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Export Barriers:
The case of the Vietnamese Footwear Industry

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List of Abbreviations

AAFA	American Apparel and Footwear Association
AFTA	ASEAN Free Trade Area
BTA	Bilateral Trade Agreement
CBI	Centre for the Promotion of Imports from Developing Countries
EU	European Union
FEI	Ministry of Industry (Vietnam)
FOR	Foreign owned company
GSP	Generilized System of Preferences
HL footwear	Hanoi Leather Footwear
HS chapter 61	Harmonised System chapter 61
ISO	International Organization for Standardization
JOV	Joint-venture
LEFASO	Leather and Footwear Association
SME	Private company
SOE	State owned company
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USA	United States of America
VND	Vietnamese Dong
WTO	World Trade Organisation

1. Introduction

The footwear industry in Vietnam has been developing very fast over the last decade. Prior to the opening of the Vietnamese economy in the early 1990s, the footwear industry was involved mainly in sewing only the upper parts of products to be exported to the Soviet Union. At that time the quality and differentiation of products were not particularly high. The Vietnamese footwear industry later suffered a severe crisis due to the disappearance of its established importers. As part of the *"Doi Moi"* reform policy the Vietnamese Government encouraged the formation of joint ventures with foreign partners. This initiative resulted in the relocation of many factories from countries like Taiwan to Vietnam. Therefore the sector started to recover and found new markets and the Vietnamese footwear industry registered a sharp growth bringing the export value to unprecedented heights (EUECC, 2004).

Today the Vietnamese footwear industry is the third largest foreign currency earner of the country after crude oil and textile, representing constantly more than 10% of total exports (LEFASO, 2004). Vietnamese footwear ranks fourth in world export value after China, Hong Kong and Italy.

Most enterprises operate on processing contracts, while foreign partners supply materials and designs and market the finished products. The manufacturing process is helped by subcontracting mostly Taiwanese and Korean trading companies along with the contribution of foreign investors. The finished goods are then exported to the international market under the management of foreign contractors (mostly Taiwanese and Korean).
Vietnam has proven itself as one of the most attractive countries for the production of cheap footwear. A large portion of its export performance resulted in a mere assembling activity of imported components (i.e. upper parts, some other accessories etc.). Vietnamese export revenue in this field, although quantitatively remarkable, will not guarantee sustainable development of its industry unless it upgrades in the near future.

In this study the export barriers of the seven selected footwear manufacturers are examined. The export barriers are constraints that hinder the manufacturing firms from developing countries to meet the requirements of the global buyer and to market their products successfully on export markets. We examine in this study the specific export barriers that are common to footwear manufacturers in Vietnam. Export barriers can be seen as the difficulties for local firms to operate on export markets. When firms want to be competitive on the global market they need to overcome difficulties and develop. Export barriers are very important to the Vietnamese footwear industry because this industry is mainly focused on export markets. Knowledge about the export barriers will help us to understand how the causes of their difficulties will be necessary.

1.1 Literature review

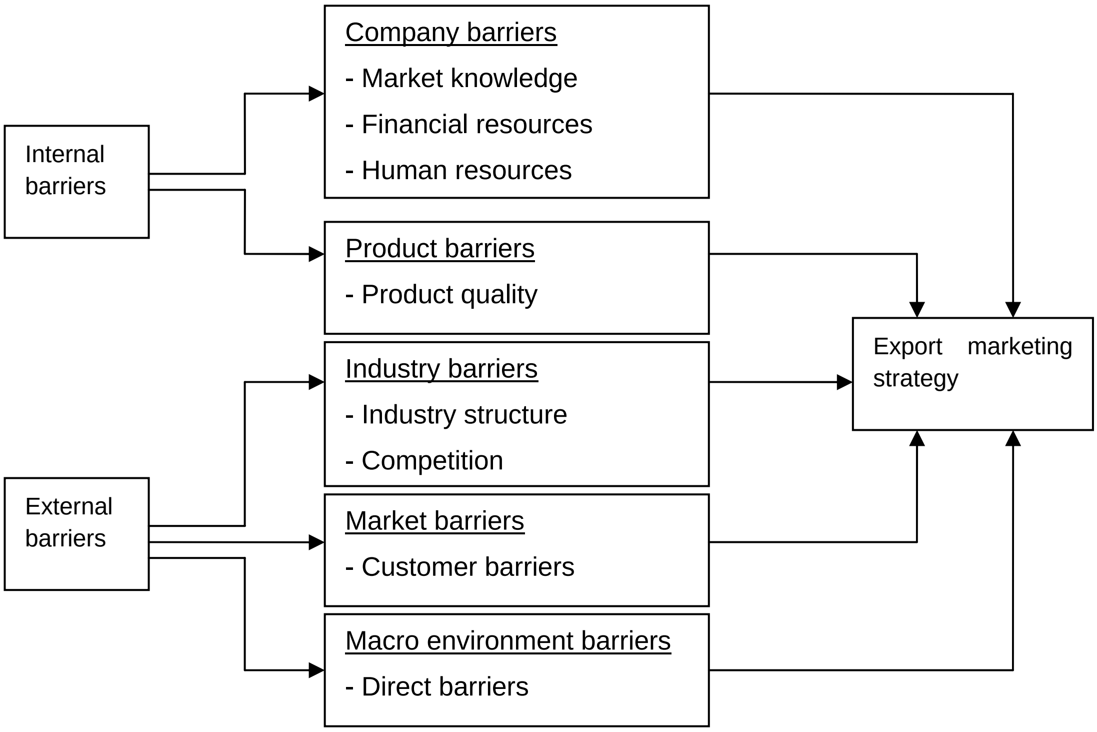
In this section we will give you an overview of the export barriers. This overview will be used to identify the export barriers that are important to manufacturing firms from developing countries. Leonidou (2004) defined export barriers as: *Barriers to exporting refer to all those constraints that hinder the firm's ability to initiate, to develop, or to sustain business operations in overseas markets.* (Leonidou, 2004: 281). He defined the export barriers as internal and external. Internal barriers are associated with organizational resources/capabilities and company approach to export. External barriers stem from the home and the host environment within which the firm operates.

Lall (1991) however, restricted his definition only to marketing barriers. He defined export marketing barriers as: *Export marketing barriers are those gaps which need to be filled before the competitive producer becomes a successful exporter* (Lall, 1991: 139). With ‘gaps’ he meant the inabilities of manufacturing firms to meet the requirements of their buyers (Lall, 1991). Although Lall’s definition is specific to marketing barriers, it includes all export barriers that hinder the manufacturer from being competitive in the international market. He suggested that export barriers should not be analysed in isolation, but studied in a broader perspective. We notice that the export barriers of manufacturing firms from developing countries are related to the requirements of their global buyers and their inabilities to operate successfully in export markets.

To make the definition of export barriers more explicit, we adjusted the definitions of Lall (1991) and Leonidou (2004) and we came up with the following definition that will be used in this study: *Export barriers are constraints that hinder the manufacturing firms from developing countries to meet the requirements of the global buyer and to market their products successfully on export markets.*

Studying the export barriers from this perspective helps us to have a comprehensive idea about the barriers themselves but also the factors that are contributing to their existence. Tesfom (2003) conducted a quite similar research of export barriers. He investigated the export barriers of footwear and textile manufactures from Eritrea, which is a developing country like Vietnam. He developed a framework of export barriers that influence the marketing strategy from manufacturers from developing countries. He used this framework to analyse the export barriers of the manufacturing firms in Eritrea. Since his research is similar to ours, this enables us to apply his framework to the Vietnamese footwear industry. Export barriers are related to the company, product, industry, market and macro environment and they all influence the export strategy of a firm. The Figure 1 is shown below with the components of and relations to the framework.

Figure 1: Internal and external export barriers that influence export marketing strategy of manufacturing firms in developing countries



Source: Tesfom, G., (2003), Export networking challenges and opportunities for manufacturing firms from developing countries, the case of Eritrea.

1.2 Research methodology

An explorative research gives an answer to an open research question (De Leeuw, 1996). In this explorative research we will not go into hypothesis. A case study design is used here as research strategy. Case studies are often based on a limited number of cases on which to conduct an in depth study about the object or phenomenon under investigation. They allow the researcher to concentrate on a specific instance or situation and to identify the various interactive processes at work. These processes may remain hidden in large-scale surveys but can be crucial to the success or failure of systems or organizations. Case studies often investigate the subject or phenomenon from different angles and rely on multiple sources of evidence. There are three criteria for choosing a certain type of research (Yin, 2003):

- The type of research question posed, 'how' and 'why' research questions are likely to use case studies;
- The extent of control an investigator has over actual behavioural events;
- The degree of focus on contemporary situations as opposed to historical events.

Firstly question is *"What are the specific export barriers of the local footwear manufacturers that influence to the upgrading of the Vietnamese footwear industry".* This is an appropriate research question for case studies. Secondly the interviewer will not control or manipulate the behaviour of the respondents. Finally, this research will focus on the current problems. Historical data will also be used to analyse the current situation.

The case study will focus on the export market which means that only export barriers will be examined. Geographically, we were to concentrate on the footwear manufacturing firms located in the South of Vietnam, where more than fifty per cent of the footwear manufacturers are situated.

1.3 Data collection

Both primary and secondary data were collected. Primary data were collected through interviews with managers from seven different footwear manufacturers in Vietnam. To create a proper foundation to this research the manufacturers were selected on three criteria.

First, the manufacturer had to maintain export activities. Without export activities or intentions to export, we cannot identify the export barriers. Export barriers are the central subject in this research.

Second, the manufacturers were selected on the basis of their ownership. We can distinguish four different types of ownerships: state-owned, privately owned, partly foreign-owned and fully foreign-owned. It is important for us to interview manufacturers with different ownerships to identify the differences between them in terms of export and upgrade performances.

Third, the manufactures had to be located in the South of Vietnam because more than 50 per cent of the footwear manufacturers are located in the South.

It was a hard process to find companies who were willing to cooperate. We managed to interview managers of seven companies. The managers didn't want the names of their companies mentioned in this thesis due to the competition. Therefore we named the state owned companies **SOE No.1** and **SOE No.2**, the private companies **SME No.1**, **SME No.2** and **SME No.3** and the foreign owned companies **JOV** and **FOR –** joint venture company. The seven participating footwear manufacturers in South Vietnam are presented in Table 1.

Table 1: Analysed cases of footwear companies in Vietnam

Name of factory	Ownership	Year of establishment	Number of employees	Function of interviewee
SOE No.1	State owned	1995	900	General manager
SOE No.2	State owned	1980	100	General manager
SME No.1	Private owned	1995	3,400	Marketing manager
SME No.2	Private owned	1998	300	Marketing manager
SME No.3	Private owned	2000	400	General manager
JOV	Joint venture	1992	1,100	General manager
FOR	100% foreign owned	1995	800	Production manager

Source: Own survey, 2005.

The following secondary data sources were consulted:

- Vietnamese Ministry of Trade
- Vietnamese Ministry of Industry
- Vietnamese Leather and Footwear Association (LEFASO)
- Statistics of the American Apparel and Footwear Association (AAFA)
- News paper articles from www.vneconomy.com.vn (VNECONOMY)
- Website links of Vietnamese Footwear Manufacturers (Appendix II)
- Worldbank publications

- UNIDO publications
- UNCTAD publications

2. Analysis and results

2.1 The National footwear industry

In the world markets the general demand for footwear in general tends to be an unceasing increase in quantity as well as in models and types. This is favourable for all countries exporting leather and footwear products, including Vietnam. Presently, the Vietnamese footwear industry can be divided into 4 subsections. Sport shoes accounting for over 56 per cent of the production volume in 2003, followed by women's shoes that accounted for 20 per cent[2]. Textile shoes and other shoes accounted for 7 and 17 per cent respectively, of the footwear production in Vietnam (LEFASO, 2004: 114). In 2003 the Vietnamese footwear companies exported more than 90 per cent of that year's production (LEFASO, 2004: 110).

2.1.1 Domestic demand

The domestic market is very small compared to the export for the international market. In 2003 about 25 million pairs of sport shoes and 18 million pairs of ladies shoes, canvas shoes and other shoes produced by private enterprises were for domestic consumption (LEFASO, 2004). With a population of 80 million, the domestic market should have been an important outlet for the local footwear industry, but in past years it has not concentrated on exploiting and meeting the demands of domestic users (VNECONOMY, 14-07-2003). Currently local firms are not able to meet the domestic consumption needs. There are different reasons for this. First local firms are mainly focused on the foreign markets and therefore are not aware of domestic consumer tastes. Second the industry lacks designers to design footwear for the domestic market. At present this gap has been filled with cheap footwear mainly imports from China.

2.1.2 Foreign demand

The explosive growth in the total export over the last couple of years confirms the increasing demand, due to the low prices of Vietnamese footwear. Figure 2 shows the remarkable growth of the Vietnamese footwear industry. Because of the lack of finances, knowledge and technology most footwear manufacturers are not able to produce footwear on their own and therefore local footwear manufacturers are often subcontracted to multinationals such as Nike, Adidas, Timberland and Bata (VNECONOMY, 12-08-2003). The major export markets are EU countries such as Germany, the United Kingdom, the Netherlands, France, Belgium, Italy, accounting for over 80 per cent of Vietnam's footwear export value. Other important export markets are the USA, Japan, Hong Kong, Korea and Taiwan (LEFASO, 2004: 7). USA holds 10 per cent and Japan 5 per cent of the market share (VNECONOMY, 01-09-2003). Appendix III shows the top 20 export markets. The three most significant markets will be discussed below.

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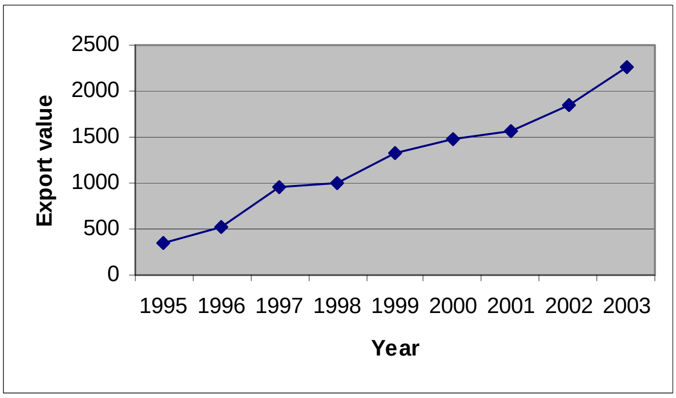
[2] Men and children shoes can be categorized under sports shoes, textile shoes and others.

Figure 2: Vietnam footwear export value from the year 1995 till 2003 (in million US Dollars)



Source: Vietnamese Leather and Footwear Association (LEFASO, 2004).

2.1.2.1 Europe

The EU-25 market for footwear is mature and stable. The market is still experiencing the after-effects of the world recession, which occurred in 2001. In the EU, the consumer expenditure on footwear in 2003 was estimated as stable at about € 61.8 billion. A notable trend, which presents itself in most EU countries, is the increasing demand for more casual and leisure footwear. The development is caused by a trend towards more casual lifestyles both in leisure as in office surroundings (CBI, 2004).
According to a newspaper article the EU has a lot of purchasing power but Europeans are fastidious about models and fashion and they prefer famous trademarks (VNECONOMY, 29-09-2003). The EU also protects its consumers by creating national and regional standards which exporters must follow. For these reasons cheap products with low quality won't be competitive in the EU. Table 2 shows the footwear suppliers of the EU from 1999 to 2003. China has been the EU largest footwear supplier during those four years. In 2003 it had an import share of 28.3 per cent (Enterprise, 2004). Vietnam followed second with a share of 23.8 per cent (See Table 2).

According to Boye (2002) the EU Generalized System of Preferences is one of the reasons why this market is the major outlet for Vietnam's footwear products. All footwear manufactured in Vietnam qualifies for preferential originating status eligible for the GSP preferential rate of 70 per cent of the full duty rate on importation into the EU. Footwear classified under HS chapter 64 is subject to EU duty rates of between 3.3 and 17.6 per cent. Many types of high-margin sports shoes that retail in the EU for more than 80 Euros a pair are dutiable to the highest rate. With the GSP, 17.6 per cent duty rate would be reduced to 12.3 per cent. In addition, Vietnam benefits from a non-quantitative restriction on footwear imports from Vietnam (Enterprise, 2004). In 1998, the EU withdrew GSP status from footwear originating from Vietnam's competitors like China, Indonesia, Thailand and Brazil. Due to the removal of the import tax benefits, exporters of those countries face a competitive disadvantage relative to Vietnamese origin footwear (Boye, 2002). In the event that Vietnam's footwear exports exceed 25 per cent of total EU footwear imports, the EU is expected to impose quotas and to withdraw the GSP status granted to Vietnam.

Table 2: Top 3 EU footwear suppliers (in 1 000 Euros)

	1999	2000	2001	2002	2003	Share of imports 2003	% growth 1999-2003
World Market	6,084,835	7,518,514	8,268,120	8,616,776	8,889,421	100.0%	46.1%
China	1,464,029	1,896,777	2,099,558	2,213,152	2,513,901	28.3%	71.7%
Vietnam	**1,326,290**	**1,730,461**	**1,955,031**	**2,108,651**	**2,118,926**	**23.8%**	**59.8%**
Romania	404,582	547,379	779,722	897,813	997,858	11.2%	146.6%
Indonesia	551,464	673,251	689,741	598,665	462,910	5.2%	-16.1%
India	243,189	282,797	336,371	373,420	394,250	4.4%	62.1%
Thailand	232,807	289,222	296,462	281,790	246,501	2.8%	5.9%
Tunisia	132,807	172,774	190,246	207,174	221,583	2.5%	66.8%
Macao	86,165	151,315	172,136	180,791	201,781	2.3%	134.2%
Brazil	162,701	182,314	173,142	180,589	184,836	2.1%	13.6%
Morocco	122,957	133,107	148,942	152,687	151,824	1.7%	23.5%

Source: Eurostat 2004.

2.1.2.2 United States of America

Table 3: Top 10 USA footwear suppliers (in 1 000 US Dollars)

	1999	2000	2001	2002	2003	Share of import 2003	% growth 1999-2003
World	13,632,018	14,508,904	14,903,821	15,079,196	15,252,969	100.0%	11.9%
China	8,339,971	9,098,599	9,647,478	10,114,068	10,396,087	68,2%	24.7%
Italy	1,175,611	1,250,743	1,251,237	1,175,142	1,233,530	8.1%	4.9%
Brazil	956,516	1,146,928	1,159,756	1,078,393	1,038,486	6.8%	8.6%
Indonesia	751,041	730,982	724,356	730,399	569,203	3.7%	-24.2%
Vietnam	**145,672**	**124,491**	**132,00**	**223,921**	**324,407**	**2.1%**	**122.3%**
Thailand	325,304	328,908	314,153	277,076	284,442	1.9%	-12.6%
Mexico	271,336	283,477	250,335	223,788	235,356	1.5%	-13.2%
Spain	326,096	323,730	273,026	268,545	234,394	1.5%	-28.1%
Taiwan	102,113	86,356	70,685	67,085	70,072	0.5%	-31.4%
Hong Kong	57,018	66,494	80,741	67,157	60,082	0.4%	5.4%

Source: Statistics of the American Apparel and Footwear Association (AAFA), 2004

The USA is the world's largest importer of footwear. On average, every man, woman, and child in the United States of America purchases more than four pairs of shoes each year. In 1998, Americans spent approximately $ 38 billion to purchase more than 1.1 billion pairs of shoes. Since footwear originating from overseas is cheaper than domestic footwear, due to lower labour costs, the USA import accounts for about 90 per cent of shoes sold in the country. China accounts for about 65.5 per cent of all footwear imports into the USA. Vietnam ranks eighth with a share of 0.9 per cent.

In the year 2003 the export has been growing by almost 73 per cent compared to 2002. This growth is due to the Bilateral Trade Agreement (BTA) between Vietnam and the USA which has been signed in 2001. USA imports of Vietnamese footwear will now be taxed at 3 per cent, as opposed to 40 per cent before the implementation of the BTA but despite the dramatic drop in tax rate. The USA market has great growth potential for the Vietnamese footwear industry. In a newspaper article Do Duc Binh, the head of economics and international business department of Hanoi national economics university, said that the USA is a large potential market for Vietnamese shoe exports because the USA market has a lot of purchasing power and the consumer's demands are varied and rather easy-going, but the American market always protects consumers and the USA has a very complicated legal system. Businesses should learn more about them and their requirements to increase their exports (VNECONOMY, 29-09-2003).

2.1.2.3 Japan

Japan is a huge market. Annually, it imports more than 300 million pairs of shoes, therefore Japan is deemed as a potential market for any exporters (FEI, 2002: 111). Table 4 shows the top 10 footwear suppliers.

Table 4: Top 10 Japan footwear suppliers (in 1 000 US dollars)

	1999	2000	2001	2002	2003	Import share 2003	% growth 1999-2003
World	2,771,419	2,980,353	3,044,874	2,935,633	3,077,957	100.0%	11.1%
China	1,716,994	1,936,821	2,021,550	1,979,558	2,099,130	68.2%	22.3%
Italy	268,376	277,668	294,349	296,013	319,999	10,5%	19.2%
Indonesia	72,309	76,109	85,564	112,374	105,103	3.4%	45.4%
Vietnam	**42,489**	**57,996**	**69,344**	**80,100**	**87,836**	**2.9%**	**106.7%**
Cambodia	19,506	42,023	58,071	66,745	79,191	2.6%	306.0%
Thailand	32,954	36,261	39,206	41,581	55,274	1.8%	67.7%
Korea	209,268	177,867	141,100	76,461	46,062	1.5%	-78.0%
Germany	41,006	26,668	27,320	27,000	32,049	1.0%	-21.8%
Spain	40,003	40,091	38,110	33,259	31,889	1.0%	-20.8%
Myanmar	6,060	11,406	15,864	17,326	25,750	0.8%	325.0%

Source: Leatherline, 2005.

Japan is an important market for Vietnam, but Japan has been considered as a hard to please market with strict requirements for product quality and designs. Despite these tough requirements Vietnamese companies were able to keep this market. The export turnover has been doubled since 1999, which accounts for 6% of the industrial export turnover. Vietnamese producers have experienced that Japanese companies never place a bulk order right at the beginning. Japanese partners often spend much time overseeing the implementation of contracts before placing large orders (FEI, 2002, 112).

The domestic demand is only 10% of the national production because local companies fail to design and produce footwear complying with the local demands of the domestic market. Not understanding the consumer needs in the domestic market is a competitive disadvantage of the Vietnamese footwear industry because there is a great potential in the domestic market. The highly growing foreign demand however is a source of competitive advantage since growing demand can lead to economies of scale or learning. But the foreign buyers all have tough requirements; this can be seen as an obstacle because they are hard to meet for local companies. According to Porter (1990) the demanding buyers put pressure on firms to upgrade and meet high standards in product quality, features and service and in doing so they help the companies to create a sustained competitive advantage eventually.

2.2 Case Studies on Export Barriers of Footwear Industry in Vietnam

The following selected cases first will be introduced briefly and then the export barriers will be discussed. Table 5 shows the interviewed companies with some of their particularities. On the basis of Tesfom (2003) his framework together with the interviews of the seven case studies we were able to construct Table 6. We used the checklist of Appendix I to classify the internal and external export barriers. The identified barriers are summarised in Table 6. The data in Table 6 only contain the export barriers that were identified in the case studies. An X stands for the presence of that export barrier at the company. In Annex II the interviews of the seven companies in this case study are available.

Table 5 : Seven case studies on export barriers

Company	Workforce	Production in pairs 2003	Type of footwear	Own brand	Main export markets
SOE No.1	900	1,000,000	Leather shoes, canvas shoes and slippers		EU and Asia
SOE No.2	100	150,000	Leather shoes for men		EU and Asia
SME No.1	300	500,000	Leather shoes and canvas shoes	X-shoes	EU
SME No.2	3,400	8,800,000	Sports shoes, leather shoes, canvas shoes and slippers	Y-shoes	Japan, EU, USA and Asia
SME No.3	400	650,000	Sports shoes	Z-shoes	EU and South Korea
JOV	1,100	1,200,000	Sports shoes and casual shoes		EU
FOR	800	1,000,000	Leather shoes, canvas shoes and slippers for women		EU, Asia and USA

Source: Own survey, 2005.

Table 6 : Export barriers of the seven cases

EXPORT BARRIERS	Footwear manufacturers						
	SOE NO.1	SOE NO.2	SME NO.1	SME NO.2	SME NO.3	JOV	FOR
Internal export barriers							
Lack of knowledge to locate foreign marketing opportunities	x	x	x	x	x	x	x
Lack of specific information regarding foreign agents, distributors and prospective buyers	x	x	x	x	x	x	x
Lack of export marketing research	x	x	x	x	x	x	x
Language problems in communicating overseas customers	x	x					
Lack of personnel trained and qualified in export marketing	x	x	x	x	x	x	x
Inability of the firm to self finance exports	x	x			x		
High cost of capital to finance exports	x	x					
Strict credit requirements of the bank					x		
Product quality problems	x	x					
High sensitivity of products to fashion			x	x	x		
Lack of adequate skill to adapt products for foreign markets			x	x	x		
Difficulty in meeting importers product quality standards	x	x					
Lack of ability to supply required quantity on continuous basis	x	x	x	x	x	x	x
External export barriers							
Lack of adequate quality of raw materials	x	x	x	x	x	x	x
Strong competition from domestic producers in the foreign market	x	x	x	x	x	x	x
Strong competition from other foreign producers in potential markets	x	x					
Lack of government assistance in overcoming export barriers		x		x			
High interest rates	x	x					
Total export barriers	14	15	9	10	11	7	7

Source: Own survey 2005.

The case studies have shown that some companies are doing better than others but they still face some common problems. At the comparison of the different case studies we have identified five internal export barriers and two external export barriers that form constraints for all seven companies.

The four internal export barriers are:

- Lack of knowledge to local foreign marketing opportunities
- Lack of specific information regarding foreign agents, distributors and prospective buyers
- Lack of market research
- Lack of personnel trained and qualified in export marketing
- Lack of ability to supply required quantity on continuous basis

The two external export barriers are:

- Lack of adequate quality of raw materials
- Strong competition from domestic producers in the foreign markets

The first four internal export barriers of the footwear manufacturers can be attributed to the low skills of the employees of the firm. Knowledge about the export market, how to get access to it and how to design products for it, are hard to learn for the footwear manufacturers. Also acquiring and adapting technology that is needed to manufacture the products for the export market is out of reach to the Vietnamese firms. Currently advanced technology cannot be acquired on the domestic market and the footwear manufacturers need to learn this from their foreign partners.

The fifth internal barrier is often caused by the delay of imports of materials, which is related to the first external barrier. Due to the lack of domestic materials of adequate quality, firms need to import at least 80 per cent.

The external barriers are caused by factors in the environment. The individual company cannot overcome that barrier by itself. High import of materials is caused by the fact that the quality of materials from domestic suppliers cannot meet the requirements of the global buyer, which has also been discussed in the previous chapter. This barrier can only be leveraged when domestic suppliers upgrade their products and manufacturing processes so that they produce better products that are suitable for the industry. Tough domestic competition and dependence on prices are actually two sides of the same sword. All the manufactures in the Vietnamese footwear market compete on prices. The industry is part of a value chain where global buyers outsource their production activities to low-cost countries. For them price is the most important factor in the supply of their products. Of course quality, flexibility, delivery times and other requirements are also important but the global buyers want it all. They want the best products at the cheapest prices and due to their bargaining power they are able to influence the prices. The manufacturers have to accept the prices otherwise they will lose clients.

In the case studies we have seen that the SOEs face more export barriers than the private and foreign firms. This is due to the lack of finances and willingness to invest in the company. They complain about high interest rates that will raise their footwear prices, which is their only source of competitiveness. The private companies are doing better, besides the common export barriers, another important barrier to them, is the low design skills. They all managed to market their own branded footwear. However they face difficulties to design footwear that are suitable for their major export markets like the EU and the USA. The foreign companies are inferior to the mother companies in South Korea and Taiwan and therefore have no knowledge about the export markets.

3. Conclusion

In this study, we have identified the specific export barriers of the Vietnamese industry, which gives an answer to the question of our study: *What are the specific export barriers of the local footwear manufacturers?*

To answer this question we conducted seven case studies. We used the framework of Tesfom (2003) to classify the export barriers. Tesfom (2003) listed 45 export barriers to identify the export barriers in the footwear and textile industry in Eritrea, and we used this as a checklist to identify the export barriers in our case studies. When we compared the seven manufacturers we identified seven export barriers that formed constraints for all seven companies. The five joint internal export barriers were: (1) lack of knowledge to local foreign marketing opportunities, (2) lack of specific information regarding foreign agents, distributors and prospective buyers, (3) lack of market research, (4) lack of personnel trained and qualified export marketing and finally, (5) lack of ability to supply required quantity on a continuous basis. The two external export barriers were (1) lack of adequate quality of raw materials and (2) strong competition from domestic producers in the foreign markets.

The first four internal export barriers of the footwear manufacturers can be attributed to the low skills of the employees of the firm. The fifth internal barrier is often caused by the delay of imports of materials, which is related to the first external barrier. The external barriers are caused by factors in the environment. The individual company cannot overcome these barriers by itself.

It seemed that SOEs face more export barriers than the private and the foreign firms. This is due to the lack of finances and willingness to invest in the company. The private companies are doing better, besides the joint export barriers, another important barrier to them, is the low design skills.

The footwear manufacturers in Vietnam need to overcome these barriers to survive in the industry. Tough competition will drive weak manufacturers from the market. Local firms cannot overcome external barriers by itself. Internal barriers however can be overcome by both investments and learning. By overcoming the export barriers, the local firms will upgrade and become more competitive on the (global) market. The manufacturers can overcome the internal export barriers by:

- Acquiring knowledge about export markets
- Acquiring knowledge about technology
- Learn marketing skills
- Learn designing skills
- Attract finances
- Investing in advanced equipment

The global buyer is an important source of these factors. Global buyers can make investments and transfer knowledge to the manufacturers but this will only happen when there is a relationship between them.

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APPENDICES

Appendix I: Checklist Export Barriers

EXPORT BARRIERS
Internal export barriers
Market knowledge barriers
Lack of knowledge to locate foreign marketing opportunities
Lack of specific information regarding foreign agents, distributors and prospective buyers
Lack of export marketing research
Language problems in communicating overseas customers
Lack of pricing knowledge for foreign markets
Human resource barriers
Lack of personnel trained and qualified in export marketing
Lack of experience in planning and executing export operations
Lack of domestic experts in export consulting
Low management (owner) emphasis on developing export market activities
Lack of management exposure to other cultures and to different methods of doing business
Financial barriers
Inability of the firm to self finance exports
High cost of capital to finance exports
Strict credit requirements of the bank
Lack of private sector firms providing credit
Product barriers
Product quality problems
High sensitivity of products to fashion
Lack of adequate skill to adapt products for foreign markets
Difficulty in meeting importers product quality standards
Difficulty in meeting packaging and labeling requirements
Lack of ability to supply required quantity on continuous basis
Industry structure barriers
Lack of adequate quality of raw materials
Too small in size to initiate export operations
Competition barriers
Strong competition from domestic producers in the foreign market
Strong competition from other foreign producers in potential markets
Customer barriers
Poor image of products in markets
Insufficient demand
Country of origin effect
Procedural barriers
Lack of knowledge about export procedures and practices

Extensive export documentation requirements
Problems in making arrangements for getting paid
Problems in making shipment arrangement and meeting delivery dates
Restrictive foreign tariffs, rules and regulations
Direct macro economic barriers
Lack of government assistance in overcoming export barriers
Red tape in public institutions
Lack of export promotions programmes sponsored by the government
Lack of export promotions programmes sponsored by international institutions (eg. UNIDO)
Protectionist barriers
Inadequate diplomatic support
Indirect macro economic barriers
Political instability in foreign markets
Lack of private sector firms providing export services
High interest rates
High freight costs to foreign markets
High international communication costs
High value of domestic currency

Source: Based on Tesfom (2003: 159-160).

<u>Appendix II</u>: Interviews with the managers of the seven case studies

State owned companies

<u>Case SOE No.1</u>

SOE No.1 is a state owned company and was established on June 24th 1995 in Can Tho. SOE No.1 is manufacturer and exporter of leather shoes, canvas shoes and slippers. Their main export markets are the European markets like England, France, Holland, Italy, Switzerland and Spain. SOE No.1 also exports to countries in Asia like Singapore, Hong Kong and Korea. Currently SOE No.1 has a workforce of 900 employees. In 2004 the company produced 300.000 pair of shoes, which is a decline of 70 per cent to 2003.

The manager was worried about the declining production. The production in 2001 and 2002 was around 700.000 pairs a year and in 2003 around 1.000.000 pairs, but the estimated production of 2004 were only 300.000 pairs. When we asked about the reason of this decline the manager said, "*The past year we've lost a lot of orders, in 2003 we were not able to deliver a great amount of the orders on time. Buyers want to have their orders delivered as soon as possible and for us it's very hard to meet these short delivery times. But because of the tough competition of other footwear manufacturers we had to promise very short delivery times in order to keep these clients. We tried very hard to deliver the footwear on the set time but a lot of obstacles hindered us to meet the delivery times. Fortunately the clients were willing to accept the footwear but they were very dissatisfied about the late delivery, which probably kept them from placing an order this year".*

The main obstacles, which hindered the company to meet its delivery times, were the shortage of labour at that time, the high import of materials and the low technology equipment. The manager said, "*We had to produce different big orders at once and we had to use our full capacity during a few months. To start the production we had to wait for the materials, which have to be imported from Taiwan and China. This always takes a lot of time and when there is a delay in their delivery our production process can't start in time. And when the production started we didn't have enough labour and we had to find a great amount of labour instantly, trying to produce the orders on time. The whole company had to work overtime and this has led to a lot of un-satisfaction among the labour. In addition, our footwear equipment is very outdated. The machines are imported from Taiwan and South Korea and are dated from the 70s and 80s. With this equipment the company is able to produce at a certain level but when it used almost day and night, a lot of technological problems arise. They often just fall out which means that the production with that machine has to be halted as long as the repairs take".*

Obviously, the company has a hard time to meet the delivery times, which is an important requirement of the buyers. The buyers are mostly located in Germany and other European countries like England, France, Holland, Italy, Switzerland and Spain. SOE No.1 also exports to countries in Asia like Singapore, Hong Kong and Korea. Taiwan is a re-export market. When we asked the manager about the contact with their foreign clients he said, "*When we are looking for a client we search on the*

Internet and we try to approach them by email, fax or phone. Sometimes foreign clients approach us and when we asked them how they know us they often say that they know us from LEFASO or our website. However, sometimes our managers face some communication problems, because their knowledge of English is not adequate. One time a client didn't want to accept our delivery because according to them the footwear didn't meet the specifications which he had specified during our negotiation, but obviously there was a misunderstanding of the specifications".

SOE No.1 produces footwear merely under subcontracts. This means that the client delivers the designs of the footwear and the company has to produce footwear according to their specifications. Currently the company has a hard time to meet the quality specifications because it doesn't possess the suitable equipment. When we asked the manager why the company would not invest in new equipment, he said, *"We know that if we want to produce footwear of higher quality we have to invest in new equipment. But the old equipment hasn't depreciated yet and there is a lack of capital to invest in new equipment. And since we want to keep the prices low we don't want to take out too many loans because this raises the interest costs and this will eventually lead to a rise in our prices of footwear. Prices are the main competitive advantage of our company".*

To solve the capital problem the company has plans to sell stock to their employees. About 30 per cent will be in the hands of the directors and the other 70 per cent is meant for the employees. This will not only create capital to invest in marketing and technology but it will also enhance the commitment of the employees to the company. Finally the manager commented that the company has not been experiencing barriers by the government. There aren't any export limitations and their export is tax free.

Case SOE No.2

SOE No.2 is a state owned company and was established in 1980 in Dong Nai[3]. SOE No.2 is a manufacturer and exporter of leather shoes for men. The main export markets are Europe and Asian countries like Taiwan and Singapore. It also manufactures bags and suitcases for the domestic market. Currently it produces about 200.000 pairs of footwear. According to the general manager the production has been declining dramatically over the last years. The company has a workforce of 100 employees.

The production of this company has been decreasing the past few years. According to the manager the main reason of this decrease is the tough competition of other Vietnamese companies. The rise of foreign owned companies makes it hard for the company to keep up in terms of technology and quality. The manager said, *"Currently there are so many foreign owned companies and these companies have much better equipment than we have. Our equipment was imported from Taiwan several years ago but currently it is very outdated. With this equipment we can't produce high quality products like the foreign owned companies."*

[3] Dong Nai is an industry province near Ho Chi Minh City

The company was forced to cut down the prices to compete in this industry, but many customers prefer to switch to other manufacturers that can offer better footwear. Other reasons of the decline of orders are that this company often fails to meet the requirements of the clients. When we asked which requirements were toughest to meet the manager said, *"Short delivery times are very important to our customers but because of the high import of materials and old equipment it is hard to produce the footwear in time. Importing materials has led to a lot of delays and old equipment is not efficient. In addition, we have a lot of problems with our labour; they are very unsatisfied and are not very committed to the company. They complain a lot about the low wages but we are forced to keep the wages low. That's why we lost a lot of labour to other manufacturers."*

The company wants to invest in advanced equipment to produce high quality products. It is aware that competing in this industry requires more than offering low prices. But they do not have a specific strategy to upgrade the production. The manager said*, "Currently we lack the capital to invest in better equipment and we have turned to the government to help us but it seems that they only have attention for the major companies like Hiep Hung, Vina Giay and Thuong Dinh. These companies are doing very well and are growing each day. We do not want to take out loans because it raises the production costs."*

According to the manager the current orders are quite small and exist of standard models of medium quality. Normally they seek customers on the internet and try to approach them by email or phone, but often the companies are already approached by other better performing manufacturers, this leaves the company with the old relationships which are diminishing over time. The only competitive strength of the company is the low price of their footwear. *"We are aware that we have to produce more fashionable footwear and that we have to promote our company on trade fairs. But the lack of capital is really a big problem for us, we can't hire designers and we cannot improve our production process. We cannot afford to go abroad and visit trade fairs; it is really out of our reach."*

Private owned companies

Case SME No.1

SME No.1 is a private company and was established in August 1995 in Dong Nai. This company is part of X-group, which exists of 3 companies, SME No.1, another private company and a joint venture with a Taiwanese partner. X-group is one of the market leaders in the Vietnamese footwear industry. X-group has 3500 outlets and retail shops in Vietnam and four representative offices in China to distribute and sell their own branded footwear, X-footwear. SME No.1 manufactures leather shoes, canvas shoes, sports shoes and slippers for the domestic market and export markets. Their main export markets are Japan, Europe and the USA. The company has a workforce of 3400 employees and a production capacity of 8.8 million pairs a year. SME No.1 pays a lot attention to quality management and in 2001 this company got its ISO 9001 certification.

The company merely exports footwear under processing contracts but SME No.1 managed to go abroad with their own branded footwear, X-shoes. According to the manager this is due to the high quality of their footwear. The ISO 9001 certification evokes trust about the quality among the customers. During the past five years, X-shoes has been remaining in the top 5 of Vietnam's high quality products elected by Vietnamese customers. The manager said, "*When Vietnamese people talk about X-shoes they do not talk about the high quality but about the high prices of the footwear."*

SME No.1 has its own design division where footwear collections are designed. Twice a year they present a whole new collection. But unfortunately these designs are only suitable for the domestic market and some Asian markets. The manager said, *"It is still hard to design footwear which is suitable for the major markets like the EU and the USA because most clients are multinationals which have their own designs and marketing. Our task is just to follow the specifications and produce footwear according to their requirements. The Asian market however is beginning to get accessible for us. We succeeded in exporting X-shoes to China, which is going very well and currently we are investing in a distribution network in Cambodia and Laos."*

When we asked about other constraints he said, *"A great problem for us and also for many other domestic manufacturers is the shortage of domestic materials of high quality. When we import the materials the delivery times are longer and we do not want that. But high quality is our strength and using high quality inputs is very important. Our equipment is also imported from different countries like Taiwan and Japan. The domestic equipment is not suitable for us."*

The company's biggest client is the Japanese company, Itochu that sells shoes under the trademark Flair Shoes, in 2000 en 2001, this client bought more than 50 per cent of SME No.1's export. The manager said, *"We have a good relationship with Itochu but because its annual order is large and it is growing each year and therefore they have a huge bargaining power. Each year they try to cut down the prices and because of our fear of losing this client order we are forced to go along with it".*

As mentioned before, SME No.1 produces footwear for both domestic and export markets. While SME No.1 was established in 1995 it did not export until 1998. The export amount has been growing very fast since that day and currently the company exports its footwear through agents of 40 different countries all over the world and the export turnover is over 40 per cent of the total turnover. The export amount has been growing since 1999 with an average annual rate of 20 per cent but the turnover has only been growing half of that. This is due to the decline of export prices because of the tough competition. The manager said, *"Our strategy is to sell high quality footwear for a reasonable price. Our price however is a bit higher than our competitors, like Vina Giay, Bita's and T&T, but our customers consider our quality very high and they are willing to pay for it, so we can keep the profit margins high. Prices of footwear for export however are very low. We have to stay competitive on the export market and therefore we have to keep the prices low because it is still the most important factor for foreign clients."*

According to the manager their knowledge on export markets is still low. He said, *"The export markets like Europe and the USA are still difficult for us to get access to. We have been to trade fairs all over the world, like Las Vegas, Germany, Australia, South Africa and China but still we do not have any* *clients from overseas that are interested in X-shoes."* The company considers visiting trade fairs as an investment for the future. The manager said, *"Currently X-shoes is not well known yet in the European countries and the USA but by visiting trade fairs all over the world we try to promote our brand. We use this opportunity to try to gain marketing experiences and find new business relations."*

According to SME No.1 the government pays a lot of attention to the footwear industry by organizing exhibitions and this sector has the precedence in attracting bank loans to invest in its export activities. The government even had subsidized 50 per cent of the fees of the trade fair, which SME No.1 had visited. The manager said*, "When Vietnam enters the AFTA and WTO there are a lot of opportunities for us but it will raise the tough competition. But we are a strong company and we intend to stay that way by continuous development."*

Case SME No.2

SME No.2 is a private company and was established in 1998 in Dong Nai. SME No.2 produces nearly 500.000 pairs of leather and canvas shoes a year. Their main export markets are countries from the EU. Today SME No.2 has a workforce of 300 employees. SME No.2 exports footwear under processing contracts but on the domestic market it sells their own brand of footwear Y-shoes. Y-shoes is getting better known in Vietnam. Especially in the big cities, like Ho Chi Minh City, Qui Nhon, Danang and Hanoi, the demand has been growing very fast during the past years. Although there is a tough competition from other brands like Biti's, Bita's and Vina Giay, they try to follow the trends and keep the quality of their footwear high. They have their own designers, who are inspired by the latest fashion from Italy.

SME No.2 has to import about 85 per cent of its needed inputs for the production. The manager explained the reasons for this, *"The materials from Italy, Taiwan and India are of better quality but are also more expensive. But every time it takes almost a month before we receive the materials. Of course we have to calculate this time into our delivery times of our footwear. In order to cut down the delivery times we bought some leather from some tanneries here in Ho Chi Minh City but the quality was too low and the foreign clients were not satisfied. It's very hard to meet their requirements and still keep the prices low, but because of the tough competition we are forced to please them otherwise they will try to find other footwear manufacturers."*

When we asked the manager about the marketing activities of the company she told us, *"We try to reach our domestic customers by introducing a lot of promotions, like buying 2 for the price of 1 and offering gifts when customers buy shoes for over 300.000 VND. Vietnamese people are getting more fashionable but the main factor is still the price. That's why our strategy is to offer fashionable shoes for a reasonable price on the domestic market. The export markets are a lot tougher for us. Our designs are not suitable for the European market and the USA. That's why we have to manufacture footwear according to their designs and specifications. We hope one day we can sell our Y- shoes to foreign clients."*

This year SME No.2 had participated in the footwear exhibition in Ho Chi Minh City. That was a good opportunity for the company to meet potential foreign buyers. The manager said, *“We have talked to a lot of agents and most of them were interested in our company because of the quality of our footwear. Those agents work often for big foreign companies, which are only interested in the production of footwear because they have their own designs and are only looking for a manufacturer that can produce footwear according to their specifications. In the last years we’ve invested in new equipment, which enables us to produce high quality footwear.”*

Finally the manager commented that they wish to visit footwear trade fairs and exhibitions in other countries to promote their brand in overseas markets, but they don’t really know how to go about it. First of all they lack the finances and capabilities to invest in market research in overseas markets and secondly they know that their designs are not suitable for the markets like Europe and USA. So their main focus is now the domestic market and in the future they will try to expand to overseas markets with their own Y-shoes.

Case SME No.3

SME No.3 is a private company and was established in 2000 in Binh Duong. SME No.3 is a manufacturer and exporter of sports shoes under a famous British trademark and their own trademark Z-shoes. The main export market is Europe and South Korea. The annual production is about 600.000 to 700.000 pairs a year. Currently the company has a workforce of 400 employees. At the establishment SME No.3 was assisted by a South Korean company by providing them the equipment. They have worked together ever since and today the South Korean partner is still the only buyer and trading agent of the SME No.3. At the start SME No.3 needed to attract capital from banks but the process was hard and it took a really long time. Eventually the bank was willing to give the company a loan, but it was just about 60 per cent of what the company needed. The other 40 per cent the company had to attract from the informal financial sector.

SME No.3 also produces sports footwear under its own trademark, Z-shoes. Because of the high technology of their assembly lines they are able to produce high quality sports footwear. The manager said, *“The demand of our HL footwear is quite modest but we are proud that we have accomplished to export our footwear to foreign markets. We hope that we can enhance the demand of our trademark through advertisement in foreign markets.”*

The South Korean partner is also the company’s trading agent in selling the Z-shoes. The manager said, *“The Koreans have much more experience in marketing and they have a lot of business relations with foreign markets. We should develop our own marketing skills and try to find buyers on foreign markets so we can sell our Z-shoes on our own. This will raise our profit margin on the footwear.”*

According to the manager the biggest difficulty lies in materials. He said, *“Materials in the leather and footwear industry cannot meet the domestic demand, causing not only our company but also many other sport footwear manufacturers to import a majority of raw materials. The home-made leather for making uppers is not up to the export standards. Furthermore, importing materials also create many* *obstacles in terms of delivery time, delaying the production process." "We get a lot of technical assistance with our production process. Often technicians from South Korea are at our company to assist the production manager. But our production manager does not speak Korean. So the technician has to give instructions in English. This has led to communication problems because our production manager did not understand all the instructions. At times the production manager just ignores the specifications while pretending to understand them. This is a very risky situation for the company. Right now we are seeking for a production manager who does speak Korean to prevent this kind of problems."*

Another obstacle is the workforce. A lot of labourers complain that the wages are too low and quit the job after a few months. Fortunately the population here in Ho Chi Minh City and surrounding areas are very large and therefore it is not hard to find new labourers because there are always people who are looking for work, even though it doesn't pay much. The manager calls this a "skills" problem. He says, *"Most people who begin to work here do not have any education. Most of them started to work after high school. When they start to work at our company, we have to give them a training to learn skills. But when labourers are leaving us all the time, we have to find new ones and we lose a lot of time in training new labourers. In addition, in my opinion, if labourers do not work long enough at our company they cannot develop their skills properly, which has a negative impact on the efficiency of our production process."*

Foreign owned companies

Case JOV

JOV is a joint venture between a state owned company and his South Korean partner. It was established in 1992 in Dong Nai. The Korean footwear company wanted to start a business in Vietnam because of the low labour costs and the preferential policies with Europe. They wanted to start a joint venture with a state owned company to get better access to land and labour. The Korean partner had already done business with the Vietnamese partner and they had a good relationship. But the Vietnamese partner was very dependent on the Korean partner because of the technology. The Korean partner had to send several technicians to assist the Vietnamese partner with the production. In 1992 the two companies decided to start a joint venture. JOV manufacturers and export sports shoes and casual shoes. Their main export market is the EU. The company has experienced a growth in the production and today it has a production capacity of 1.200.000 pairs a year. The company has a workforce of 1100 employees.

A joint venture between two partners from different countries causes a lot of communication problems. Especially on the work floor, the manager said, "*Our own Vietnamese technicians have to work together with the Korean technicians but not all of our technicians speak Korean and the Korean technicians, they only speak a little Vietnamese. In addition, the Korean technicians feel superior to the Vietnamese technicians. Our own technicians have to take instructions from them but sometimes our technicians do not want to admit that they do not really understand the instructions and they just do it their way. To prevent these communication problems we have offered the technicians and* *production labourers courses to learn the Korean language, but there are only a few who really come to the courses."*

The Korean partner takes care of the marketing activities of the joint venture. There are different kinds of orders, sometimes the buyer delivers the designs and specifications and sometimes the buyer orders footwear according to sample which is developed by the designers of the Korean partner. So the head office of the Korean partner in Korea keeps in contact with the foreign buyers, this is more efficient because they have more experience and they already have long-term relationships with different buyers. The manager said, *"We receive the orders from the head office in Pusan and it also takes care of the import of materials but sometimes their calculations are not right and we receive to little materials to produce the orders. In such cases they have to order more after we noticed that there was a shortage of materials. I think it's better if they let us do our own calculations and order the materials ourselves."*

Another obstacle for the company is the high import of materials. According to the manager it delays delivery times because almost 100 per cent of the materials have to be imported. In addition, the domestic materials cannot meet the quality requirements, the manager said, "*I had discussions with the Korean partner about the import of materials, because I think that our import of materials is too high. It causes a lot of delays in the production process and I think that domestic producers can supply a part of the materials like the soles. The quality is quite the same and it can be delivered faster. But the Korean partner insists on importing all the materials because according to him the quality of domestic materials is far from the required quality standards. Well I guess it is a difference in opinion but it is often the case that the Koreans do not want to listen to us. They want to take care of the technology and the production of the footwear and we just have to take care of the government issues and that there is enough labour to produce the footwear in time."*

Case FOR

FOR is a fully Taiwanese owned company. In 1995 the Taiwanese company took over a small private footwear company and established itself in Ba Ria Vung Tau. FOR manufacturers and exports sandals, leather shoes and canvas shoes for women. Their main export markets are European countries like the UK (greatest part), Germany, Belgium, The Netherlands and France. Just a small part is being exported to the USA. The annual production is about 1.000.000 pairs a year. Currently the company has a workforce of 800 employees.

According to the manager the production has been stable the past few years but because of declining workforce they have to outsource a part of the production. Usually they outsource the orders to some small businesses in Ho Chi Minh City. When we asked him about the relationships between them and the small businesses, he said*, "Our relationship with them is very good. We have been working with them for a couple of years now and it's important that we can rely on them in terms of delivery times and quality. In the past we had worked with a footwear manufacturer, also from Ho Chi Minh City and we had a lot of problems with him. He did not follow our specifications accurately and besides that, he managed to deliver the orders too late every single time. But in that time we did not have another* *choice than to accept it, because of the lack of time we were not able to produce it ourselves. Fortunately we have found some good partners that can meet our requirements."*

According to the manager the company was struggling to meet the delivery times, he said*, "Meeting delivery times and producing footwear of high quality are the most important factors to stay competitive in this industry. To produce high quality footwear it is important to use high quality materials, therefore we import almost all the material from Taiwan because the material from Vietnamese producers cannot meet the quality standards that are required by our customers. Being a Taiwanese company it is easier to negotiate with the material suppliers in Taiwan. Therefore we have a cost advantage compared to Vietnamese manufacturers that also import their materials from Taiwan. The disadvantage of importing the materials is the long delivery times. When Vietnamese suppliers are able to supply materials of better quality we would prefer to get suppliers locally rather than import it from Taiwan."*

The orders are received from the sales office in Taiwan and they fax FOR the orders with the specifications of the footwear and other requirements. This means that the FOR does not have direct contact with their buyers. Since the company only sells women shoes the orders are very diverse and need a lot of materials like different accessories. The manager complained about the low skills of the company's workforce. According to him the low skills of the labourers causes some problems to follow the specifications accurately. He wanted to invest in trainings to enhance their skills but because of the great amount of overtime, the labourers would not be interested in these trainings. They would be too tired to go to these trainings. The manager also complained about the labour shortage. He said, "*The last few years we had a workforce of 1200 labourers and currently it has diminished to 800 labourers. A lot of them complained about the low wages and the high overtime, so they just left the company and tried to find other jobs. Normally the labourers have to work from 7:00h till 17:00h but often we are forced to keep the production running during the evening, so they have to work till 20:00 hours or 21:00 hours and sometimes even till midnight. We know that this is not healthy for them but we have no other choice, we just need more labourers but they are so hard to find in this area."*

Finally the manager noticed that the government still has a big influence on the establishment of private or foreign companies. At first the Taiwanese company wanted to establish in Dong Nai, near Ho Chi Minh City because the location is better than in Ba Ria. The availability of labourers is higher and it is near an important seaport. But as a foreign company without any social relations with the state, it was really hard to get access to the industrial zone in Dong Nai because state owned and powerful companies already took most of the land and besides that, the land was more expensive to private firms. So the company had chosen to establish in Ba Ria, about 150 km from Ho Chi Minh City.

Appendix III: Website links of Vietnamese Footwear Manufacturers

	Company	Firm structure	Website	active	non active
1	Binh Dinh Shoe Company	SOE	www.binhdinhfootwear.com.vn		x
2	Vietnam Leather and Footwear Corporation	SOE	www.leaprodexim.com.vn		x
3	Hanoi Leather and Shoes Company	SOE	www.hanshoes.com.vn	x	
4	Thuong Dinh Footwear Company	SOE	www.thuongdinhfootwear.com.vn	x	
5	Thuy Khue Shoes Company	SOE	www.thuykhueshoesco.com.vn		x
6	Barotex Shoes Factory	SOE	www.barotexfactory.com		x
7	Can Tho Footwear Company	SOE	www.cantho-footwear.vnn.vn	x	
8	Phu Lam Footwear Company	SOE	www.fulamshoes.com	x	
9	Binh Tan Pte., LTD	Private	www.bitas.com.vn		x
10	Thai Binh Shoes LTD	Private	www.thaibinhshoes.com.vn		x
11	Hiep Hung Co., LTD	Private	www.hiephung.com.vn	x	
12	Binh Tien Imex., corp., Pte., LTD	Private	www.bitis-vn.com	x	
13	Que Bang Trading & Production Co., LTD	Private	www.quebang.com		x
14	Vitho CO., LTD	Private	www.vithoco.com	x	
15	Hung Huy Co., LTD	Private	www.hunghuy.com.vn	x	
16	Golden Top Company	Private	www.goldentop.vn.com		x
17	Tadoshoes Company., LTD	Private	www.tadoshoes.com.vn	x	
18	Duc Trieu and Service Pte.	Private	www.tt-shoes.com	x	

Source: Compiled by author, 2005.

<u>Appendix IV:</u> Export Markets of Vietnamese Footwear from the year 2000 till 2003

Ranking in 2003	Country	2000	2001	2002	2003
1	UK	221,128	253,743	312,353	388,278
2	Germany	208,923	213,608	249,682	315,723
3	USA	87,804	114,037	196,554	282,452
4	Holland	133,268	157,188	184,843	215,278
5	France	139,750	166,225	178,791	193,931
6	Belgium	156,875	158,315	148,875	169,533
7	Italy	87,552	101,597	119,139	145,547
8	Spain	39,890	44,528	53,284	73,085
9	Japan	78,180	64,135	53,920	61,592
10	Sweden	22,810	21,868	26,890	38,579
11	Taiwan	20,968	28,973	23,694	35,649
12	Canada	19,480	19,542	29,039	34,203
13	Australia	19,226	20,023	23,939	20,554
14	Korea	35,644	8,737	13,248	20,482
15	Greece	8,394	9,591	19,819	16,527
16	Hong Kong	7,541	8,564	11,559	13,085
17	Russia	10,158	15,792	12,182	8,803
18	Singapore	7,536	8,335	8,025	6,502
19	Finland	6,930	6,999	5,987	5,671
20	New Zealand	5,773	4,520	4,636	3,477
21	Other countries	150,288	148,937	172,124	500,573
	Total	**1,468,120**	**1,575,257**	**1,846,123**	**2,267,382**

Note: Values is in 1000 US Dollars
Source: Vietnamese Leather and Footwear Association – LEFASO, 2004