0.74), driven by Vietnam's role in regional manufacturing. Other sectors, such as footwear and metals, showed varying degrees of intra-industry trade, with low footwear indices and metals in the mid-range. Overall, Vietnam's intra-industry trade with RCEP countries highlights the diverse nature of its trade relationships, driven by both comparative advantages and regional economic dynamics.

Table 3: Vietnam-RCEP intra-industry trade in the period of 2018-2022

Product category	HS chapters	2018	2019	2020	2021	2022
Animal products	01-05	0.63	0.72	0.77	0.77	0.66
Vegetables	06-15	0.63	0.65	0.61	0.96	0.99
Foodstuffs	16-24	0.85	0.82	0.94	0.96	0.97

Minerals	25-26	0.77	0.75	0.85	0.87	0.78
Fuels	27-27	0.51	0.51	0.53	0.49	0.39
Chemicals	28-38	0.39	0.41	0.42	0.39	0.43
Plastics and rubber	39-40	0.53	0.54	0.54	0.49	0.51
Hides and skins	41-43	0.99	0.98	0.93	0.81	0.85
Wood products	44-49	0.97	0.95	0.95	0.97	0.84
Textiles and clothing	50-63	0.99	1.00	1.00	0.94	0.94
Footwear	64-67	0.31	0.30	0.34	0.42	0.44
Stone and glass	68-71	0.88	0.75	0.70	0.75	0.65
Metals	72-83	0.45	0.49	0.57	0.55	0.48
Machinery and electrical	84-85	0.74	0.71	0.70	0.69	0.71
Transportation	86-89	0.66	0.54	0.58	0.49	0.52
Miscellaneous	90-99	0.91	0.82	0.74	0.73	0.82

Source: Author's calculation from UN comtrade database.

Figure 2: Vietnam's TCI with the RCEP in the period of 2018-2022
Source: Author's calculation from UN comtrade database.

Vietnam's Trade Complementarity Index (TCI) with RCEP countries from 2018 to 2022 is presented in Figure 2. The TCI measures how well one country's export profile matches another's import profile, with higher values indicating greater complementarity and potential for mutually beneficial trade.

From 2018 to 2022, Vietnam's TCI with RCEP countries ranged from 52.4 to 56.0, suggesting a moderate to high level of trade complementarity. In 2018, the TCI was 52.6, slightly decreasing to 52.4 in 2019. The index then rose to its peak of 56.0 in 2020, indicating an optimal alignment between Vietnam's exports and the import needs of RCEP countries during that period. This increase could be attributed to enhanced trade agreements and the alignment of supply chains under the influence of the RCEP and other FTAs, particularly in sectors like electronics and textiles, where Vietnam has competitive strengths. It is also important to note that other FTAs, such as AFTA, ACFTA, and CPTPP, may have contributed to these positive trade dynamics.

In 2021, the TCI slightly decreased to 55.0 and to 54.4 in 2022. Despite these minor fluctuations, the overall high TCI values reflect Vietnam's strong trade ties and complementary economic structures with RCEP nations. The consistency in TCI values underscores the ongoing integration and mutual dependence between Vietnam and other RCEP members, influenced not only by the RCEP agreement but also by other overlapping FTAs. This stable trade complementarity suggests that Vietnam's export capabilities are well-aligned with the import demands of the RCEP region, fostering a conducive environment for sustained economic growth and cooperation within the bloc.

3.2. Prospect of Vietnam-RCEP trade

Trade outcome indicators are crucial for analyzing the prospect of Vietnam's trade within the Regional Comprehensive Economic Partnership (RCEP). The Trade Intensity Index (TII) helps measure the degree of trade integration between Vietnam and RCEP member countries by comparing the share of Vietnam's exports to the RCEP region against the global share. The Revealed Comparative Advantage (RCA) indicator identifies Vietnam's competitive strengths in specific industries within the RCEP market, highlighting sectors where Vietnam has a comparative advantage. The Herfindahl-Hirschman Index (HHI) assesses market concentration and competition within Vietnam's trade sectors, indicating the diversity or dominance of specific industries in trade with RCEP partners. Lastly, the Growth Orientation of Markets evaluates the growth potential for a country's exports by comparing the compound annual growth rate (CAGR) of its primary exports to their worldwide growth rate. Together, these indicators provide a comprehensive view of Vietnam's trade dynamics and potential within the RCEP framework, though it is important to acknowledge that the results may also be influenced by other existing FTAs, guiding policymakers and businesses in strategic decision-making.

First, the analysis of Vietnam's Trade Intensity Index (TII) with RCEP countries from 2018 to 2022 (Figure 3) reveals stability and significant changes in various sectors. The TII for foodstuffs, chemicals, and transportation products remained relatively stable, indicating strong and sustained trade relationships. For instance, foodstuffs maintained a high TII of 2.8, reflecting consistent mutual demand. Similarly, chemicals held steady at 2.9, emphasizing the importance of these products in industrial processes. Transportation products also showed stability with a slight decrease from 3.1 to 3.0, underscoring ongoing robust trade in this sector.

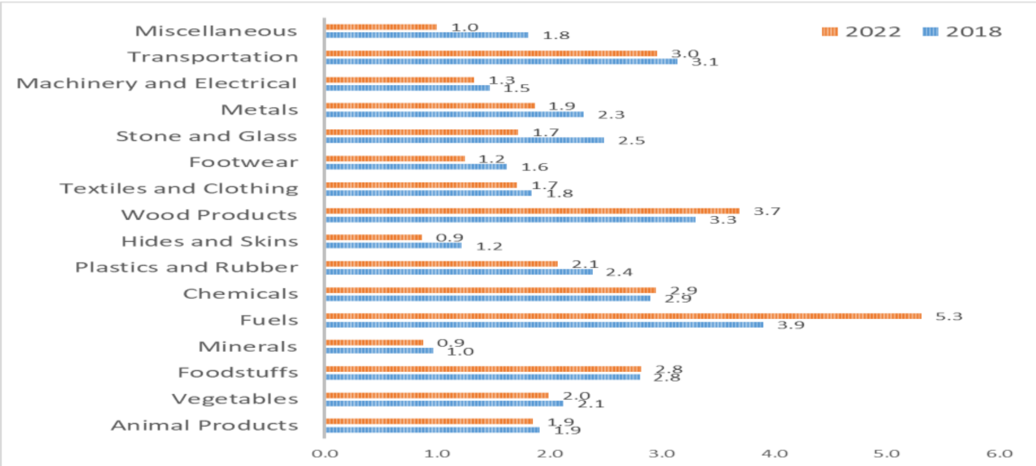

Figure 3: Vietnam's TII with the RCEP in the period of 2018-2022
Source: Author's calculation from UN comtrade database.

Conversely, some categories experienced notable shifts. The TII for fuels increased significantly from 3.9 to 5.3, highlighting a growing dependency on fuel imports due to Vietnam's expanding energy needs. These trends highlight the evolving nature of Vietnam's trade relationships reflecting the effects of the RCEP and other FTAs, which is driven by sector-specific dynamics and broader economic shifts.

Second, Vietnam's RCA with the RCEP from 2018 to 2022 indicates that footwear emerged as a significant area of comparative advantage for Vietnam, with its RCA increasing from 5.6 in 2018 to 7.0 in 2022 (Figure 4). This substantial growth underscores Vietnam's competitive strength in the footwear industry, driven by its skilled labor force and efficient production capabilities. Textiles and clothing also maintained a strong comparative advantage, with the RCA rising slightly from 3.3 to 3.5, reflecting the sector's continued importance in Vietnam's export portfolio.

The RCA for machinery and electronics decreased from 1.4 to 1.2, suggesting a slight decline in Vietnam's comparative advantage in this high-value sector. Vietnam's RCA for vegetables significantly increased from 1.4 to 2.2, suggesting enhanced competitiveness in agricultural exports, likely due to improvements in agricultural practices and increased demand within the RCEP region. Several categories showed stable but low RCA values, indicating weaker comparative advantages. The shifts in these RCA values are influenced by the cumulative effects of various FTAs, reflecting the competitive landscape shaped by multiple agreements.

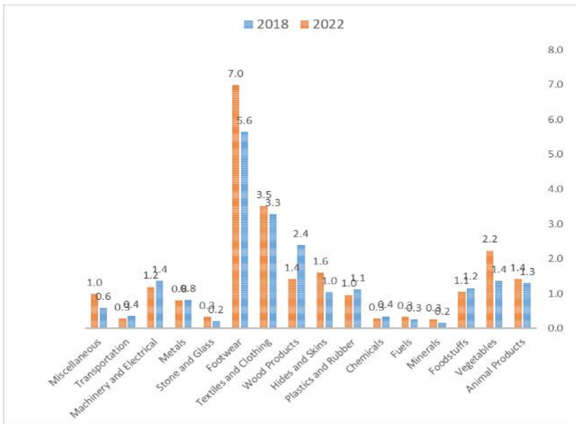

Figure 4: Vietnam's RCA with the RCEP
in the period of 2018-2022
Source: Author's calculation from
UN comtrade database.

Overall, Vietnam's RCA analysis with RCEP countries from 2018 to 2022 reveals areas of strengthening and weakening comparative advantage. Footwear and textiles remain key strengths while emerging sectors like vegetables show promising growth. However, challenges persist in resource-based and high-tech industries, reflecting the need for continued strategic development and diversification of Vietnam's export capabilities.

Third, the Herfindahl-Hirschman Market Concentration Index (HHI) measures market concentration, with lower values indicating a more competitive market and higher values suggesting greater market concentration. The calculation of Vietnam’s HHI with the RCEP from 2018 to 2022 is presented in Figure 5.

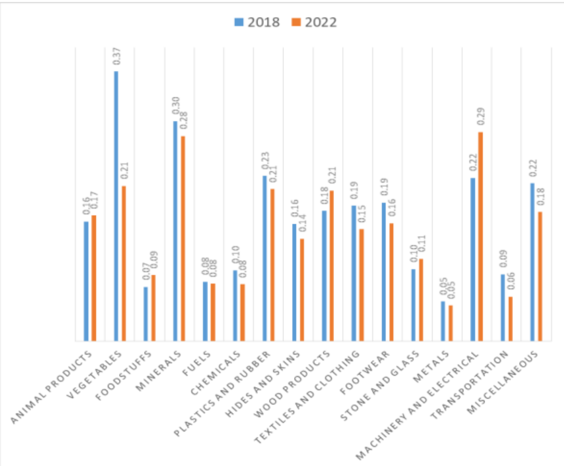

Figure 5: Vietnam’s HHI with the RCEP in the period of 2018-2022
Source: Author’s calculation from UN comtrade database.

As shown in Figure 5, several categories maintained low HHI values, indicating high levels of competition. For instance, the HHI for animal products slightly increased from 0.16 to 0.17, and foodstuffs from 0.07 to 0.09, reflecting slightly higher concentration but still competitive environments. Significant decreases in HHI were observed in vegetables (from 0.37 to 0.21) and hides and skins (from 0.16 to 0.14), suggesting increased competition due to new suppliers and market diversification. Conversely, machinery and electronics saw an increase in HHI from 0.22 to 0.29 and wood products from 0.18 to 0.21, indicating higher market concentration and reduced competition, potentially due to a few dominant players. These trends in market concentration are shaped by the interaction of various FTAs, including the RCEP and others.

Overall, the HHI analysis reveals diverse trends in market concentration across different sectors. Categories like vegetables and textiles have become more competitive, while sectors such as machinery and electronics have seen increased market concentration. These dynamics reflect the evolving competitive landscape of Vietnam’s trade with RCEP countries, driven by market entry, consolidation, and shifts in supply and demand.

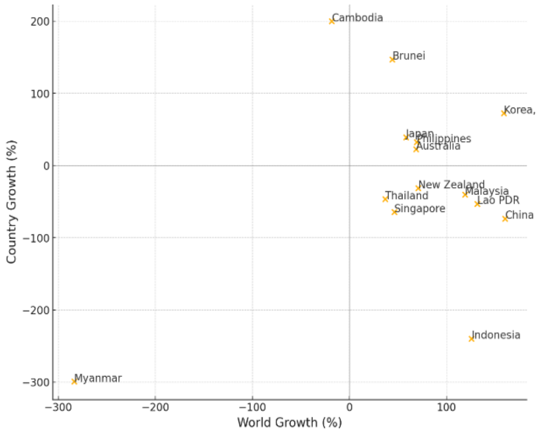

Figure 6: Vietnam’s GOM with the RCEP in the period of 2018-2022
Source: Author’s calculation from UN comtrade database.

The last is regarding the growth orientation of Vietnam-RCEP trade markets; as seen in Figure 6, Vietnam shows positive growth trends with several RCEP countries, indicating a strong position to expand its market share. For example, Vietnam's exports to Brunei experienced substantial growth (146.8%) compared to the world growth rate (44.2%), suggesting a significant increase in market share and strong future growth potential in Brunei. Similarly, Vietnam’s exports to Cambodia saw remarkable growth (1993.8%), far exceeding the negative world growth figure (18.3%). Vietnam’s trade with countries such as Japan and South Korea exhibits mixed growth trends. For instance, Japan shows positive world growth (58.3%) and significant country-specific growth (39.2%) for Vietnam, indicating a solid performance and good market position. Similarly, South Korea demonstrates high worldwide growth (159.1%) and notable country-specific growth for Vietnam (72.3%), suggesting a strong market presence and growth potential. However, despite showing substantial worldwide growth (68.5%), Vietnam’s exports to Australia grew slower (22.4%), indicating room for improvement and potential barriers that need addressing to fully capitalize on this market.

Vietnam faces challenges in several RCEP markets where its export growth lags behind the world growth rate. Notably, Vietnam’s exports to China decreased by -73.5%, despite a positive world growth rate of 160.4%. Similarly, Vietnam’s exports to Indonesia declined by -239.8%, in contrast to the world’s growth of 125.8%, highlighting potential market access issues or competitive disadvantages.

Overall, the Growth Orientation of Markets analysis reveals that while Vietnam has strong growth potential in certain RCEP markets, others have significant challenges. To fully capitalize on these opportunities, Vietnam must address barriers inhibiting growth and enhance its competitive position in markets where its export growth lags behind the global average.

Vietnam's export performance to RCEP markets from 2018 to 2022 demonstrates varied growth orientations across major product categories, as shown in Figure 7.

The GOM for Vietnam's electrical machinery and equipment exports to RCEP countries reveals varied growth potentials. Brunei shows exceptionally high growth (over 75%) compared to the global rate (around 25%), indicating substantial market opportunities. Cambodia also has high growth (around 30%), suggesting robust demand. In contrast, Lao PDR faces challenges with significant negative growth (10%) despite a positive global trend. Myanmar shows negative growth globally and in Vietnam, reflecting harsh market conditions.

For textiles and clothing, Indonesia and Brunei are standout markets. Indonesia shows substantial growth for Vietnam (around 80%) and globally (around 40%). Brunei's growth is even higher (over 210%). Singapore, Thailand, and Malaysia also show high growth (around 30%). Cambodia and Myanmar have lower growth (10% and 5%) despite positive global trends, indicating obstacles. China shows minimal growth, highlighting market penetration challenges.

Footwear and similar items have varied growth potentials. Lao PDR shows high world growth (over 40%) but no significant growth for Vietnam, indicating untapped potential. New Zealand shows high growth for Vietnam (around 32%) and moderate world growth. Cambodia and Indonesia also show high growth (25% and 30%). Brunei and Myanmar have negative growth, reflecting challenging conditions. Malaysia and the Philippines show moderate growth (around 10-12%), while China, Korea, and Japan show modest growth (around 10%).

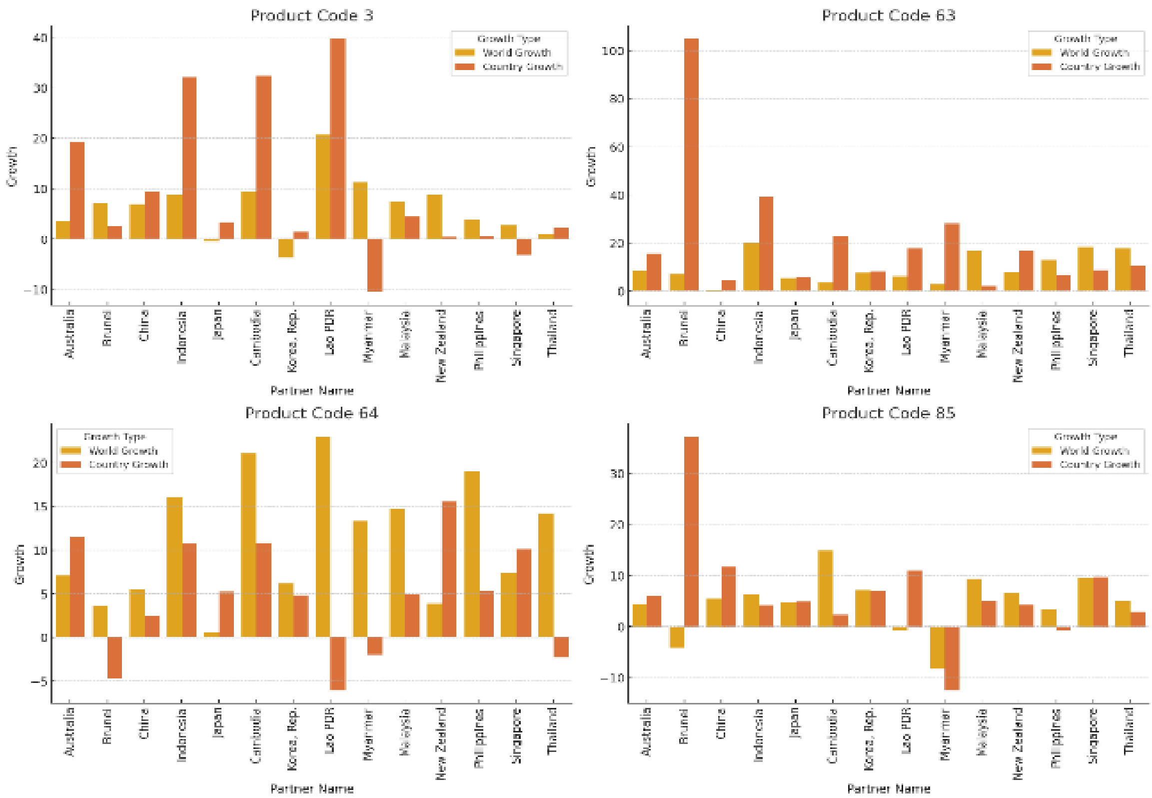

Figure 7: Vietnam's GOM with the RCEP by key export products in the period of 2018-2022
Source: Author's calculation from UN comtrade database.

For fish and aquatic invertebrates, Lao PDR and Australia are high-growth markets. Lao PDR shows high world (over 40%) and country-specific growth (over 80%), indicating strong market potential. Australia also presents high growth (35% and 30%). Cambodia and Indonesia exhibit high growth for Vietnam (65% and 70%). Korea, Thailand, and Japan show modest growth (around 10%), indicating steady but limited potential. Myanmar and Singapore show lower growth, highlighting barriers.

Overall, the analysis highlights Vietnam's diverse export growth potentials and challenges across sectors and RCEP markets. High-growth markets like Brunei, Cambodia, and Indonesia offer significant opportunities, while Myanmar and Lao PDR indicate barriers needing strategic intervention. Stable markets like Malaysia, Singapore, and Australia offer steady growth, while major markets like China and Japan require targeted strategies to optimize growth potential. These dynamics are shaped by the combined effects of the RCEP and other existing FTAs, reflecting a complex and multifaceted trade environment.

4. Policy recommendations

Based on the analysis of the current trade situation and future prospects, the following policy recommendations are proposed to enhance Vietnam's trade relations with the RCEP:

To mitigate risks associated with over-reliance on a few key markets, Vietnam should diversify its trade partners in the framework of the RCEP and additional FTAs. This can be achieved through targeted trade agreements, promotional activities, and partnerships with emerging markets within the bloc.

Policies aimed at improving the competitiveness of sectors with high RCA values, such as textiles and footwear, should be prioritized. This includes investing in technology upgrades, enhancing labor skills, and improving production processes to maintain and enhance export competitiveness. For sectors like minerals and fuels, which have low RCA values, Vietnam should focus on value addition and diversification strategies. This could involve developing downstream industries, improving processing capabilities, and enhancing product quality to increase their competitiveness in the RCEP market.

Improving trade facilitation measures, such as reducing administrative barriers, enhancing customs procedures, and improving logistics infrastructure, is crucial for boosting trade efficiency. This will help reduce costs, increase trade flows, and improve Vietnam's overall trade environment within the RCEP.

Encouraging intra-industry trade within RCEP can help Vietnam capitalize on its manufacturing capabilities and benefit from economies of scale. Policies that support industrial clusters, promote collaboration between businesses, and enhance supply chain integration are essential for fostering intra-industry trade.

Negotiating better market access terms for Vietnamese products within RCEP countries is critical. This includes reducing tariffs, addressing non-tariff barriers, and ensuring compliance with international standards to facilitate smoother entry of Vietnamese goods into RCEP markets.

Identifying and investing in emerging sectors with high growth potential within the broader scope of the RCEP and other FTAs is essential for long-term trade sustainability. Sectors like renewable energy, high-tech industries, and digital services offer significant opportunities for Vietnam to diversify its trade portfolio and enhance economic resilience.

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