



The town of Thu Dau Mot in southern Vietnam where the provincial government is building a new footwear industry supply centre. It could help Vietnamese shoe manufacturers keep their costs competitive, but only if it's ready in time.



All quiet on the eastern front

Last year we published on *footwearbiz.com* details of an exciting new industry development in Vietnam. And we were not alone.

News emerged in September that the provincial government in Binh Duong was making land and funding available to establish a footwear supply centre there. The idea was to build a facility on an industrial park ten kilometres from the town of Thu Dau Mot that would house suppliers of leather, laces, soles, heels, textiles, buckles, bows and, basically, every component or piece of raw material a footwear manufacturer could need.

Everything was to be under one roof, with sourcing and supply chain managers from footwear manufacturing firms all over Vietnam coming to the site to meet existing suppliers, take a look at the offerings of new ones, discuss deals and place orders.

Future phases of the project were to include a hotel, restaurants and even a casino on the site to allow buyers to spend as much time as possible among their suppliers.

Phase One was to open this year, and it may still do, but based on the silence that has met most of *World Footwear's* enquiries over the last month, if it is progressing as planned, the details must be subject to the best-kept secret in the industry.

Binh Duong, a province in the south of Vietnam, is intent on making a name for itself as a centre of supply chain activity. It is only 45 kilometres from the country's biggest city and economic hub, Ho Chi Minh City and 40

from a new port development growing up there, the Saigon New Port, to which it has river connections.

The proposed Asian Highway will also pass through the province, giving it much safer, faster and direct transportation connections to the rest of the country, and in fact the rest of the Asian continent.

The Asian Highway initiative is a United Nations project, under which 36 national governments will work—with UN funding—to upgrade stretches of important roads to create a network that will, eventually, link Tokyo to the European Union (at its eastern border in Bulgaria) with more than 140,000 kilometres of relatively well maintained roads.

Vietnam will contribute around 2,700 kilometres of this, although it's fair to say that some of the other nations involved—Afghanistan, Bangladesh, China, India, Kazakhstan, Kyrgyzstan, the Russian Federation and Tajikistan—have made faster progress on upgrading the relevant sections of their road networks, while others (Japan, Malaysia, Iran, Georgia and several others) already have roads of the required standard. So there is work still to do and funding still to find before the Asian Highway can be of real benefit to companies moving goods and materials around their supply chains.

This is the same as saying that it may still be some time before the footwear sourcing centre in Binh Duong is able to use its road-links as a way of attracting suppliers and buyers to the site.

The provincial government envisages building the

facility in three phases that will, when complete, cover a total of 500 hectares that will hold supply centres not just for footwear, but also for the furniture, plastic, ceramic and textile manufacturing sectors.

Footwear, though, is first on the list, and the authorities insist that the first phase of the project—where the footwear supply centre will be—is already “developed” (while the other phases are still at planning stage). Not only that, the provincial government’s representatives are already in the process of selling space to footwear industry suppliers, inviting them to take a proportion of Phase One’s 110 hectares and set up shop on it.

This is really all the information we have been able to glean: no names or numbers are available of companies that have agreed to buy one of these plots. At the most recent WSA exhibition in Las Vegas, a tour of the Vietnam pavilion in the Affordable Fashion hall proved fruitless. There was no one at the Vietnam Leather & Footwear Association stand, although a kindly neighbour said he’d ask them to get in touch with us. He himself just looked blank when we asked about Binh Duong.

Calls and emails to the Binh Duong provincial government for further information on proposed opening dates have brought no response by the time of sending this issue of *World Footwear* to print. However, one footwear manufacturer based in nearby Ho Chi Minh City has confirmed, right on deadline, that the new supply centre shows no signs of opening for

business any time soon.

Like many of its rivals, this company said it was still having to import all raw materials from China and Taiwan.

The new all-under-one-roof supply centre seemed like a good idea at the time. It is still a good idea, and will become an even better one when the transportation links improve. Being able to assess suppliers and source components and raw materials on a single, short buying trip would certainly make most footwear manufacturing operations more efficient, and this was always the aim here. This is a competitive space and Vietnam wants to help its shoe manufacturers keep costs down to stay high up on the lists of preferred manufacturing locations of brands that include Nike, adidas, Clarks and hundreds of others.

But costs—especially labour costs—have been rising in Vietnam. There were strikes at the start of 2008 over pay, with many of the Korean- and Taiwanese-owned manufacturers feeling forced to raise wages as a result. Within weeks, at the India International Leather Fair in Chennai at the end of January, talk was rife that those same manufacturers were contemplating leaving Vietnam, or at least looking elsewhere (yes, to India) for growth through new factories.

The new sourcing centre in Binh Duong could be a great help if Vietnam wants to battle to keep its thousands of footwear manufacturing jobs, but only if it opens its doors before it’s too late. 



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