

In recent years, although the HCMC footwear industry has made profits and created more jobs, it also faced many difficulties: it failed to reach its full potential, its resources were allocated unreasonably, cooperation between companies was poor, the foreign competition was keener and keener, and it didn't receive strong support from authorities.

1. An overview on the industry in the years 1995-2004

In the past ten years, the industry grew by 119.2%. Its products are exported to 80 countries and territories accounting for 84.8% of its sales.

Table 1: Capacity of the HCMC footwear industry in 2004

Item	Unit	Quantity
Footwear	1,000 pairs	27,214
Including:		
- Sneakers	-	8,433
- Sportwear	-	6,315
- Slippers	-	3,824
- Women's shoes	-	9,200
Bags and satchels	1,000 pieces	7,000
Finished leather	1,000 sq. ft.	55,000

According to the HCMC Bureau of Statistics the footwear industry, up to the end of 2004, supplied jobs to 211,755 laborers that equaled 19.63% of the whole labor force of the manufacturing sector. The HCMC footwear output rose by some 10% a year accounting for 9% of the HCMC industrial value.

2. Market and sources of raw materials

Most raw materials are imported, including machines, chemicals, spare parts or molds. This is the main cause of high production cost and poor competitiveness. The following table shows the demand for imported materials by the HCMC footwear industry.

Table 2: Demand for imported materials

Raw materials	Unit	2001	2005	2010
Hide	Million sq. ft	150	20	350
Leatherette	Million yard	20	30	45
Canvas	Million yard	30	50	70
Sole	Million pair	120	180	260
Rubber	Ton		820	5,000
Others	Ton	8,240	20,612	48,430

Source: HCMC Service of Industry

3. Other problems

a Measurement and quality control: There is no regulation on product quality, except for sneakers. Most HCMC-based factories have no ability to get certificates

Measures to Develop the HCMC Footwear Industry up to 2010

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of product quality and facilities for quality control, and they have to do it manually.

b. Design and innovative applications: This is the weakest stage of the industry because some 80% of its companies work as subcontractors for foreign ones while the rest are only interested in imitating foreign designs. In Vietnam today, there is only a few qualified designers, the rest only rely on their past experience.

c. Marketing: At present, 80% of footwear

companies are under- subcontractors, not main ones, for foreign companies. That is why they do nothing to market their products or find new customers.

d. Cooperation between companies: Trade associations in this industry is run by the Ministry of Industry; they have no ability to work independently with the result that they become some administrative agencies that arrange some support from the Government for the industry. They play no role in training, information supply or market researches.

4. Prediction of the world footwear output

It is estimated that the world population by the end of 2005 will top the 7- billion mark and the footwear output 14.06 billion pairs. Asian countries will account for some 75% of this output, Europe will supply 11%, South America 6%, North and Central America 5% and Africa 3%.

Table 3: World's estimated footwear output in 2005

Output	Million pair	As %
World	14,061	100
North and Central America	670	5
South America	864	6
Europe	1,518	11
Asia	10,623	75
South Pacific	17	1
Africa	369	3

Source: *World Footwear*

5. Measures to develop the HCMC footwear industry from now to 2010

In the years 2005-2010, the planned growth rate is 15% a year. The local content of products must be enhanced. The share of shoes in the output is 10% and the export value is US\$1,640 million in 2005. New investment will be concentrated on new production lines, automation and improvements in the product quality.

Table 4: Planned targets for the years 2005-2010

Product	Unit	2000 output	2005	2010
Total output	1,000 pairs	107,932	217,090	436,644
Sportwear	1,000 pairs	34,019	65,127	130,994
Sneaker	1,000 pairs	13,315	23,880	48,031
Women's shoe	1,000 pairs	32,953	60,785	122,260
Men's shoe	1,000 pairs	5,145	21,709	4,664
Slipper	1,000 pairs	22,500	45,589	91,695
Handbag	Piece	9,140	18,927	38,070
Export	US\$1,000		11,640,000	3,200,000

By 2005, the footwear export value from HCMC

local companies must reach US\$525 million while earnings by foreign- invested companies will reach some US\$440 million. This means that the footwear export from HCMC will be worth US\$965 million equaling 36.45% of the total earnings.

a. Market expansion: Companies should maintain their footholds in the EU, Japan and the U.S. – their traditional markets – and open outlet in new markets; take part in forums and fairs; and carry out market researches and marketing campaigns.

The Vietnamese population will reach some 85 million in 2005. This means that the domestic market is very important. Companies should improve the product quality to increase their market shares and prepare themselves for foreign competition. In addition, they should pay full attention to the use of local raw materials and laborers' need for shoes suitable for their jobs.

b. Reliable supply of local raw materials: The HCMC government had better encourage the cattle husbandry and the raising of crocodile, snake, sheep, etc. in order to increase the production of hide and leather. Factories situated in residential areas must be move to industrial estate with good infrastructure and waste treatment plants. Concessionary loans could be supplied to factories supplying semi-finished products to the footwear industry.

c. Concentrated investment: At present, most raw materials for the industry are imported, so new investment must be concentrated on production of finished hide, leather and other necessary materials. Companies should establish marketing and design departments to develop new products and find footholds in foreign markets. In addition, the industrial authorities must force companies to build waste treatment plants to protect the environment in order to reduce the social cost.

d. Cooperation between companies: Well-established companies could undertake the task of looking for new markets and getting contracts. After that, they could subcontract jobs to smaller companies, thereby turning them into their satellites. This practice could help supply jobs to laborers and make bigger companies more competitive.

e. Bank loans and tax incentives: Most companies in the footwear industry are of small and medium sizes and they need help from banks. The banking authorities had better ensure level playing field for all companies and stop discriminate against private sector. A fund for export promotion is also needed for supporting footwear companies.

Customs formalities must be reformed with a view to helping footwear companies to get imported materials from ports and reducing unnecessary expenditures. The Government could allow footwear companies to enjoy three or four years of tax exemption instead of only two years as today regulations; and stop the flows of contraband footwear, especially ones from China ■