



LEFASO

**VIETNAM LEATHER AND
FOOTWEAR ASSOCIATION**

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Missions of the TPP

- Creating a new model on regional integration and economic cooperation (market access on goods, services, intellectual property rights, investment, government procurement, competition policy, and trade related environmental and labor policies).
- Facilitating trade and investment flows in a more comprehensive way than previous free trade models.
- Making the TPP a hub to form common free trade area for the Pacific and Asian region.
- Broadening markets for trading trans-region exports and imports.
- Enhancing investment attraction among member countries to take advantage of opportunities brought by the TPP.
- Promoting the trans-region economic development towards a new more sustainable, dynamic and efficient development model.



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Analyzing the value chain on leather footwear and bags industry of the TPP members

The value chain of the world fashion industry is specialized in four main segments:

(1)	(2)	(3)	(4)
Design, R&D and marketing	Production capacity Machinery production, technology supply, materials production, training and other services	Production Production lines, human resources and workshops	Distribution: Distribution channels and logistics
<p>The US has a dominant strength in segment (1) with the following activities: fashion fairs such as Las Vegas, Chicago..., famous R&D centres and fashion institutes.</p> <p>Japan: SPF Fair Korea: Busan Fair-VBISF</p>	<p>Viet Nam has deeply participated in the segments (2) and (3) of chain value of the world fashion industry for over 25 years with more than 500 enterprises attracting over 600,000 employees and operating in the forms of CMT, FOB, OEM and ODM. Infrastructure for the supporting industries requires a large number of employees with low salary.</p> <p>Japan and Korea: Transition point for advanced technology in the footwear industry. All other members: No development in segment (2) and (3) due to high GDP and old employees.</p>	<p>The US, Singapore and Japan have dominant strength due to big purchasing power and high-ranking distribution networks with broad retailing systems such as Wallmark, Outlet, Sears...</p> <p>All other members: modern logistics system.</p>	



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COUNTRY	FOOWEAR		BAGS	
	Value	Percentage	Value	Percentage
USA	\$2,243,034	30.89%	516,975	39%
Japan	\$328,339	4.52%	144,649	10.90%
Korea	\$182,616	2.51%	43,750	3.30%
Australia	\$95,121	1.31%	16,746	1.2
Chile	\$64,898	0.89%	1,984	0.20%
Peru	\$25,931	0.36%	586	0.04%
Singapore	\$25,906	0.36%	5,927	0.44%
New Zealand	\$16,941	0.23%	2,728	0.20%
Brunei		-	-	-
Others	\$4,279,225	58.93%	584,716	44.72%
Total	\$7,262,011	100.00%	1,317,506	100.00%



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Opportunities for the leather footwear industry when the TPP comes into effect

- Enjoying preferential tariffs from 14,3% to 0% and bigger market share of members, especially the US.
- Having competitive advantage on prices compared to China (due to geographical locations and production time) and on GSP compared to Indonesia.
- Broadening markets.
- Enhancing the industry's development because implementation of the TPP's commitments will help increase the labor quality and protect the environment.



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Conclusion

- The TPP will facilitate Viet Nam's economic fields in general and create a huge advantage for the Viet Nam's leather footwear industry on particular. In addition, expectedly, the export value will increase to USD 68 billions and the GDP will raise by 15.5% equivalent to USD 36 billions in 2015.

For the Government:

- Assessing comprehensively impacts on each industry, especially the main export industries with regional and global competitive advantages such as textiles and garment, footwear, wood and fishery... which Viet Nam has the highest preferential tariff concession.
- Dividing different stages for appropriate tariff reduction to have time for applying technology and restructuring the domestic industries such as automation and those without advantages.
- Enhancing the reform process of policies and laws, restructuring, investment environment improvement and competitiveness of industries in order to help enterprises actively adjust to the TPP.
- Continuing upholding the golden human resource of Viet Nam through training, thus increasing quality and value-added for employees.
- Developing programs of investment promotion and support for main export industries.



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For enterprises in the industry:

- Developing a sustainable growth in connection with social responsibility. This solution is aimed at stabilizing the human resources and creating trust from large customers of importing markets, thus making more orders in Viet Nam.
- Having solutions on technology innovation and facility modernization to increase productivity and quality in order to not only meet orders and stabilize quality but also improve lives of labor and sustainably deal with labor lack.
- Gradually moving from processing method to purchasing (FOB) method to create high value added and re-invest, thus achieving fast and solid growth.
- Building corporate and product trademarks to create prestige in both local and international markets.

On behalf of enterprise in the leather footwear and bags industry, we propose the Government to enhance the negotiation on the TPP and at the same time consider pros and cons to create a playing field that benefits Viet Nam's enterprises and economy.