

VIETRADE - After 6 years implementing the "Master development plan for Vietnam's leather footwear industry until 2020, with a vision towards 2025", approved by the end of 2010, our leather and footwear industry has grown remarkably and made positive contributions to the country's economy, commented by the Ministry of Industry and Trade. The export revenue of the industry has also increased gradually over the past years.

Continuous growing trend in export revenue

According to the General Customs Office's statistics, there was a continuous growing trend in the export revenue of Vietnam's footwear industry in the period of 2011-2016. Total footwear exports increased from US\$ 6.5 billion in 2011 to US\$ 7.3 billion in 2012, US\$ 8.4 billion in 2013, US\$ 10.3 billion in 2014, US\$ 12 billion in 2015, and reached US\$ 13 billion in 2016.

In March 2017, footwear exports reached US\$ 1.05 billion and was estimated at US\$ 3.12 billion in the first three months of this year. With this result, footwear continues to be one of the main exporting commodity groups in Quarter 1.

Up to now, Vietnam's leather and footwear products have been exported to nearly 50 countries and territories in the world. Among those, biggest markets include the United States of America, European Union (EU), China, Japan, and ASEAN.

According to the Vietnam Leather Footwear and Handbags Association (Lefaso), last year, Vietnam was among the 4 countries with the most volume of footwear products (after China, India, and Brazil) and was the second exporting countries with the most value in the world (after China).

Though the footwear industry has achieved certain success with billions-of-dollars contribution to the country's export revenue, investment for this industry is not matching its potentials. Most Vietnamese footwear enterprises do outsourcing for foreign companies and the industry itself is still weak due to limited design capabilities and raw material controls.

Mr. Nguyen Manh Khoi, Deputy Director of the Leather and Shoes Research Institute, acknowledged that the localization rate of the leather and footwear industry was low compared to the target. The numbers of enterprises applying automated product design and development is also low. Actions have not been taken to transform product structure, focus investment in leather and footwear fashion projects, and build specialized industrial zones, especially the tanning industrial zone.

Recently, the Ministry of Trade and Industry organized a consultative meeting for the "Revision of the Development Plan for Vietnam's Leather and Footwear Industry until 2025, with a vision towards 2035". Mr. Phan Chi Dung, Director of the Light Industry Department (Ministry of Trade and Industry) informed that in this plan revision, the leather and footwear industry is required to restructure with the aim of increasing added value for the products. Priority should be given to improve the industry's weakness of limited production of raw materials, increase the localization rate, reduce outsourcing, improve designing capabilities for raw materials, and focus on manufacturing mid- and high-level fashion products to serve the domestic and foreign markets.

Particularly, in this plan, the leather and footwear industry is aimed to keep its fast development speed, remaining to be the important key exporting industry of Vietnam. The total exporting revenue of the industry should reach US\$ 24-26 in 2020, US\$ 35-38 in 2025, and US\$ 50-60 in 2035. The average growth in exporting revenue should be 10-11% for 2016-2020; 8-9% for 2021-2025; and 4-5% for 2026-2035. The localization rate should reach 45% in 2020, 47% in 2025, and 55% in 2035, etc.

Development of supporting industries in need

Vietnam's leather and footwear production and exports are increasingly integrated into the world economy and are increasingly involved in the global supply chain. Therefore, our footwear industry has no other way but to develop supporting industries to produce raw materials for leather footwear production.

According to Mr. Phan Chi Dung, given the increasingly high demand for raw materials, the leather and footwear industry will face the high risk of reliance on importing materials unless supporting industries are developed. It is necessary to promote and encourage enterprises to build factories to produce tanned leather, PU coated leatherette fabric, and other materials and accessories. The Ministry of Trade and Industry will consider requesting the Government to arrange specialized industrial zones/clusters for manufacturing raw materials for the leather and footwear industry.

Lefaso representative said that there was an increase of leather imports (averagely 20% per year) from 2011 to 2016. As local tanning manufacturers could not meet the demand of the industry, high quality leather was imported from Italia, South Korea, and Taiwan (China).

Recently, the localization rate for leather and raw materials production in Vietnam has reached approximately 40 – 50%. Though the supply of leather still does not meet the demand, it increased by 15 times from 2010 to 2015 and will double the current supply by 2025. For rapid and sustainable development, the leather and footwear industry should be free from reliance in imported materials.

“The Government should have an immediate plan to build concentrated industrial zones for leather tanning, textile dyeing, leatherette fabric, etc., specialized for the leather and footwear industry with standard waste water treatment. Next, provinces should be encouraged to build industrial clusters to produce raw materials for the industry, etc. At the same time, there should be synchronized mechanisms, policies, and measurements for attracting investments of multi-nation corporations in leather and footwear manufacturing, and for connecting local enterprises to enter the supply chain of raw materials for foreign invested companies”, said Mr. Diep Thanh Kiet – Lefaso Deputy Director.

Mr. Vo Tri Thanh, an economic expert, indicated that we aimed for high exports but relied too much on imported materials, resulting in low added value. In the next five years, if there is no change in the way we are doing our business, the exporting growth will slow down.

Along with a priority to produce raw materials and increase the localization rate, Mr. Phan Chi Dung also thought that the leather and footwear industry needed to restructure its production. The goal of this restructuring is to increase the product's added value; gradually reduce the outsourcing work, enhance the designing capability and provision of raw materials; focus on mid- and high-level fashionable products to serve the markets.

Furthermore, Vietnamese enterprises need to take initiatives to address the capital shortage, limited technology and senior personnel, low management capacity and productivity. They should also focus on research activities, environmental analysis, quality standardization, human resource training. It is necessary to create a domestic network of manufacturers and raw material providers. All of this is to meet the requirements of goods origin and quality, environment hygiene, labor and technology, contributing to continuous improvement of competitiveness for Vietnam's leather and footwear industry.