

# Visit of Indian Leather Industry Delegation to Vietnam

July 13-17, 2014

By R. Ramesh Kumar, IAS, Executive Director, Council for Leather Exports

## VISIT OF LEATHER INDUSTRY DELEGATION TO VIETNAM

### CHUYỂN THĂM CỦA ĐOÀN DOANH NGHIỆP TRONG NGÀNH DA GIẦY SANG VIỆT NAM

**JULY 13-17 2014**

#### A Report

##### 1 Background

The shift of manufacturing base of leather, leather products and footwear from Europe to Asian countries started in the 1980s and has since then increased significantly in the next two decades. It would not be an exaggeration if we say that Asia has now become the manufacturing powerhouse as far as leather sector is concerned, though some European countries particularly Italy, Romania and countries like Brazil too have significant manufacturing base. For instance, if we take the footwear sector, the global production of footwear is reported to have reached 21 billion pairs in 2011, with Asia having a share of 90%. Further, Seven Asian countries namely China, India, Vietnam, Indonesia, Pakistan, Bangladesh and Thailand are counted among world's top 10 producers of footwear with Brazil, Mexico and Italy being the three non-Asian countries.

Not only this, Asian countries are also emerging as huge markets for value added leather products and footwear. In the case of footwear, Asia accounts for 47% of consumption in terms of quantity.

Though bulk of the export of value added leather products and footwear from Asian countries are di-

rected towards the European Union and USA, there is scope for co-operation among Asian countries in areas like Joint Ventures, Technological tie-ups, joint exploration of domestic market potential etc., In fact, India has already signed many trade agreements including the Indo-ASEAN Free Trade Agreement (FTA), India – Japan Comprehensive Economic Partnership Agreement, Indo – Korea Comprehensive Economic Partnership Agreement etc., so as to widen the bilateral trade among Asian countries.

Vietnam is a country which has achieved significant progress, as far as leather sector is concerned. According to latest statistics published by International Trade Centre (ITC), Geneva export of leather, leather products and footwear from Vietnam has increased from USD 5709 million in 2009 to USD 13,810 million in 2013, showing a stunning growth of 149% in a span of 4 years. Hence, the "Vietnam Model of Development" in leather and footwear industry definitely needs to be explored.

In this background, the Council for Leather Exports decided to organize the visit of a leather industry delegation to Vietnam with the objective to study about the Vietnam Leather and Footwear Industry particularly

its production technique, marketing strategies, Government support measures, Training Mechanism for the workers etc; and to explore possibilities of Joint Ventures and Technical Collaborations between Indian and Vietnamese companies.

Accordingly, the Council got in touch with the Embassy of India in Hanoi, Consulate General of India in Ho Chi Minh City and Vietnam Leather, Handbags and Footwear Association (LEFASO). The dates of the above delegation were firmed-up between July 13-17 2014 based on the suggestion of LEFASO to visit the 16th International Shoes & Leather Exhibition to be held in Ho Chi Minh city from July 16-18, 2014.

##### 2 The Participants

Prominent member exporters showed keen interest to participate in the delegation. Though initially 11 companies showed interest, some members could not join the delegation due to unavoidable circumstances. Finally, the following 8 representatives from 7 companies participated in the delegation. Mr. R. Ramesh Kumar, IAS, Executive Director, Council for Leather Exports also participated in the delegation. Besides, D. Gokula Krishnan, Export Promotion Officer, CLE also was part of the delegation.

No.	Name and Company	Products
1	Mr. Rajendra K. Jalan Chairman, Council for Leather Exports <i>representing</i> Arvind Footwear Pvt. Ltd., Kanpur	Ladies Footwear
2	Mr. Mukhtarul Amin Chairman, Footwear Design and Development Institute <i>representing</i> Superhouse Ltd., Kanpur	Finished Leather, Leather Footwear/ Shoe Uppers & Leather Accessories
3	Mr. Puran Dawar President, Agra Footwear Manufacturers and Exporters Chamber (AFMEC) <i>representing</i> Dawar Footwear Industries, Agra	Leather Footwear (Mens & Ladies)
4	Mr. Sanjay Leekha Member, COA, CLE <i>representing</i> Alipine Apparels Pvt. Ltd., Faridabad	Leather Fashion Gloves, Small Leather Goods, Handbags, Belts
5	Mr. Rakesh Suri Member, COA, CLE <i>representing</i> Suri Shoes Ltd., Kanpur	Footwear
6	Mr. Senthil Kumar Rathnam Leathers, Chennai	Finished Leather Suede Articles
7	Mr. Srinivasan and Mr. Renganathan Sridhar & Co., Chennai	Finished Leather

### 3 Programme of the delegation

The Embassy of India in Hanoi and the Consulate General of India in Ho Chi Minh City firm-ed-up the following programme for the delegation in co-ordination with LEFASO.

PROGRAMME IN HANOI	
July 13, 2014	Arrival of Indian delegates in Hanoi.
July 14, 2014	Meeting with LEFASO office and Leather and Shoe Research Institute in Hanoi
July 14, 2014	Visit to LADODA Company
July 14, 2014	Meeting with Her Excellency Indian Ambassador to Vietnam and with importers of leather
July 15, 2014	Meeting with Director General of Light Industry Department, Ministry of Industry and Trade , Govt. of Vietnam
July 15, 2014	Visit to Hatay Chemical Weave Co., Lt.
July 15, 2014	Meeting with Indian Business Chamber in Vietnam and other Service Providers
July 15, 2014	Flight to Ho Chi Minh City
PROGRAMME IN HO CHI MINH CITY	
July 16, 2014	Visit to 16th International Shoes & Leather Exhibition in Ho Chi Minh City. - Meeting with Vietnam exporters/manufacturers
July 16, 2014	Meeting with Vice – Chairman, LEFASO
July 16, 2014	Visit to Vinh Thong Production Service and Trading Co. Ltd.,
July 16, 2014	Meeting with President, Network of International Co-operation for Development
July 17, 2014	Visit to Hung Thai Tannery
July 17, 2014	Visit to Truong Loi Co. Ltd., Ho Chi Minh City
July 18, 2014	Departure to India

### 4 Vietnam Leather and Footwear Industry (Source : LEFASO)

- Leather, Footwear and Handbags industry in Vietnam is one of the key export sectors of Vietnam and having second largest export turnover in the country, next only to textiles and garment industry. Footwear alone contributes for about 10% of country's export turnover.
- The industry's enterprises were formerly concentrated in Ho Chi Minh City, Binh Duong, Dong Nai provinces in the South and Hai Phong, Hanoi areas in the North of Vietnam. However, new production centres have come-up in other provinces namely Hai Duong, Thai Binh and Vinh Phu in the North and Long An, Can Tho and Vung Tau provinces in the South, besides provinces in Central Vietnam. Thus, the industry is now spread out across Vietnam. However, as of now, 65% of the country's enterprises are located in the Southern provinces of Ho Chi Minh City, Binh Duong, Dong Nai.
- The production highlights are as follows :

No. of enterprises	800 (out of which 600 are footwear factories)
No. of production lines	1200 – 1400
Footwear Production	1 billion pairs/year
Handbags and Travel Goods Production	150 million pcs/year
Leather Production	350 million sq.ft/year
PVC/PU Production	1.4 million sq.ft/year
No. of employees	1 million (Direct and Indirect employment). This does not include the employees in small family owned workshops and in supporting facilities.

- Out of the 800 enterprises, only 30% are FDI enterprises but they contribute for 77% of industry's export turnover.
- Export Turnover of Vietnam's Footwear and Handbag Industry has increased from USD 4797 million in 2009 to USD 10344 million in 2013.

(value in Million USD)

Product	2009	2010	2011	2012	2013
Footwear	4066.76	5122.26	6549.28	7261.90	8409.58
Handbag	730.70	958.69	1284.78	1518.62	1935.22
Total	4797.46	6080.95	7834.06	8780.52	10344.8

Note : The above statistics of LEFASO are only for footwear and handbags. As stated above, ITC – Geneva has reported total export of leather, leather products and footwear of Vietnam at USD 13,810 million in 2013

- EU and USA are the two biggest markets of Vietnam's footwear and handbag export followed by countries like Japan, China, Brazil etc.,

#### Advantages faced by Vietnam Leather and Footwear Industry (Inputs taken from LEFASO publication)

- Vietnam became part of WTO in 2007. Vietnam is also part of Association of South East Asian Nations (ASEAN). Other countries in ASEAN are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore and Thailand. Trade among ASEAN countries is duty free.
- ASEAN has Free Trade Agreements (FTAs) with China, Japan, Korea, India, Australia and New Zealand, which has not only removed the import tariffs for bilateral trade between ASEAN and these countries but has also opened-up a window of opportunities for new investments, particularly in the export sector.
- In a recent interview, Mr. Daon Duy Khong, Vice – President of Vietnam Chamber of Commerce and

Industry has stated the following Vietnam is pushing up negotiations of some trade agreements, including the Trans-Pacific Strategic Partnership Agreement (TPP), the Vietnam - EU Free Trade Agreement and the Free Trade Agreement between Vietnam and the Customs Union (Russia, Belarus and Kazakhstan). The effect of these trade agreements is forecast to be greater than the WTO entry, particularly for export-oriented industries like leather - footwear.

Trade agreements, including TPP, will actually open up golden opportunities and provide new boosts for Vietnamese leather, footwear and handbag companies to develop in both scale and quality. When TPP takes effect, exports and imports among member countries will enjoy preferential tariffs, which may be reduced to zero in the long term. This advantage will help Vietnamese footwear edge up its competitiveness against products from some rivals like China and India. They are the world-leading exporters of leather, footwear and bags but they are not TPP members.

The FTAs between Vietnam and the EU and between Vietnam and the Russia Customs of Union - Belarus - Kazakhstan, which are under negotiation, also present great opportunities. These are important trading partners and traditional markets of Vietnam and the big importers of Vietnamese leather and footwear. Compared with other exporters in the region, Vietnam holds considerable advantage in footwear export to the EU market. The FTA with the EU will substantially support Vietnam. If the FTA negotiations with the EU and the Customs Union of Russia - Belarus - Kazakhstan are concluded, the Vietnamese leather - footwear industry will have competitive advantages over other countries.

Besides, many foreign parts manufacturers will locate their projects in Vietnam and this is another plus for the leather - footwear industry. US and EU footwear and handbag firms will relocate their production bases from China to Vietnam to enjoy TPP treatments. If Vietnam misses this tremendous opportunity, it will be unable to address its inherent weakness: Reliance on foreign inputs.

- From 1st January 2014, Vietnam's Footwear will benefit from EU's Generalized System of Preferences (GSP) with the import tariff in EU suspended for non-sensitive products and tariff reduced by 3.5% for sensitive products imported from Vietnam to EU market. This will certainly increase the competitiveness of Vietnam's Footwear export to EU market.
- LEFASO has published the following comparative advantages enjoyed by major Asian producers in the EU market and US market

#### EU Market

Country	Labour Cost USD per month	Material and Accessories	EU GSP	Anti-dumping duty*	Position
China	250-300	Available	No	No	1
Vietnam	180-250	More than 50% imported	GSP	No*	2
India	150-180	Available	GSP	No	3
Bangladesh	80-120	More than 80% imported	GSP	No	4
Indonesia	120-150	More than 70% imported	GSP	No	5

\* 10% anti-dumping duty levied by EU on import of certain categories of leather footwear under 6403 from Vietnam was removed in March 2011

## USA Market

Country	Labour Cost USD per month	Material and Accessories	Import Tariff in US	US GSP	Anti-dumping duty*	Position
China	250-300	Available	20 – 37.5%	No	No	1
India	150-180	Available	4.5% - 35%	Yes	No	2
Vietnam	180-250	More than 50% imported	17% - 37.5%	No	No	3
Indonesia	120-150	More than 70% imported	4.5% - 35%	Yes	No	4
Bangladesh	80-120	More than 80% imported	0%	Yes	No	5

\* 10% anti-dumping duty levied by EU on import of certain categories of leather footwear under 6403 from Vietnam was removed in March 2011

- Vietnam has a very productive labour force and its labour costs are competitive as well.
- According to LEFASO, the footwear and handbags industry is expected to grow by more than 15% in 2014 and achieve a value of USD 12 million as shown below

### Export of footwear and Handbags by Vietnam

(Values in Billion USD)

Industry	2013	2014	% growth
Footwear	8.5	9.75	14.0%
Handbag	1.9	2.25	18.0%
<b>Total</b>	<b>10.4</b>	<b>12.0</b>	<b>15.30%</b>

- An ambitious export target of USD 40 billion by 2025 has been fixed for the Vietnam Footwear and Handbags export as detailed below.

### Export Targets of Vietnam

S. No.	Product	Unit	2015	2020	2025
1	Footwear	Million Pairs	1172	1698	2272
2	Handbags – Backpack	Million Pcs	186	311	478
3	Leather				
	Hard Leather	1000 ton	39	63	84
	Soft Leather	Million sq.ft	197	277	353
4	Labour Force	1,000 person	838	1003	1167
5	<b>Export Turnover (Total)</b>	<b>Billion USD</b>	<b>13.0</b>	<b>24.50</b>	<b>40.00</b>
	Footwear	Billion USD	10.50	19.50	31.00
	Handbags + Backpack	Billion USD	2.50	5.00	9.00

- The ambitious export target fixed by Vietnam will open-up a window of opportunities for the allied industries. LEFASO has published the following demand forecasts in respect of raw materials/inputs till 2025 by the Vietnam leather and footwear industry keeping in view the projected export target of USD 40 billion.

Materials	Unit	Rate of localization in 2012	Demand Forecast	
			2015	2025
Leather	Million sq.ft	30%	600	1600
Synthetic Leather	Million Yard	30%	144	270
All kind of fabrics	Million Yard	70%	248	465
Outsoles	1000 ton	60%	880	1650
Shoes form	1000 pair	70%	2304	4320
Metal Accessories	1000 ton	50%	158	296
Glue and Adhesive	1000 ton	70%	16	30
Packing Accessories	1000 ton	90%	255	478

- From the above, it may be noted that though the production of leather and synthetic leather in Vietnam is lower, the domestic production of other inputs is quite significant. However, considering the ambitious target set, Vietnamese imports of raw materials and inputs are expected to rise significantly.
- Also, efforts are being undertaken to create new production zones in the near future with the following production targets, which provides immense opportunities for overseas investors as well.

Projects	Target per year
Leather production zone – one in North and one in South	200 to 250 million sq.ft
Synthetic Leather	30 to 50 million yards
Production Zone for all Kinds of Outsoles in the South Vietnam	250 to 300 million tonst
Small Production Zone for Metal Accessories	50 million tons
Training Center	150 to 200 designer/pattern makers
	200 to 250 production managers
	80 to 100 engineers
	300 to 500 line leaders

### 5 Indo – Vietnam Trade in Leather Sector

- According to ITC statistics, Vietnam's import of leather and leather products was to the tune of USD 1263.24 million during 2012
- Finished leather alone constituted 72% of imports of Vietnam while the import of footwear components constituted about 21.6% of its imports, thereby showing that there are limited market prospects for export of value added finished products like leather goods, leather garments and footwear. India's export of leather, leather products and Footwear to Vietnam was to the tune of USD 86.20 million in 2013-14 and finished leather alone accounted for 99.43% share.
- India's import of leather, leather products and footwear from Vietnam was to the tune of USD 31.47 million only during 2012-13 as shown below. India's total import of leather, leather products and footwear during 2012-13 was USD 1094.14 million. Hence, imports from Vietnam constitutes about 2.88% in value terms.

Value in US\$ Million

Country	41 (Leather)	42 ( Leather Goods)	64 (Footwear)
Vietnam	4.33	1.15	25.99

Source : DGCI&S

- Vietnam is levying a high import duty of 25% for Leather Goods/Garments and 25% for footwear (as compared to India's Peak Rate of 10% Basic Customs Duty).

Product	Normal Duty (MFN)	Concessional Duty under Indo – ASEAN FTA
Leather	Raw Hides & Skins – Free Semi – Processed – Free & for some Categories 3-5% Finished Leather – 10%	50% concession
Leather Goods & Leather Garments under Chapter 42	25% (20% for saddlery items)	Nil
Footwear	30%	25%
Footwear Components (6406) – Uppers, Metal Toe Caps	15%	12.5%
Footwear Components (6406) – Outer soles and heels of rubber or plastics	30%	25%
Other footwear components under 6406	5%	Nil

**Note :** India has a CVD of 12% and Special CD of 4% while Vietnam has VAT of 10% on imported goods as additional duties. The rate given above is Basic Customs Duty only

- India already has a Free Trade Agreement (FTA) with ASEAN through which the following duty concessions are given for imports into India for imports from Vietnam also.



Product description	Normal Basic Customs Duty	Concessional Duty
4201 to 4205 (Leather Goods, Saddlery items and Leather Garments)	10%	6.0% 7.0% (for Philippines)
640110 to 640212	10%	6.0% 7.0% (for Philippines)
640220 to 640299	10%	6.0% 7.0% (for Philippines)
640312	10%	3.0% 7.0% (for Philippines)
640319 to 640391 (all goods other than footwear made on a base or platform of wood not having an inner sole or a protective metal toe cap)	10%	6.0% 7.0% (for Philippines)
64039190 (footwear made on a base or platform of wood not having an inner sole or a protective metal toe cap)	10%	3.0% 6.0% (for Philippines)
640399 (all goods other than footwear made on a base or platform of wood not having an inner sole or a protective metal toe cap and not covering the ankle)	10%	6.0% 7.0% (for Philippines)
64039990 (footwear made on a base or platform of wood not having an inner sole or a protective metal toe cap and not covering the ankle)	10%	3.0% 6.0% (for Philippines)
6404 to 6406	10% 6% (for 6406)	6.0% 7.0% (for Philippines)

## 6 Programme Highlights

### PROGRAMME IN HANOI

#### 6.1 Meeting with Vietnam Leather, Handbags and Footwear Association (LEFASO)

This meeting was held on July 14, 2014 in Hanoi in LEFASO office.



From left to right : Mr. Sanjay Leekha, Member, COA, CLE ; Mr. R. Ramesh Kumar, IAS, Executive Director, CLE ; Mr. Senthil Kumar, Rathnam Leathers and Mr. Renganathan, Sridhar & Co.



LEFASO was established on June 9, 1990. It is a non-Governmental national level organisation driven by the industry and is a member of International Footwear Conference (IFC). It has a Northern Office in Hanoi and Southern Office in Binh Duong Province. Further details can be obtained from the website [www.lefaso.org.vn](http://www.lefaso.org.vn)

Ms. Phan Thi Thanh Xuan, General Secretary, LEFASO welcomed the delegates.

Initiating the discussions, Mr. R. Ramesh Kumar, IAS, Executive Director, CLE gave an overview of the Indian leather industry and CLE. Highlighting the multifarious role played by CLE in areas like export promotion, capacity expansion, liaison with Government etc, Mr. Kumar stated that the Government of India is very keen to promote bilateral trade with ASEAN countries and India has also signed FTA with ASEAN, which has opened-up lot of opportunities. Mr. Kumar stated that leather industry has been identified as one of the focus sectors for co-operation with Vietnam. Stating that both India and Vietnamese leather and footwear industry have witnessed significant growth, the leather industry delegation from India is visiting Vietnam with the objective of enhancing industry to industry level and unit to unit level contacts and to explore areas of joint co-operation. Mr. R. Ramesh Kumar also requested LEFASO to give wide publicity to the visit of the delegation among their member-exporters.

Thereafter, the members of the delegations introduced themselves. Ms. Phan Thi Thanh Xuan, General Secretary handed over information materials on Vietnam Leather and Footwear Industry. Ms. Phan stated that as of now footwear is the major item of export from Vietnam and the tanning base is not so strong, as there are only about 35-40 tanneries in Vietnam.

## 6.2 Meeting with Leather and Shoe Research Institute

This meeting was held on July 14, 2014 in Hanoi in LEFASO office.

As far as Training Institute is concerned there is only one National Lev-



*A view of the meeting in progress*

el Institute called Leather and Shoe Research Institute based in Hanoi. This institute has 140 staff members and collaborators working in 7 centers, 2 pilots in Hanoi and a sub-institute in Ho Chi Minh City. The institute is providing services in the areas of product design and development, quality testing etc.,. The Institute is offering design related courses.

Mr. Nguyen Hai Trung, Director of the institute welcomed the delegates. Mr. Nguyen Hai Trung also reiterated that Vietnam does not have a strong tanning base. Hence, the leathers (Cow and Buffalo hides) are imported from USA and Australia and leathers are also imported from China. However, Vietnam is looking for import of good quality and cheap leathers from India as well. One interesting aspect is that Commercial Crocodile Farms (which are Private Owned) have been established in Vietnam and Crocodile skins are also being used in production of value added products. The

tropical temperature in Vietnam is ideal for crocodile breeding. As the crocodile meat is cheap, the meat is sold in the domestic market.

Mr. Nguyen Hai Trung further stated that his institute would like to co-operate with leather institute in India for development of tanning base. In response, Mr. R. Ramesh Kumar, IAS, Executive Director, CLE stated that Central Leather Research Institute (CLRI) a premier institution in India is already co-ordinating with Leather and Shoe Research Institute in Vietnam, particularly in the area of effluent treatment.

Mr. Sanjay Leekha enquired as to what percentage of footwear exported is of leather and non-leather to which Mr. Nguyen Hai Trung replied that 60% of exported footwear is of leather and the rest of non-leather.

The Deputy Director of the Institute explained that as the people and Government is keen on saving water,



*Mr. Nguyen Hai Trung, Director, Leather and Shoe Research Institute (centre) along with Ms. Phan Thi Thanh Xuan, General Secretary, LEFASO (right) during the meeting*

the tannery water is recycled and re-used.

As far as workforce in the leather and footwear industry is concerned, 70% of the workforce are at the shop floor level and the balance 30% at supervisory/management level. The training for the shop floor workers is done at the factory itself for about a month. The Vietnamese workers are very efficient in learning and they very quickly learn the work culture on account of which their productivity is also very high.

### 6.3 Visit to LADODA Company

The visit was organized in the afternoon of July 14, 2014.

LADODA Joint Stock Company

([www.ladoda.com.vn](http://www.ladoda.com.vn)) specializes in producing bags (handbags, student bags), backpacks, footwear, purses, waistband etc., and is one of the largest companies in North Vietnam. The company also has the LADODA Trademark. The company has two units with about 400 employees. The machinery is imported from Japan, Korea and Taiwan. The company supplies to both domestic market and exports (export constitutes about 30% to 35% to countries like Japan, Czech Republic, Hungary, Guatemala, France, USA etc.) and also supplies to Government Departments.

The unit visited by the delegation was largely producing non-leather bags and some leather saddlery items, besides leather belts.

The delegation led by Mr. Rajendra K. Jalan, Chairman, CLE had a meeting with Mr. Dinh Quanf Bao, Chairman of Ladoda. Mr. Dinh is also a Vice- Chairman of LEFASO. Mr. Dinh informed that the Shoes and Leather Village in which in unit was located has a history of 117 years. The leather used in his products is imported from China and Korea. Mr. Dinh wanted to know whether India can supply cow leather (as per sample shown by him). In response, Mr. Rajendra K. Jalan, Chairman, CLE informed that India can offer Buffalo finished leather of the same quality and finish at a price of about USD 22 per piece as against the price of USD 32 per sq.mtr for imported cow leather.



Mr. Rajendra K. Jalan, Chairman, CLE (left) along with Mr. Dinh Quanf Bao, Chairman of Ladoda



(from left to right) :Mr. Mukhtarul Amin, Chairman, FDDI (left), Mr. Renganathan, Sridhar & Co., and Mr. Senthil Kumar, Rathnam Leathers inspecting a leather



A display of imported leather



From left to right : Mr. V. Srinivasan of Sridhar & Co., ; Mr. R. Ramesh Kumar, ED,CLE and Mr. Puran Dawar, President, AFMEC having a look at the leather belts



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*Mr. Puran Dawar, President, AFMEC and Mr. R. Ramesh Kumar, ED, CLE having a look at non-leather school bag*



*A view of the workers*



*Mr. Rajendra K. Jalan, Chairman, CLE (centre) inspecting the products*



*A view of the Ladoda Factory*



*The delegates at Ladoda Factory*

#### **6.4 Meeting with Her Excellency Indian Ambassador to Vietnam and with importers of leather**

This meeting was held on July 14, 2014 at the Indian Embassy in Hanoi. Mr. John H. Ruolngul, First Secretary (Com) & Head of Chancery and Mr. Pham Thang, Economic and Commercial Officer, Embassy of India were

also present during this meeting.

Ms. Preeti Saran, IFS, Indian Ambassador to Vietnam welcomed the delegates and stated that the visit is timely. As part of look-east policy, India is having a close bilateral relationship with Vietnam and Vietnam is a strategic partner for India. The bilateral trade between India and Vietnam stood at USD 5 billion and

the target is to double this in the next 5 years. The Government of India is also providing technological support to the Vietnam industry in many areas like textiles, garments etc., The Ambassador also stated that she is very much impressed with the capacity and capability of the Vietnamese, as the ability of the Vietnamese workers is very high and they are very



quick in picking-up and are multi-skilled as well. The Ambassador added that the Government of Vietnam has set-up Special Industrial Zones in Vietnam with one-stop-shop facility (i.e. with all required infrastructure and support services) in which many overseas companies including Indian companies have invested. The land is available at a price of USD 4-5 per sq.mtr. for a 50 year lease period. The Ambassador also added that the labour Laws in Vietnam are also investor friendly. Hence, we need to look at comprehensive options including investments, setting-up units etc., The Ambassador also quoted the achievement of an Indian Businessman who ventured in to Cashew business by establishing a unit in Vietnam by employing 7000 people by importing Cashew from Africa which is then processed and exported to USA. Language too should be a major problem for Indian businessmen as business can be done always through an interpreter.

The Ambassador further stated that India is exploring a Regional Comprehensive Economic Partnership (RCEP) between ASEAN and its FTA partners (Australia, China, India, Japan, South Korea and New Zealand) while Vietnam is looking for enhancing its presence in the North American market through Trans-Pacific Strategic Partnership Agreement (TPP).

Though the long distance is a barrier for the Indian business entrepreneurs who want to establish business tie-ups in Vietnam, we need to face this barrier.



*Meeting with Her Excellency Indian Ambassador*



*Mr. Sanjay Leekha, Member, COA, CLE (left) discussing a point with Mr. Jaswant Singh, Second Secretary (edu & Culture), Embassy of India*



*The delegates with Her Excellency Ms. Preeti Saran, Indian Ambassador to Vietnam*

### **Meeting with importers at the Indian Embassy**



Mr. Rajendra K. Jalan, Chairman, CLE stated that despite being a small country, the export of leather, leather products and footwear from Vietnam has reached a level of USD 13.8 billion. Hence, we are keen to know as to how they procure raw materials and components. India is looking at various options like establishing tie-ups with Vietnamese companies, setting-up units in Vietnam. Further, Vietnamese companies can also look for India as a market particularly for non-leather footwear.

Mr. Rajendra K. Jalan, Chairman, CLE also stated that the import duty in Vietnam for Leather Goods and Footwear is about 25% while India is providing a concessional Basic Customs Duty of 6% for these items under Indo – ASEAN FTA. Admitting that the import duties are high in Vietnam, the Ambassador requested for inputs in this regard for taking-up at the appropriate level. Chairman, CLE also stated that the Council for Leather Exports would like to invite the visit of a Vietnamese leather and footwear industry delegation to India for visit to production clusters/factories.

Mr. Pham Thang, Economic and Commercial Officer, Embassy of India stated that the footwear exported from Vietnam mainly goes to EU, US and Japan. Earlier, the big brand had franchisees but have now established their own units in Vietnam. Vietnam is also importing leather from Pakistan.

Mr. Mukhtarul Amin, Chairman, FDDI stated that export of leather from India to Vietnam is growing. Mr. Amin also explained about the services provided by FDDI in the areas of fashion and design.

Mr. R. Ramesh Kumar, Executive Director, CLE stated that the leather industry delegation to Vietnam has some of the topmost manufacturers and exporters from India and the basic objective of the delegation is to establish business tie-ups.

Mr. Puran Dawar, Member, COA stated that the objective of the visit is to learn about the Vietnam footwear factories.



*The delegates at the meeting*



*Mr. Phan Chi Dung, Director General, Light Industry Department addressing the delegates*



*Mr. Rajendra K. Jalan, Chairman, CLE (2nd from right) speaking during the meeting*

Mr. Senthikumar of Rathnam Leathers stated that India has the capability to produce good quality leathers particularly of goat, sheep, cow and buffalo and the export of leathers from India to Vietnam is growing by about 20%.

After the meeting, the Embassy organized the meeting of some importers of leathers with the Indian delegates.

## 6.5 Meeting with Mr. Phan Chi Dung, Director General, Light Industry Department, Ministry of Industry and Trade, Vietnam

This meeting was held on July 14, 2014 at the Ministry of Industry and Trade in Hanoi.

Initiating the discussions, Mr. Rajendra K. Jalan, Chairman, CLE stated that India is looking for tie-ups with Vietnam in the areas like training of



workers, sourcing of products and raw materials and chemicals. As a follow-up to the visit of Indian leather industry delegation to Vietnam, the Council for Leather Exports proposes to invite representatives of Vietnam leather and footwear industry to India to explore mutual tie-up opportunities. Mr. Rajendra K. Jalan, Chairman, CLE also stated that the import duty in Vietnam for Leather Goods and Footwear is about 25% while India is providing a concessional Basic Customs Duty of 6% for these items under Indo – ASEAN FTA and requested to reduce the import duties to the level of India. Mr. Jalan also mentioned about the work initiated by CLRI for the technological up-gradation of Vietnamese tanning industry.

Mr. Mukhtarul Amin, Chairman, FDDI mentioned that FDDI is one of the premier training institutions in the country and FDDI is providing training services in overseas countries also. Mr. Amin wanted to know the facilities provided by Vietnamese Government for establishment of production units in Vietnam. Mr. Amin stated that FDDI can help in the areas of design and training and is willing to co-operate in this regard with Leather and Shoe Research Institute in Vietnam.

Mr. R. Ramesh Kumar, IAS, Executive Director, CLE also briefed about the objective of the visit of the delegation.

Mr. Phan Chi Dung, Director General, Light Industry Department stated that the bilateral relationships between India and Vietnam have grown over the years. Explaining the high growth of footwear exports from Vietnam, Mr. Phan Chi Dung stated that the Vietnam industry requires support in the areas of design, tanning technology etc., Mr. Phan Chi Dung also extended support of the Government for establishment of a manufacturing unit in Vietnam which may be 100% FDI unit, JV or buying shares in the existing company. Mr. Phan Chi Dung further stated that the Government will be holding discussions with LEFASO shortly to explore ways of sourcing leathers and synthetic leathers. Explaining about the polluting nature of the tanning industry, Mr. Phan Chi Dung stated that the Government is exploring possibility of setting-up industrial zone for the tanning segment which will have all facilities. This proposal will be submitted to Government after discussions with LEFASO.

Mr. Phan Chi Dung further added that as Vietnam is a member of WTO and will abide by WTO commitments

and is also entering into Trans-Pacific Partnership Agreement (TPP) with USA and is exploring FTA with EU, establishment of a manufacturing unit in Vietnam will be beneficial.

## 6.6 Visit to Hatay Chemical Weave Co., Lt. Hanoi

This visit was organized on July 15, 2014. This factory is manufacturing non-leather shoes and leather shoes (depending on order) and is interested in buying goat/suede leather with metallic finish. The company is currently importing leathers from Korea and Japan wherein the shipment time is one week.

The delegation had a meeting with Ms. Le Thi Tra My, Factory Merchandiser who enquired about whether the Indian companies are having a warehouse in Vietnam for procurement of leather, considering more time taken for shipment from India.

The company has an employee strength of 700 persons and produces 3000-4000 pairs per day. The company is working with major brands and its main exports are to Germany and USA. The company has 3 factories 1 for leather shoes and 2 for non-leather shoes and the capacity is 4 million pairs per annum.

## View of Factory/Products







*Display of products*



*Mr. R. Ramesh Kumar, ED, CLE (right) and Mr. Pham Thang, Economic and Commercial Officer, Embassy of India (left) discussing a point with the factory official. Mr. Senthil Kumar of Rathnam Leathers is also seen*



*Mr. Sanjay Leekha, Member, COA and Mr. Rakesh Suri, Member, COA (right) inspecting the stitching system*



*Mr. Puran Dawar, President, AFMEC (left) and Mr. Rakesh Suri, Member, COA looking at the products*



*Mr. Rajendra K. Jalan, Chairman, CLE having a look at the machinery*



*Mr. Renganathan of Sridhar & Co.*



*(from left to right) Mr. Rakesh Suri, Member, COA ; Mr. Srinivasan and Mr. Renganathan of Sridhar & Co. looking at the leather swatches*

## **6.7 Meeting with Indian Business Chamber in Vietnam**

The following representatives participated in this meeting.

- Mr. V. Vijaya Kumar,  
Manager, Future Links International Pte., Ltd  
(website [www.futurelinks.com](http://www.futurelinks.com))
- Mr. Luu Xuan Vinh,  
Managing Associate, Indochine Counsel  
(website: [www.indochinecounsel.com](http://www.indochinecounsel.com))
- Mr. Giang Hoang Hieu,  
Chairman, Daiviet Rural Development Joint Stock  
Company (website [www.daivietrd.com](http://www.daivietrd.com))
- Mr. Pham Thi Mai Phoung,  
Office Manager, Indian Business Chamber in Vietnam  
(Phone : 0084 2 37724248)

The following are the queries and answers

Query	Answer
<b>Mr. Senthikumar</b> of Rathnam Leathers <b>What about the raw material availability in Vietnam</b>	Leather base is not strong. Hence, the tanning sector offers scope for JVs.
<b>Mr. Puran Dawar</b> , Dawar Footwear Industries <b>Pl. check the status of livestock population and slaughter in Vietnam</b>	Will check about this. However, all types of Commercial Farms are established in Vietnam with some restrictions. However, slaughter is still in the unorganized sector.
<b>Mr. R. Ramesh Kumar</b> Executive Director, Council for Leather Exports <b>What about tax for local sales ?</b>	10% VAT is leviable. Vietnam is a good destination for investment because of cheap labour and friendly laws. Across sectors, Japan is a major investor followed by Korea. Vietnam is looking for investors from India and Singapore.
<b>Mr. Sanjay Leekha</b> Alpine Apparels <b>What about Government clearances ?</b>	Can set-up units in Industrial Parks – Laws are simple – FDI requires only Investment Certificate from the Government. The Corporate Tax is 23%. There are provisions for repatriation of profits. Different provinces have varied preferential tax structure. For instances, there may be a Income tax free period for a new company for the first 5 or 10 years. Land cost is about USD 4-5 per sq.mtr for a lease period of 50 years.

## PROGRAMME IN HO CHI MINH CITY

### 6.8 Meeting with Mr. Dinh Quang Bao, Vice- Chairman, LEFASO

This meeting was organized at the Saigon Convention and Exhibition Centre (Venue of Shoes and Leather Fair) on July 16, 2014. Mr. Manoj Kumar, Acting Consul General, Consulate General of India, Ho Chi Minh city also took part in this meeting.

Mr. Dinh Quang Bao began his speech by stating that he is aware that India is the second largest manufacturer of footwear but Vietnam is the 4th largest producer and the 2nd largest exporter.

Mr. Rajendra K. Jalan, Chairman, CLE stated that Vietnam has about 9% share in the global export of footwear. Explaining about the facilities in India for the leather and footwear industry, Mr. Jalan stated that the Indian leather industry requires leather for domestic consumption and export of value added products and hence there is no import duty on hides, skins and leathers in India. India is also providing 6% concessional duty for value added leather products and footwear imported from Vietnam under Indo – ASEAN FTA but the import duty in Vietnam for such products is 25%. Mr. Jalan stated that the objective of the visit is to find out as to what we can buy from you and sell to you and also explore areas of technological co-operation.



*Mr. V. Vijaya Kumar, Manager, Future Links International Pte., Ltd (Left) interacting with the delegates*

Mr. Mukhtarul Amin, Chairman, FDDI (9%), Thailand (8%) and China (7%). explained about the activities of FDDI.

Mr. Dinh Quang Bao stated that Vietnam currently imports much of the leather. The consumption of leather is 600 million sq.ft per annum but the production is only 200 million sq.ft. Vietnam imports leather to the tune of USD 1.3 – 1.5 billion per annum. The import of leather is mainly from Italy (11%), Korea (10%), Taiwan

Mr. Dinh Quang Bao stated that the Vietnam leather and footwear industry has witnessed 25% growth in the first 6 months of the current year and also explained about the various upcoming Free Trade Agreements to be entered into by Vietnam. He further stated that Nike and Coach procure 38% and 40% of their requirement from Vietnam.



*The meeting in progress*





Mr. Rajendra K. Jalan, Chairman, CLE presenting a memento to Mr. Dinh Quang Bao, Vice-Chairman, LEFASO



Mr. Manoj Kumar, Acting Consul General, CGI, Ho Chi Minh city with Mr. Dinh Quang Bao, Vice-Chairman, LEFASO

Mr. Dinh Quang Bao also provided the following information.

- a) There is no export duty on finished leather produced in Vietnam for export
- b) There is no import duty in Vietnam for import of Cow Hide.
- c) Under the proposed Trans Pacific Partnership Agreement (TPP) with North America, export of finished leather produced in Vietnam through imported hides/skins will have duty free facility.
- d) Environmental laws in Vietnam are very strict as every company is required to set-up treatment plant. Hence, the leather industry has asked for setting-up two industrial zones for tanning industry, one in North and one in South Vietnam. The request of the industry is that the Government should set-up the effluent treatment plant and industry can pay user charges. The proposed industrial zone can be near the sea and sea port so that water can be taken from the rivers and the treated effluents can be discharged into sea. The Vietnam side is collecting technical information for the proposed tanning zones from countries like Italy, Brazil and India based on which project proposals will be submitted to the Government.
- e) The total Cost to Company for

a worker is about USD 260 per month in city and about USD 200 per month in the rural areas.

- f) The support of the Vietnamese Government for units/zones is done on the basis of the project concerned. Banks also provide finance. Land costs are lower in rural areas.
- g) The industry's request is to have 1 km buffer zone around industrial zones whereas no housing etc., should come-up
- h) Earlier, there were more State owned companies but now there are many Private companies. 70% of the industries are FDI owned and they have brought new technology, raw materials and brands to Vietnam.
- i) The workers learn very fast and even the stitching training is done only for a month. Workers are not averse to work overtime depending on requirement.
- j) The total imports made by the Vietnam leather and Footwear industry is to the tune of USD 4.1 billion out of which leather constitutes USD 1.3 billion, machinery USD 1.5 billion and fabrics and other accessories USD 1.3 billion.
- k) As far as imports from China is concerned, Vietnam was importing 28% of its requirement for leather and footwear industry from China out of which leather constitutes only 7%.
- l) As far as fabrics are concerned, earlier 65% of the requirement was imported but now only 35% is imported and the rest is produced

domestically.

### 6.9 Visit to Vinh Thong Producing – Trading Service Co. Ltd.,

The visit was organized in the afternoon of July 16, 2014. Mr. Manoj Kumar, Acting Consul General, Consulate General of India, Ho Chi Minh city also visited the factory.

The delegation met Mr. Nguyen Quoc Tuan, General Director.

Mr. Nguyen stated that he had visited India 5 years also and is currently buying leather from one Indian company. Mr. Nguyen added that the company was established in 1994 and produces 2 million pairs of footwear per year and 100% of the production is exported to countries like Germany, France etc., Mr. Nguyen stated that the quality of leather from India is good but Indian companies should establish a warehouse in Vietnam for storing and selling leathers, as most of the Vietnamese companies are in the SME sector and would like to buy leathers at short notice. There is no import duty in Vietnam for finished leather.

Mr. R. Ramesh Kumar, Executive Director, CLE enquired about the system of training workers followed in Vietnam. Mr. Nguyen stated that the training is done at the factory itself and Social Audits are also done at the factory by the buyers. Companies have a six day a week working schedule for workers and 5 day schedule for the management level workers and the average wages are USD 200 per month. The working hours is 8 hours per day.



Mr. Nguyen further added that big companies (brands) which have been set-up in Vietnam may not look for new suppliers of raw materials/inputs as they already have an established supply chain.

*Shri Rajendra K. Jalan, Chairman, CLE (left) with Mr. Nguyen Quoc Tuan, General Director, Vinh Thong Producing – Trading Service Co. Ltd.,*

#### FACTORY VIEW



*The delegates at the factory*



### 6.10 Meeting with Mr. Nguyen Tri Dung, President, Network of International Co-operation for Development

The visit was organized by Mr. Manoj Kumar, Acting Consul General, Consulate General of India, HO Chi Minh city in the afternoon of July 16, 2014.

Mr. Nguyen Tri Dung stated that his company was the First Private Limited Company in Vietnam and is providing business network solutions. Stating that the political level partnerships between India and Vietnam has not developed fully at the economic level, Mr. Mr. Nguyen Tri Dung stated that there are lot of opportunities for establishing business tie-ups and assured all his help in this regard.

### 6.11 Visit to Shoes and Leather Fair

The 16th International Footwear and Leather Products Exhibition (IFLE) was held at the Saigon Exhibition and Convention Centre in HO Chi Minh City from July 16-18, 2014. This is the most important dedicated international trade show in Vietnam footwear and leather industry, each time able to offer a complete and top quality spectrum of the products.



*Mr. Nguyen Tri Dung, President, Network of International Co-operation for Development making presentation to the delegation*

The delegation visited this fair on July 16, 2014.

141 exhibitors from 18 countries and regions including Bangladesh, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Singapore, Spain, Taiwan, Thailand, Turkey, United Kingdom and Vietnam took part in this edition which was primarily for leathers, machinery, inputs, chemicals etc.,.

TAIWAN FOOTWEAR MANUFACTURERS ASSOCIATION had a brisk

area expansion to 378sqm and it was the largest national pavilion in the show. The first-time exhibiting pavilions from CENTRE FOR THE BRAZILIAN TANNING INDUSTRY (CICB) - Brazil and ASSOCIATION OF THAI FOOTWEAR INDUSTRIAL PROMOTION (ATFIP) - Thailand showed the development of Vietnam shoes and leather market is important to worldwide suppliers. Over 10,000 trade buyers and visitor delegations from Marikina Shoe Industry Development Office (MASIDO), Philippines and Nigeria come to the exhibition.

### View of the products/ display material at the fair





*The delegates at the fair*



*Mr Srinivasan of Sridhar & Co., presenting a memento to Ms. Phan Thi Thanh Xuan, General Secretary, LEFASO*

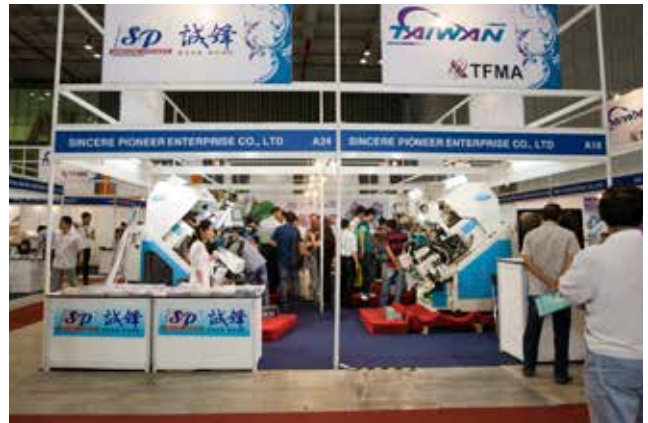


*Mr. R. Ramesh Kumar, ED, CLE presenting the profile booklet of the participants to General Secretary, LEFASO*





## AT THE FAIR



### 6.12 Visit to Hung Thai Brothers Tannery Co. Ltd.,

The visit was organized in the morning of July 17, 2014.

- Mr. R. Ramesh Kumar, Executive Director, CLE explained about the objective of the visit.
- Mr. Sanjay Leekha of Alpine Apparels enquired about types of leathers produced.
- Mr. Ly Chan Nam, Chief Production Officer explained the following.

- The tannery produces shoe upper leather, leather for belts and leather for sofa covers. Earlier 70% of raw leathers were imported from USA and Australia but now only 50% is imported while 50% is procured from domestic market. Crocodile leather and Ostrich leather are procured from the domestic market. The prices of Ostrich leather are same as that of South Africa (USD 15 per sq.ft and leg skins at USD 17 per piece).

- The tannery has 260 workers, produces 1 million sq.ft. per month now. The production was higher two years ago but has come down now due to high prices of leather.



*The delegates with Mr. Ly Chan Nam, Chief Production Officer (right)*



*A view of exotic leather*





*Leathers stored at tannery*



*Leathers being dried at the tannery*



*Mr. Ly Chan Nam, Chief Production Officer (right) displaying leathers*



*Display of leathers*



*A view of raw hides being stored*



*A view of raw crocodile skins*



*Mr. Selvarajan Thiagarajan, Deputy Technical, Hung Thai Tannery (centre) discussing a point*

Mr. Sridhar of Sridhar & Co stated that India can supply good quality sheep and goat finished leather.

#### **4.11 Visit to Truong Loi Company Ltd.,**

The visit was organized in the afternoon of July 17, 2014.

The delegation met Mr. Tony Loi, Director.

This factory manufactures ladies shoes and was pretty huge. Mr. Tony Loi, Director informed the following.

- As far as finished leather is concerned, quality and delivery time are two major issues.
- India can look at establishing a warehouse for storing and selling leathers in Vietnam.
- Agent may be required for doing business with Vietnam.
- Average wage of worker is USD 200 per month and over-time charges are 1.5 times of normal salary. Company has to pay 23% Insurance costs also.
- The company's major market is Europe and only 5% business is done with USA.





Mr. Srinivasan and Mr. Renganathan of Sridhar & Co. looking at the leather used for making footwear



Mr. R. Ramesh Kumar IAS, Executive Director, CLE inspecting the production

### A view of factory/production line



### CONCLUSION

In a nutshell, the visit of the Indian leather delegation to Vietnam helped in gaining first-hand knowledge on the factors that led to the rapid growth of the Vietnam leather and footwear industry and the areas of co-operation between India and Vietnam.

Indian companies can look forward

to establish their tanneries or value added products units in Vietnam either independently or through tie-ups with Vietnamese companies. Vietnamese side can also look forward to having technical collaborations with institutions in India in the areas of training of workers, design development, effluent treatment etc., and can tie-up with Indian companies for joint exploration of domestic market

in India, particularly for non-leather footwear.

The Council for Leather Exports wishes to place on records its sincere thanks to the Embassy of India in Vietnam, Consulate General of India in Ho Chi Minh City and LEFASO for all their help, support and guidance in organizing the visit.



Think Leather  
Think India