

**MINISTRY OF INDUSTRY AND TRADE**  
**VIET NAM INDUSTRY AND TRADE INFORMATION CENTER**

**REPORT**

**In depth analysis and information on the capabilities and needs regarding the co-operation on Production, Investment, Technology and Trade between Viet Nam and other members of the CPTPP in the leather and footwear industry**

**June 2020 issue**

**UNDER THE MISSION**

**“To provide two-way information for the co-operation on Production, Investment, Technology and Trade of a number of key industrial goods between VN and other members of the CPTPP”**

**Ha Noi, 2020**

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## **I. Production, consumption and manufacturing technology of Viet Nam's leather and footwear industry**

### ***1. Production and Consumption***

\* *Production:* After the impact of the COVID-19 epidemic, the world leather and footwear industry was forced to make changes to the global supply chain. Therefore, the dominant position of China's world market share at 60-70% will be reduced to 45-50%. While Vietnam, along with 7 other countries, including India, Indonesia, Philippines, Myanmar, Bangladesh and Cambodia will equally own the rest of the world's market share.

Vietnam now has the advantage of being a safe country in both during and after the COVID-19 epidemic. To seize the opportunities for supply chain development, order growth, attracting investment, reducing dependence on raw materials from China, enterprises must have a plan to recover and establish an appropriate business strategies right now to have the ability to catch up and take advantage of the shift in the global supply chain.

The domestic production of leather and footwear products in the month of June, 2020 rose by 12.4% over the previous month and by 0.7% when compared to June, 2019. In the first 6 months of 2020, the total domestic production of leather and footwear products fell by 2.3% when compared to the same time period last year.

In particular, The production of Athletic footwear with leather upper and rubber, plastic sole reached 280.79 million pairs, went down by 0.7% when compared to the same time period last year; Footwear with leather upper reached 134.74 million pcs, went down by 2.9%; Athletic footwear with rubber, plastic upper and sole reached 118.53 million pairs, which was a decrease of 3.8%.

**Table 1: Domestic production of leather and footwear products in June, 2020 and in the first 6 months of 2020**

<b>Products</b>	<b>Unit of measurement</b>	<b>June, 2020</b>	<b>When compared to May, 2020 (%)</b>	<b>When compared to June, 2019 (%)</b>	<b>The first 6 months of 2020</b>	<b>When compared to the first 6 months of 2019 (%)</b>
Athletic footwear with leather upper and rubber, plastic sole	1000 pairs	54.477	13,14	6,18	280.786	-0,7

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Products	Unit of measurement	June, 2020	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020	When compared to the first 6 months of 2019 (%)
Footwear with leather upper	1000 pcs	26.165	8,23	-2,95	134.737	-2,9
Athletic footwear with rubber, plastic upper and sole	1000 pairs	19.767	12,15	-8,81	118.526	-3,8

*Source: Preliminary statistical data of the General Statistics Office of Vietnam*

\* Consumption: In the first 5 months of 2020, , the consumption of Athletic footwear with leather upper and rubber, plastic sole reached 222.9 million pairs, fell 0.16% when compared to the same time period in 2019; Footwear with leather upper reached 109.22 million pcs, climbed by 4.39%; Athletic footwear with rubber, plastic upper and sole reached 98.6 million pairs, which was a 0.18% increase when compared to last year.

**Table 2: Domestic consumption of leather and footwear products in May, 2020 and in the first 5 months of 2020 (Unit: 1000 pairs)**

Products	Unit of measurement	May, 2020	When compared to April, 2020 (%)	When compared to May, 2019 (%)	The first 5 months of 2020	When compared to the first 5 months of 2019 (%)
Athletic footwear with leather upper and rubber, plastic sole	1000 pairs	49.265	14,08	-0,31	222.912	-0,16
Footwear with leather upper	1000 pcs	24.557	43,62	-1,12	109.221	4,39
Athletic footwear with rubber, plastic upper and sole	1000 pairs	20.317	20,68	-14,97	98.614	-0,18

*Source: Preliminary statistical data of the General Statistics Office of Vietnam*

Impacted by Covid-19, many enterprises in leather and footwear industry have not had export orders for the third and fourth quarter of 2020. Facing the fact that they may need to continue to reduce staff, operating moderately, plus the fact that 60-70% of footwear

enterprises are mainly engaged in processing, the Vietnamese footwear industry cannot take full advantage of the opportunities from the EU-Vietnam Free Trade Agreement (EVFTA).

According to the Vietnam Leather and Footwear Association (LEFASO), as of June 2020, Vietnam's footwear export turnover has only reached 50% of the same period last year, when all stores from Europe to the US were closed and sales plummeted. A number of major global brands have forecast that footwear consumption will decrease by 40% compared to 2019, returning to the low consumption level recorded in 2014.

The current difficulty for domestic footwear enterprises is that the major export markets such as the US and Europe are still seriously affected by the Covid-19 epidemic. Many businesses still do not have new orders from these areas, leading to negative impacts on production and business activities and employment of workers. For small and medium-sized enterprises, their limited financial resources cannot keep their businesses running without new orders.

The United States and the EU have been the two main import markets for Vietnam's footwear products over the years. Last year, these two markets accounted for nearly 65% of total export turnover of these products of the whole country.

When the epidemic broke out, since the middle of March until now, some businesses has still maintained production moderately to serve orders from before. Production activities maintained until the end of June. However, moving to July and from then on, many businesses still have not received orders from importers from the US and EU markets.

In fact, a series of enterprises producing and processing footwear for export now have no production orders and cannot resist to apply measures to reduce a series of employees. This dismissal is likely to continue if the epidemic in Europe and the US persists. This is a very difficult period for most businesses in the industry that if businesses can manage to survive, business opportunities in the future will be very huge.

Notably, importers are also taking advantage of free trade agreements (FTAs) that Vietnam signed to benefit tariff incentives, especially for the European market with the impending EVFTA Agreement.

And in fact, the orders for processing shoes and bags continue the trend of moving from China to Vietnam to take advantage of preferential tariffs from FTAs.

Vietnam now has the advantage of being a safe country in both during and after the COVID-19 epidemic. To seize the opportunities for supply chain development, order growth, attracting investment, reducing dependence on raw materials from China, enterprises must have a plan to recover and establish an appropriate business strategies right now to have the ability to catch up and take advantage of the shift in the global supply chain.

## ***2. Manufacturing technology of Viet Nam's leather and footwear industry***

According to LEFASO, the whole Vietnamese leather and footwear industry with more than 1,700 businesses, up to 85% of enterprises are limited in capital, technology and technology, unable to take initiative in raw materials and materials, so the footwear enterprises need successfully constructing a synchronous production and supply chain of raw materials, thus taking advantage of the golden opportunity for development.

The Vietnamese leather and footwear industry is only in the first step of approaching the application of Industry 4.0 in the production of a number of specialty shoes, high-class specialized athletic shoes, medical shoes and high-class fashion shoes. ...; Other fields such as management, human resource management ... are still limited..

According to a recent survey conducted by the Vietnam Leather and Footwear Association (LEFASO), only a number of large-scale leather and footwear enterprises in the country have invested in 100% automation machines in processing raw materials and other production stages. However, overall, the technology level of Vietnamese footwear production is at average level compared to the region. Newly mechanized production process; the rate of manual jobs is still high; technology transfer to businesses is also to a certain extent. This is a profound cause for the difference in quality between manufacturers.

Implementing Industry 4.0 not only in production technology but also in other fields such as human resource management, production management, production methods, logistics for distribution and retail, commerce and e-commerce, labor ... is still a very foreign concept for domestic footwear enterprises. The implementation of achievements in Industry 4.0 has shown more and more clearly on the map of manufacturing and trading of shoes and hanfbags in the world. This will be a decisive factor in the race to win market share and market of manufacturers and distributors.

According to LEFASO, in order for domestic footwear enterprises to be strong enough in this race, it is necessary to build a specific strategy for the footwear industry suitable for the country's industrial development. Formulating policies on technological renewal, developing industry to support the production of raw materials and auxiliary materials for leather and footwear industry; investing in the development of Industry 4.0 technology in the direction of increasing labor productivity, reducing energy use, handling pollution and protecting the environment in order to improve the export competitiveness of footwear products; brand development, distribution system in domestic and international markets.

Development of 4.0 technology for the footwear industry must be based on 4 pillars: Big data - artificial intelligence - IoT - autonomous robot. Besides the efforts and initiative, domestic footwear enterprises need strong enough incentive mechanisms from the government management agencies - a solid foundation for our country's leather and footwear industry to conduct a comprehensive industrialization.

### ***3. Co-operation, Investment and Technology transfer opportunities with other members of The Comprehensive and Progressive Agreement for Trans-Pacific Partnership***

#### ***FDI attraction in the first 6 months of 2020***

According to the statistics of Foreign Investment Agency - Ministry of Planning and Investment, in the first 6 months of 2020 (from January 1, 2020 to June 20, 2020), the total newly registered capital, adjusted and contributed capital to buy shares of foreign investors reached 15.67 billion USD, fell by 15.1% when compared to the same time period in 2019. The implemented capital of foreign direct investment projects was estimated at 8.65 billion USD, dropped by 4.9% over the same period in 2019.

In particular, Vietnam attracted 1,418 newly licensed FDI projects (down 17.7% compared to the same period last year) with a total registered capital of US \$ 8.44 billion (up 13.8% compared to the same period last year). Regarding the adjusted capital, there were 526 registered projects for adjusting investment capital, the total additional registered capital reached over 3.7 billion USD, up 26.8% compared to the same period last year. For capital contribution and share purchase, there were 4,125 capital contribution and share purchase of

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foreign investors, an increase of 2.6% over the same period last year, total value of capital contribution of 3.51 billion USD, down 56.8% over the same period last year. Although the number of capital contribution and share purchase has increased, the scale of small capital contribution is only 0.85 million USD / capital contribution, much smaller than the average scale in the first 6 months of 2019. The percentage of capital contribution and share purchase in the total registered investment capital also decreased significantly compared to the same period in 2019, from nearly 44% in the first 6 months of 2019 to 22.4% in the first 6 months of 2020.

In the past 6 months, 18 industries have been invested by foreign investors in Vietnam. In which, the processing and manufacturing industry was in the lead with total investment capital of over 8 billion USD, accounting for 51.1% of total registered investment capital.

According to investment partners, there have been 98 countries and territories investing in Vietnam. Among the CPTPP member countries, Singapore leads with a total investment of 5.44 billion USD, accounting for 34.7% of total investment in Vietnam, Followed by Japan (ranked 4th with 1.46 billion USD); Malaysia (ranked 13th with 120.17 million USD); Australia (ranked 18th with 54.13 million USD); Canada (ranked 20th with 51.25 million USD); New Zealand (ranked 63rd with 313.53 thousand USD); Chile (ranked 87th with 14.17 thousand USD); Mexico (ranked 97th with 2.11 thousand USD). Peru and Brunei did not have any projects in Vietnam in the first 6 months of this year.

Regarding the number of newly licensed projects, Japan ranked first (154 projects); Singapore ranked second (121 projects); Australia ranked third (28 projects); Malaysia ranked fourth (16 projects); Canada (12 projects) and New Zealand (2 projects). Meanwhile, Chile has 2 capital contribution projects and Mexico only 1 capital contribution project.

Investment capital in June 2020 increased again after a decrease in May 2020 and increased by 3.1% compared to the same period in 2019. The scale of new investment projects also increased significantly, the size of Average capital in June reached US \$ 4.8 million / project, 67.2% higher than May 2020, 2.4 times higher than March 2020 and 2.2 times higher than February 2020. (Only lower than April 2020 with an average size of US \$

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5.5 million / project and in January of over US \$ 17 million / project due to a large project of US \$ 4 billion).

The Covid-19 pandemic had negative impacts on the world economy, in which production and business activities were delayed, many businesses were in difficult situations. Implementation capital of foreign investment projects continued to decrease in the first 6 months, only equaling 95.1% over the same period, but the level of reduction is gradually improving compared to the previous months.

The travel of investors as well as new investment decisions and the expansion of foreign investment projects are still affected. The number of new projects and adjusted capital decreased compared to the same period, especially newly registered projects (decreased in June and 6 months). Although new and increased capital increased, the increase was mainly due to large projects, which had been submitted and negotiated for a long time before. If excluding large projects of over USD billion, the total newly registered, adjusted and contributed capital of foreign investors in the first 6 months of 2020 will be equal to 70.4% of the same period of 2019.

The impact of the Covid-19 pandemic continues to affect import and export turnover throughout the country. Although the FDI sector still had a trade surplus of 14.2 billion USD and contributed to a surplus of 4 billion USD of the trade balance, the import-export turnover continued to decrease compared to the same period.

In the first 6 months and especially in June, thousands of experts from Korea, Hong Kong, and Japan continue to be supported to enter Vietnam to maintain and expand production.

According to experts, a new wave of FDI is coming to Vietnam. This was fueled by major global events, such as the US-China trade war, the Covid-19 epidemic, among other factors. However, this time Vietnam will attract more quality FDI as very few countries are able to meet the standards of multinational corporations.

According to EPIC criteria set regarding countries that are ready to join the new global supply chain announced by IHS Markit (UK) and University of Tennessee (USA), Vietnam has ranked 25th out of 60 most FDI attractive countries in the world.

**\* *International Conference of Footwear Industry in 2020***

On June 30, 2020, the Vietnam Leather, Footwear and Handbag Association organized the International Conference on Footwear Industry in 2020 in Ho Chi Minh City to attract more than 100 enterprises from corporations and enterprises in the and abroad, experts in the footwear industry. The seminar aimed to inform businesses about the domestic market, export, how to participate in the global leather and footwear supply chains, guide procedures to enjoy preferences from the European market under the Vietnam-EU free trade agreement, applying 4.0 technology to the production of leather and footwear and discussing hot topics on footwear such as sustainability, product innovation.

The Vietnam Leather, Footwear and Bags Association said that the Covid-19 pandemic had impacted Vietnam's leather and footwear industries heavily. In the first 6 months, orders dropped by about 50%, so many businesses could only produce 30-70% of their capacity. Many enterprises are trying to maintain production and wait for the peak of shoe consumption in late 2020 and early 2021.

In 2019, Vietnam's footwear export reached nearly 18 billion USD and was one of the 5 industries with the largest export turnover in the country. It is expected that in the year 2020, the country's footwear export turnover will reach 20 billion USD, but the Covid-19 pandemic will likely reduce this estimated number to only 13.4 billion USD.

Changing the leather and footwear supply chain to take advantage of the opportunities from the EVFTA and recovering from the Covid 19 pandemic are essential now. The Vietnam Leather, Footwear and Bags Association (LEFASO) will take drastic efforts to create a good business environment, as well as a survey to properly assess the global footwear market and the actual situation in Vietnam after signing the EVFTA agreement and building a vision for development in the coming time.

In the program, the Import-Export Department - the Ministry of Industry and Trade specifically guides the implementation of the agreement such as: The Circular stipulates the implementation of rules of origin, rules on leather and footwear codes, bags, and regulations. and certification mechanism for exported Vietnamese goods ...

Experts analyze the current situation of the leather and footwear supply chain and the conditions to join the supply chain in the new context. Updating technical barriers to trade

and compliance requirements for footwear products when exporting to the EU market according to EVFTA. Support policies and solutions for restoring the sustainable development of the leather and footwear industry after Covid 19. Introducing the smart factory model applying 4.0 technology and lean manufacturing to enhance productivity in the industry footwear ... Experts in the footwear industry have made a number of forecasts about the domestic and world markets in the near future so that businesses have an overview, build appropriate production and business plans with each market.

In addition, the compliance with social responsibility and sustainable development for footwear manufacturers and suppliers in Vietnam is also concerned by businesses, to ensure compliance, improve management, labor system and towards environmentally friendly production.

This conference provides a platform of knowledge and information about the Vietnamese leather and footwear market through specific speeches and discussions, which will help participants better understand the situation of industry development. Vietnam leather shoes, bags and looking for business opportunities in the trade connection program at the conference ...

## **II. The exportation of leather and footwear products between between Vietnam and other CPTPP members**

### ***1. General information regarding the exportation to other CPTPP members***

In the first half of 2020, leather and footwear industry is one of the industries negatively affected by the impact of Covid-19 epidemic. Manufacturing enterprises face double difficulties from both sides, the shortage of imported raw materials and the interruption is the main export markets, especially the US and Europe. As a result, export turnover of the first 6 months decreased sharply compared to the same period.

According to the data given by the General Department of Vietnam Customs, the export turnover of Viet Nam's leather and footwear products in June, 2020 reached nearly 1.44 billion USD, increased by 9.8% over the previous month but decreased by 20.92% compared to June, 2019. In particular, the export turnover of these products from CPTPP markets reached approximately 165.82 million USD, accounted for 11.54% of the country's

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total export turnover, rose by 5.11% over the previous month but fell by 20.98% when compared to last year.

In the first 6 months of 2020, the total export turnover of leather and footwear products reached approximately 8.13 billion USD, fell by 6.9% when compared to the same time period in 2019. The export turnover of these products from CPTPP markets reached 1.06 billion USD, dropped by 6.06% when compared to the same period in 2019 and accounted for 13.01% of the total export turnover from CPTPP markets. Overall, the turnover of all types of leather and footwear products exported to CPTPP members has decreased when compared to the same period in 2019.

The Covid-19 epidemic is currently under control in our country and the EVFTA, which will come into effect on August 1, 2020, will help export to the EU grow. The Vietnam Leather - Footwear - Bags Association also forecasts that footwear export turnover in the third and fourth quarters of 2020 will rise and maintain a growth rate of 10% for the last months of 2020. Expected export turnover of the whole industry in 2020 will be reduced by about 5.5 billion USD compared to export turnover of 22 billion USD in 2019. The problem is that businesses need to quickly seize the opportunity to secure more orders from Europe.

**Table 3: The turnover of Viet Nam's leather and footwear products exported to other CPTPP members in June 2020 and in the first 6 months of 2020**

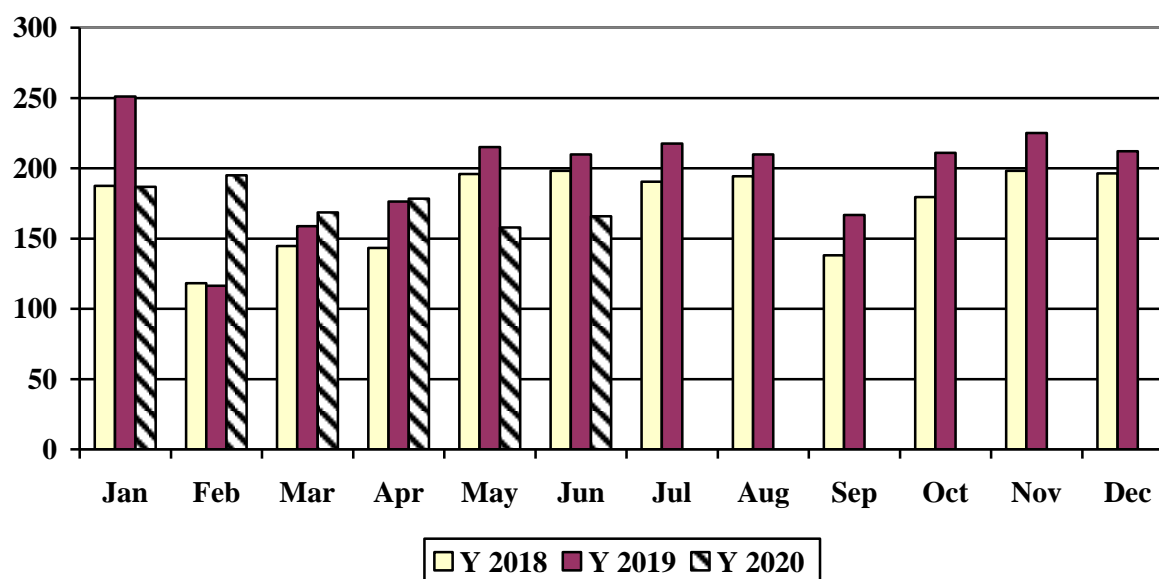
Markets	June 2020 (Million USD)	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020 (USD)	When compared to the first 6 months of 2019 (%)	Percentage of the first 6 months of 2020 when compared to CPTPP (%)	Percentage of the first 6 months of 2020 when compared to the whole country (%)
<b>Total</b>	<b>1.436.722.094</b>	<b>9,80</b>	<b>-12,19</b>	<b>8.130.192.791</b>	<b>-6,90</b>	<b>*</b>	<b>100,00</b>
<i>CPTPP Sector</i>	<i>165.819.521</i>	<i>5,11</i>	<i>-20,98</i>	<i>1.057.490.750</i>	<i>-6,06</i>	<i>100,00</i>	<i>13,01</i>
Japan	77.295.059	16,04	-20,92	476.724.268	-0,39	45,08	5,86
Canada	26.440.478	-15,67	-23,62	178.341.447	-6,52	16,86	2,19
Mexico	14.417.884	-38,23	-34,38	127.696.591	-9,97	12,08	1,57

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Markets	June 2020 (Million USD)	When compared to May, 2020 (%)	When compared to June, 2019 (%)	The first 6 months of 2020 (USD)	When compared to the first 6 months of 2019 (%)	Percentage of the first 6 months of 2020 when compared to CPTPP (%)	Percentage of the first 6 months of 2020 when compared to the whole country (%)
Australia	20.130.710	43,71	-12,52	118.481.622	-7,93	11,20	1,46
Chile	6.894.850	28,74	-29,63	48.375.366	-21,78	4,57	0,60
Singapore	9.069.682	25,43	17,11	36.690.385	-8,73	3,47	0,45
Peru	2.187.159	-37,69	-58,33	28.464.599	-13,29	2,69	0,35
Malaysia	5.702.361	42,05	-21,87	26.071.813	-23,83	2,47	0,32
New Zealand	3.681.338	57,30	52,25	16.644.659	-0,60	1,57	0,20

*Source: Preliminary statistical data of the General Department of Vietnam Customs*

**Figure 1: The turnover of Viet Nam's leather and footwear products exported to other CPTPP members during 2018-2020 (Unit: million USD)**



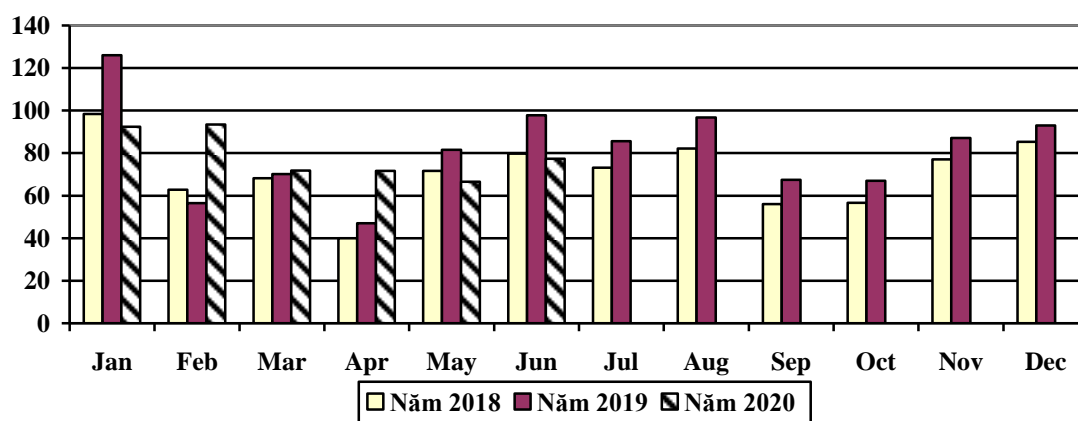
*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## **2. In-depth information regarding the exportation to other CPTPP members**

### **2.1. The exportation of leather and footwear products to Japan**

Among the members of the CPTPP, Japan is the largest export market for our leather and footwear products. In June, 2020, the turnover of Viet Nam’s leather and footwear products exported to Japan reached 77.3 million USD, increased by 16.04% over the previous month but decreased by 20.92% when compared to June, 2019.

**Figure 2: The turnover of Viet Nam’s leather and footwear products exported to Japan during 2018-2020 (Unit: million USD)**



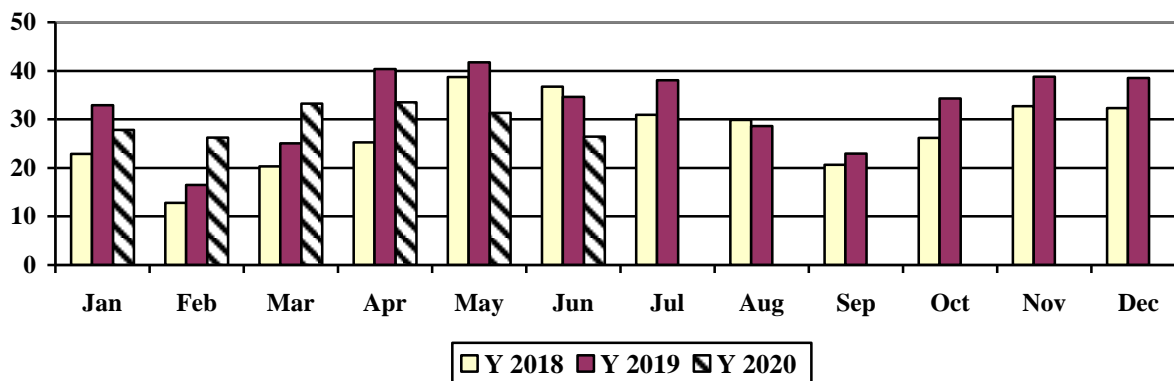
*Source: Preliminary statistical data of the General Department of Vietnam Customs*

In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Japan reached 476.42 million USD, a decrease of 0.39% when compared to the same time period last year, accounted for 45.08% of the total export turnover from CPTPP markets and 5.86% of the country’s total export turnover.

### **2.2. The exportation of leather and footwear products to Canada**

The turnover of Viet Nam leather and footwear products exported to Canada in June, 2020 reached over 26.44 million USD, dropped by 15.67% over the previous month and by 23.62% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Canada reached over 178.34 million USD, a decrease of 6.52% when compared to the same time period last year; accounted for 16.86% of the total export turnover to CPTPP markets and only 2.19% of the country’s total export turnover.

**Figure 3: The turnover of Viet Nam’s leather and footwear products exported to Canada during 2018-2020 (Unit: million USD)**

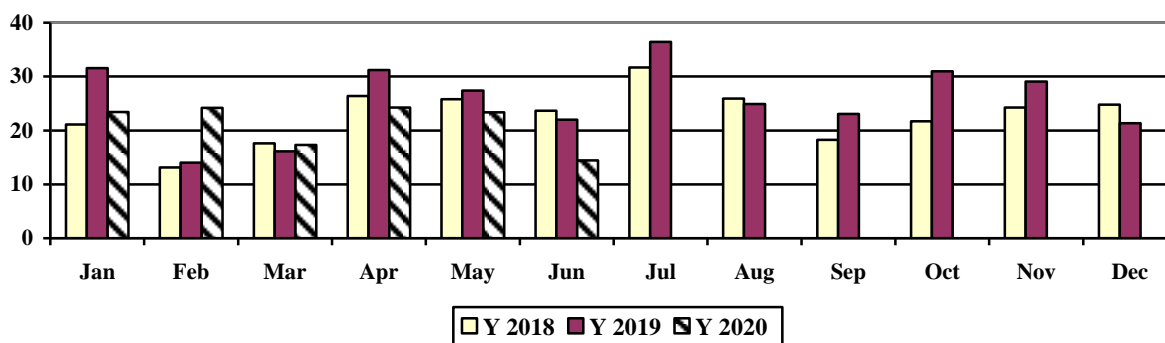


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

### 2.3. The exportation of leather and footwear products to Mexico

The turnover of Viet Nam leather and footwear products exported to Mexico in the month of June, 2020 reached 14.42 million USD, fell by 38.23% over the previous month and by 34.38% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Mexico reached over 127.7 million USD, a decrease of 9.97% when compared to the same time period in 2019; accounted for 12.08% of the total export turnover to CPTPP markets and only 1.57% of the country’s total export turnover.

**Figure 4: The turnover of Viet Nam’s leather and footwear products exported to Mexico during 2018-2020 (Unit: million USD)**

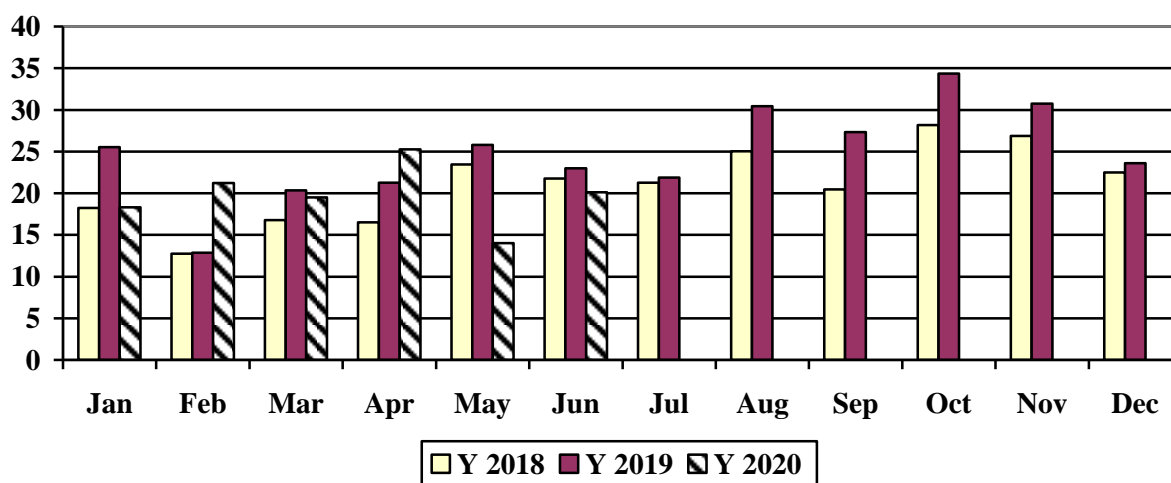


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

#### **2.4. The exportation of leather and footwear products to Australia**

The turnover of Viet Nam leather and footwear products exported to Australia in June, 2020 reached 20.13 million USD, went up by 43.71% over the previous month but went down by 12.52% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Australia reached over 118.48 million USD, a decrease of 7.93% when compared to the same time period last year; accounted for 12.08% of the total export turnover to CPTPP markets and only 1.57% of the country’s total export turnover.

**Figure 5: The turnover of Viet Nam’s leather and footwear products exported to Australia during 2018-2020 (Unit: million USD)**

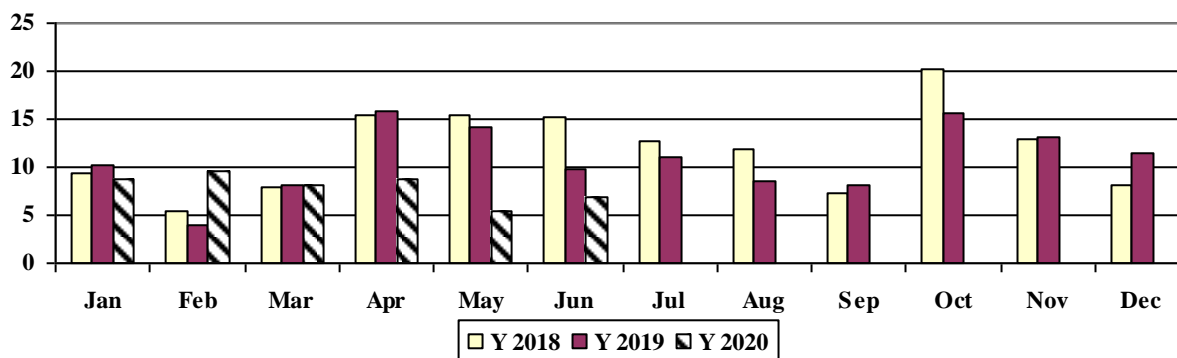


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

#### **2.5. The exportation of leather and footwear products to Chile**

In the month of June, 2020, the turnover of Viet Nam leather and footwear products exported to Chile reached 6.89 million USD, rose significantly by 28.74% over the previous month but fell by 29.63% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Chile reached nearly 48.38 million USD, a decrease of 21.78% when compared to the same time period last year; accounted for 4.57% of the total export turnover to CPTPP markets and 0.6% of the country’s total export turnover.

**Figure 6: The turnover of Viet Nam’s leather and footwear products exported to Chile during 2018-2020 (Unit: million USD)**

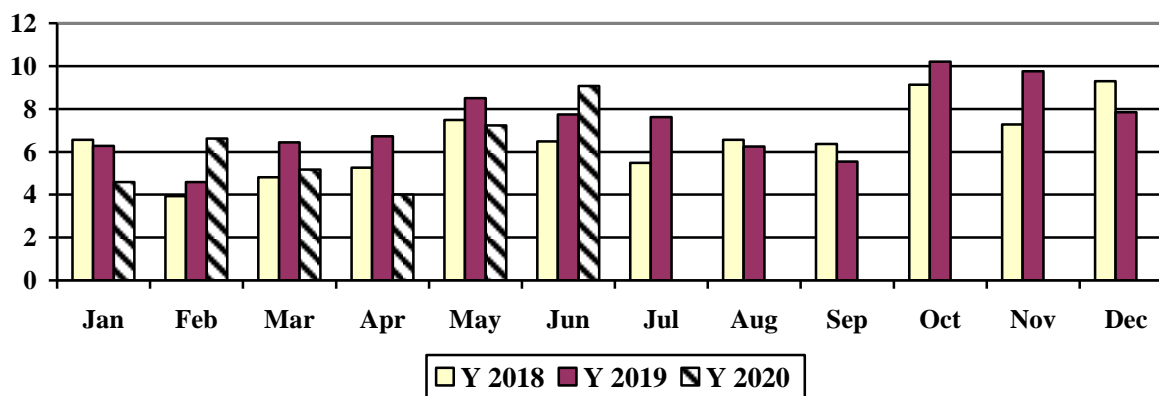


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## 2.6. The exportation of leather and footwear products to Singapore

The turnover of Viet Nam leather and footwear products exported to Singapore in June, 2020 reached over 9.07 million USD, climbed by 25.43% over the previous month and by 17.11% when compared to the month of June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Singapore reached over 36.69 million USD, a decrease of 8.73% when compared to the same time period in 2019; accounted for 3.47% of the total export turnover to CPTPP markets and only 0.45% of the country’s total export turnover.

**Figure 7: The turnover of Viet Nam’s leather and footwear products exported to Singapore during 2018-2020 (Unit: million USD)**

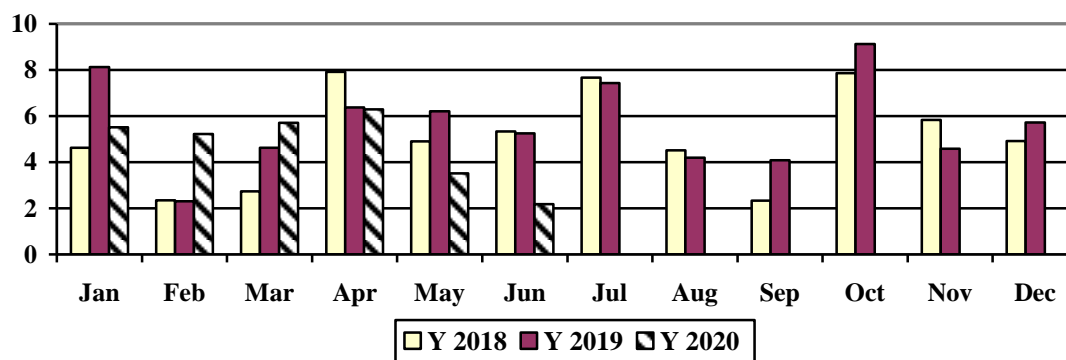


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## 2.7. The exportation of leather and footwear products to Peru

The turnover of Viet Nam leather and footwear products exported to Peru in the month of June, 2020 reached 2.19 million USD, went down by 37.49% over the previous month and by 58.33% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Peru reached over 28.46 million USD, a decrease of 13.29% when compared to the same time period last year; accounted for 2.69% of the total export turnover to CPTPP markets and only 0.35% of the country’s total export turnover.

**Figure 8: The turnover of Viet Nam’s leather and footwear products exported to Peru during 2018-2020 (Unit: million USD)**

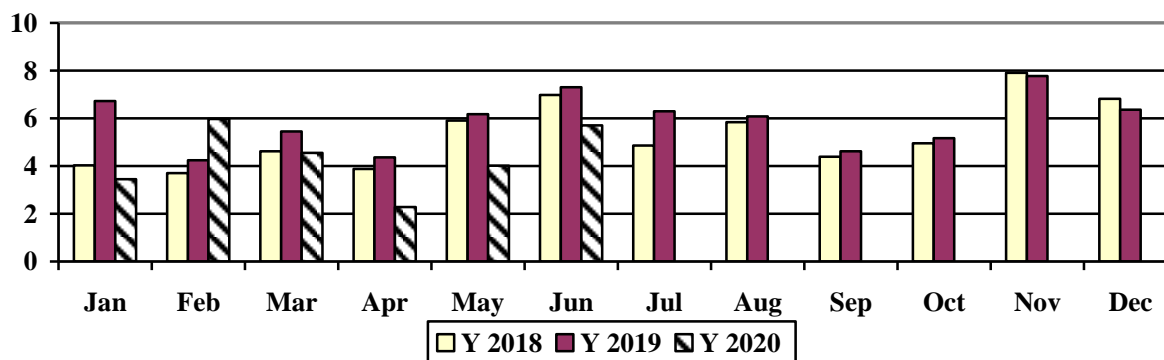


*Source: Preliminary statistical data of the General Department of Vietnam Customs*

## 2.8. The exportation of leather and footwear products to Malaysia

In June, 2020, the turnover of Viet Nam leather and footwear products exported to Malaysia reached 5.7 million USD, significantly increased by 42.05% over the previous month but decreased by 21.87% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to Malaysia reached over 26.07 million USD, a huge decrease of 23.83% when compared to the same time period last year; accounted for 2.47% of the total export turnover to CPTPP markets and only 0.32% of the country’s total export turnover.

**Figure 9: The turnover of Viet Nam’s leather and footwear products exported to Malaysia during 2018-2020 (Unit: million USD)**

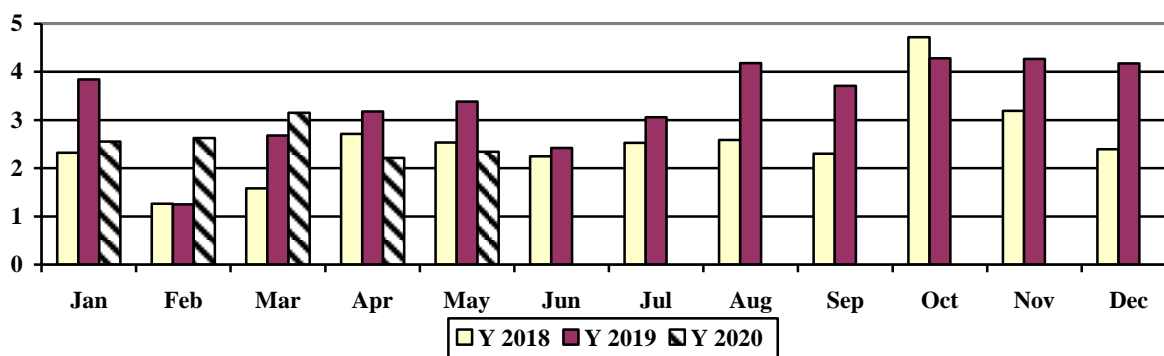


Source: Preliminary statistical data of the General Department of Vietnam Customs

## 2.9. The exportation of leather and footwear products to New Zealand

The turnover of Viet Nam leather and footwear products exported to New Zealand in June, 2020 reached 3.68 million USD, rose by 57.3% over the previous month and by 52.25% when compared to June, 2019. In the first 6 months of 2020, the total turnover of Viet Nam’s leather and footwear products exported to New Zealand reached over 16.67 million USD, a decrease of 0.6% when compared to the same time period last year; accounted for only 1.57% of the total export turnover to CPTPP markets and 0.2% of the country’s total export turnover.

**Figure 10: The turnover of Viet Nam’s leather and footwear products exported to New Zealand during 2018-2020 (Unit: million USD)**



Source: Preliminary statistical data of the General Department of Vietnam Customs

### **III. Policies regarding the co-operation in production, investment, technology and trading of Viet Nam's leather and footwear industry with the members of CPTPP**

#### **\* EVFTA to leather and footwear companies after Covid-19**

On June 8, 2020, Vietnam National Assembly approved the Vietnam - European Union Free Trade Agreement (EVFTA), opening a new chapter in the extensive partnership between Vietnam and the EU, the world's largest trading block. The EVFTA is considered to be an important lever for Vietnam's export growth because it helps Vietnamese products increase competitiveness and easily enter fastidious markets.

Leather and footwear interprises are expecting the EU-Vietnam Free Trade Agreement (EVFTA) to come into effect in August to receive a 0% tariff rate for products, such as athletic shoes, suitcases, briefcases and handbag.

The EVFTA will open opportunities for growth of Vietnam's exports of footwear and bags to EU member countries. Accordingly, the tariff rate for bags, purses, briefcases, suitcases, protective shoes and athletic shoes will be 0% as soon as EVFTA takes effect.

In particularly, product lines accounting for 37% of total footwear products exported from Vietnam will immediately receive the tariff rate of 0%, the rest will be reduced from the average of 12.5% to 0% according to the 3 to 7 year roadmap.

Vietnam Leather and Footwear Association (LEFASO) said that when EVFTA comes into effect, tariff rate on athletic shoes will be reduced from 17% to 0%, as well as handbags, suitcases; Only shoes with leather uppers has a tariff reduction schedule within 7 years.

In the context of export affected by Covid-19, many businesses in the industry have to fire workers, orders canceled by partners, delayed, decreased sales, when the EVFTA coming into effect, each export order to the EU will earn more money thanks to from tariff incentives to compensate for the difficult period.

Some businesses also confirmed that the number of goods still in stock due to customer temporary cancellation and postponement from March 2020 remains, so when EVFTA, plus Covid-19 is subsiding in Europe, is an opportunity to free up inventory.

Vietnam exports nearly US \$ 19 billion worth of footwear every year, of which athletic shoes account for a large proportion of the total export turnover. According to

LEFASO data, the export turnover of Vietnam's footwear and bags industry in 2019 to the EU market reached 6.1 billion USD, up 9% compared to 2018. In particular, footwear exports reached 5 billion USD, up 7.6% compared to 2018 (accounting for 27.3% of the country's total footwear export turnover). Export of handbags, wallets, suitcases, hats, umbrellas to the EU market reached 1.1 billion USD, up 15.9%. This was a good growth rate for this item over the past few years.

According to an EVFTA Impact Assessment Report by the Ministry of Planning and Investment, when EVFTA comes into effect, it will contribute to a significant increase in the export of leather footwear to the EU. The growth rate of exports to the EU is forecasted to double by 2025 and the total exports of leather shoes will also increase by about 34%, the industry's output will increase at 31.8%.

In the past years, footwear is an export industry that has always been in the top of the group of industrial goods with preferential C / O (certificate of origin of goods) preferential under free trade agreements (FTA).

According to the Import-Export Report, in 2019, the preferential C / O utilization rate of the leather and footwear industry accounted for nearly 92% with the export turnover granted preferential C / O to markets signing FTA with Vietnam: 4.76 billion USD, up 23.31% compared to 2018.

Export growth to the EU is forecasted at 5-10% in the first 5 years, export turnover of the whole industry will increase by about 3% / year. However, according to LEFASO, in order to grow sustainably and bring about a high trade surplus, the Vietnamese leather and footwear industry still has to invest heavily in the upstream stage, increasing the localization rate, meeting the standards of origin as provided by FTAs such as EVFTA and CPTPP.

The EVFTA has a fairly open regulation for Vietnamese businesses to allow businesses to use raw materials from EU member states and countries with which the EU has signed FTAs, namely Korea, Japan and issued regulations. origin is called the Regional Value content (RVC). As such, the Vietnamese leather and footwear industry will have more time for the roadmap to control local raw materials by using materials imported from Korea.

In the post-Covid-19 period, if EVFTA was put into practice, Vietnamese enterprises would have great advantages from reducing / eliminating tariff barriers to EU to exploit this 18,000 billion USD market.

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The EVFTA will create opportunities for export growth to EU countries. However, if leather products and bags, wallets, briefcases, protective shoes and sports shoes are to 0% immediately after the Agreement comes into effect, the tariff rate for leather footwear products will be reduced from the base level of 12.5% to 0% according to the 3-7 year roadmap.

#### **IV. Appendix**

**Appendix : List of some prime example companies exporting leather and footwear products to CPTPP markets in June 2020**

<b>No</b>	<b>Company's name</b>
1	Pouyuen Viet Nam Co. Ltd
2	Tae Kwang Vina Industrial Joint Stock Company
3	Hwaseung Vina Co. Ltd
4	Chang Shin Viet Nam Co. Ltd
5	Alena (Viet Nam) Footwear Co. Ltd
6	Pou Sung Viet Nam Co. Ltd
7	Freewell Co. Ltd (Viet Nam)
8	Freeview Industrial Co. Ltd (Viet Nam)
9	Ching Luh Group Co. Ltd
10	Roll Sport Viet Nam Footwear Co. Ltd
11	Shyang Ying Co. Ltd
12	Viet Nam Samho Co. Ltd
13	Fulgent Sun Footwear Co. Ltd
14	Adora (Viet Nam) Footwear Co. Ltd
15	Vinh Long Footwear Co. Ltd
16	Sun Jade Viet Nam Footwear Co. Ltd
17	Dona Standard Viet Nam Footwear Co. Ltd
18	Lac Ty Ii Co. Ltd
19	Freetrend Industrial A Viet Nam Co. Ltd
20	Kingmaker Footwear Co. Ltd (Viet Nam)
21	Shyang Hung Cheng Co. Ltd
22	Dona Victor Footwear Co. Ltd
23	Annora Viet Nam Footwear Co. Ltd
24	Stateway Viet Nam Footwear Co. Ltd

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<b>No</b>	<b>Company's name</b>
25	Amara Viet Nam Footwear Co. Ltd
26	Ymuv Co. Ltd
27	Freetrend Industrial Co. Ltd (Vietnam)
28	Dong Hung Industrial Joint Stock Company
29	Ty Thanh Co. Ltd
30	Yue De Viet Nam Co. Ltd
31	Long Fa Co. Ltd (Viet Nam)
32	Long Hanh Thien Ha Co. Ltd
33	Diamond Viet Nam Co. Ltd
34	Aleron Viet Nam Footwear Co. Ltd
35	Oriental Sports Viet Nam Co. Ltd
36	Viet Nam Moc Bai Joint Stock Company
37	Beesco Vina Co. Ltd
38	Thien Loc Shoes Corporation
39	Golden Star Co. Ltd
40	Yi Feng Footwear Joint Venture Co. Ltd
41	Can Sports Viet Nam Co. Ltd
42	Pou Chen Viet Nam Co. Ltd
43	Dona Pacific Viet Nam Co. Ltd
44	Dat Vinh Garment Import-Export Co. Ltd
45	Ty Bach Co. Ltd
46	Fu – Luh Shoes Co. Ltd
47	Ngoc Hung Footwear Co. Ltd
48	Right Rich Viet Nam Co. Ltd
49	Pou Hung Viet Nam Co. Ltd
50	Dai Loc Shoes Corporation

*Source: Preliminary statistical data of the General Department of Vietnam Customs*