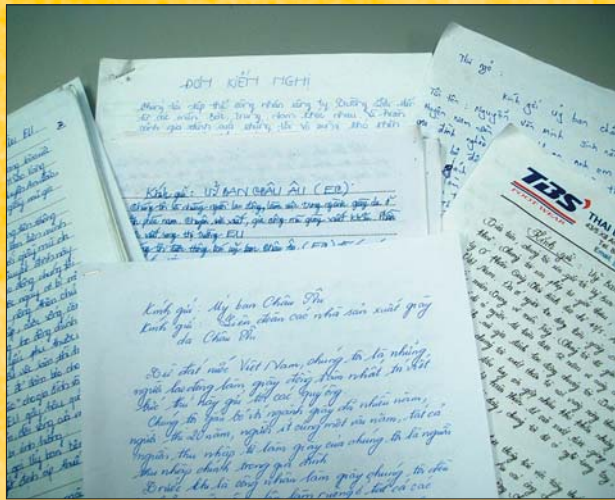




VIETNAM LEATHER AND FOOTWEAR ASSOCIATION

**act:onaid**  
international vietnam



**Half of a million Vietnamese  
footwear jobs at risk:  
Where is the balance between  
trade and development?**

Hanoi, May 2006







# Acknowledgements

This report was prepared and accomplished in coordination between the ActionAid International Vietnam and the Leather and Footwear Association (LEFASO) and with great supports from Vietnam footwear companies, the Competition Administration Department of the Ministry of Trade, Institute for Leather and Footwear Study, Service of Industry of Ho Chi Minh City and newspapers.



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# Abbreviations

|               |   |
|---------------|---|
| <b>EC</b>     | <u>The European Commission</u>                          |
| <b>LEFASO</b> | <u>Vietnam Leather and Footwear Association</u>         |
| <b>AAV</b>    | <u>ActionAid International Vietnam</u>                  |
| <b>EU</b>     | <u>European Union</u>                                   |
| <b>VCCI</b>   | <u>Vietnam Chamber of Commerce and Industry</u>         |
| <b>MOT</b>    | <u>Ministry of Trade</u>                                |
| <b>CEC</b>    | <u>European Confederation of Footwear industry</u>      |
|               | <u>Conversions used (rates at the time of research)</u> |
| <b>VND</b>    | <u>Vietnam dong (currency)</u>                          |
| <b>\$</b>     | <u>US dollar (\$1 = 16,000 VND)</u>                     |
|               | <u>EU Euro (1 = 19,000 VND)</u>                         |

# Introduction

## Background

Vietnam is participating in international economic integration and trade globalization, of which export and export market enlargement is defined as a key element of economic growth.

Footwear industry plays an important role in Vietnam exports. In capacity as one of the main 6 products for exporting, export value of Vietnam footwear products has increased for years, from US\$ 2.6 billion in 2004 to US\$ 3.04 billion in 2005<sup>1</sup>. EU is the main market for Vietnam footwear with an annual footwear export value of US\$ 1.7 billion, accounting for 65% of Vietnam total annual footwear exports. Footwear industry, at the same time, registers the Vietnam's biggest export to EU. While Vietnam's total export revenue to EU reaches 5.51 billion in 2005, footwear ranks first with 2.1 billion, accounting for 38% of Vietnam total annual exports to EU<sup>2</sup>.

Footwear industry is also occupying hands of more than 500,000 workers, excluding workers employed in footwear supporting industries<sup>3</sup>. Workers in the industry are mainly poor farmers seeking for jobs in cities and industrial zones to escape from rural areas, where unemployment and shortage of opportunities to raise living standard prevails. Over the years, they got a stable pay to ensure their own living and support their families.

The anti-dumping investigation concerning imports into the European Community of certain footwear with uppers of leather originating from Vietnam and China initiated by the European Commission (EC) and imposition of provisional anti-dumping duty on April 7, 2006 made a negative impact on production of Vietnam footwear enterprises, on livelihood and employment of hundreds of thousands of workers and on the growth of Vietnam vulnerable and immature footwear industry. Right when the proceeding began, the number of orders strongly decreased while quite a few orders for the year 2006 have not been confirmed. A lot of shoes makers have had to shrink their production and release part of their labour force. Under initial estimation, the proceeding could possibly put 500,00 direct workers in the local footwear industry and a large number of employees in related industries in the danger of losing jobs.

Against that background, the Ministry of Trade and LEFASO have many activities to express their opinions that Vietnamese footwear exporters have not dumped their products, to call upon an equality in international trade, discussed and exchanged constructive views with the EC delegations and the European Confederation of footwear producers.

As a non-governmental organization aiming at reducing poverty to help the poorest and excluded people ensure their livelihood, ActionAid International Vietnam considers this proceeding an inequality in international trade, doing harms to workers' livelihood. Therefore, ActionAid, in coordination with LEFASO, Vietnam Chamber of Commerce and Industry (VCCI), has conducted a study to assess impact of the EC proceeding on livelihood and employment of workers in the industry.

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1. Lefaso, 2005

2. The EC - EUROSTAT, 2006

3. Lefaso, Press Release,

**Purpose of Study:** Request the EC to consider and make final decision on the basis of justice trade and for the rights of footwear workers through assessing negative impact of the proceeding on livelihood and employment of workers in the footwear industry.

### Specific Objectives

Acquiring practical information on production of shoes with uppers of leather from enterprises and workers.

Exploring impacts of the proceeding on enterprises and workers, especially enterprises and workers who directly involve in production of shoes with uppers of leather.

Assessing viewpoints by research targeted groups on the proceeding.

Reflecting expectations by enterprises and workers.

Render suggestions/recommendations to the EC

### Study Target Groups

Major: Workers in enterprises that produce a high proportion of footwear with uppers of leather

Other:

- Workers in supporting industries that supply raw materials to footwear industry.
- Leaders of enterprises

## Method of Study

Secondary study: Synthesize and analyze available information to render an overall analysis on the proceeding

Field study: Learn practical situation in enterprises representing Vietnam footwear industry.

Field study was conducted with tools such as: questionnaire, camera, interviews, sound recorders

- Semi-structural interview: Discuss with leaders of enterprises and managers of enterprises' professional divisions
- Interview workers with questionnaire
- Group discussion
- Broader interviews with typical workers

## Sampling

The surveyed enterprises accounts for 5% of total enterprises in footwear industry.

Enterprises locating in 7 provinces and cities: Ho Chi Minh City, Binh Duong, Dong Nai, Hai Phong, Ha Noi, Hai Duong and Ha Tay.

Enterprises of large- scaled and small-and-medium-sized

Enterprises of diversified ownerships: State-owned enterprises; private enterprises, joint venture and foreign-owned enterprises

Enterprises produce various types of footwear: sports, leather, children and materials

The report is structured in three parts: Overview on Vietnam footwear industry and the anti-dumping proceeding (Chapter I); Impact of the proceeding on production of enterprises, employment and livelihood of workers (Chapter II); and Evaluation and Recommendations by enterprises and workers (Chapter III).







## Chapter 1



# OVERVIEW ON VIETNAM FOOTWEAR INDUSTRY AND THE ANTI-DUMPING PROCEEDING

## I. Overview on Vietnam footwear industry

Footwear industry ranks third in the most important industries contributing to Vietnam gross domestic production (GDP) and plays an important role in Vietnam exports, accounting for 10% of Vietnam total annual exports. Vietnam is one of the ten biggest footwear exporters in the world. In 2004, Vietnam ranked fourth in ten biggest footwear exporters to EU after China, Chinese Hong Kong, Italy with an annual export value of US\$ 2.6 billion, increasing 15% compared to that of 2003<sup>4</sup>.

**Figure 1. Footwear exports compared to total exports in 2001-2005**

Unit: million US\$

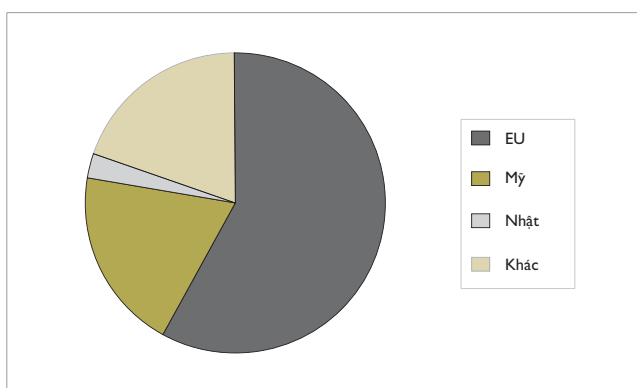
| Year                  | 2000   | 2001   | 2002   | 2003   | 2004   | 2005  |
|-----------------------|--------|--------|--------|--------|--------|-------|
| Footwear export       | 1.468  | 1.575  | 1.846  | 2.267  | 2.640  | 3.039 |
| National total export | 14.448 | 15.100 | 16.700 | 20.600 | 26.503 |       |
| Proportion (%)        | 10.16  | 10.43  | 11.05  | 11.00  | 10.00  |       |

Source: Vietnam Leather and Footwear Association, 2005

It should be noted that EU is the biggest market for Vietnam footwear export. Annually, about 90% of Vietnam footwear products are exported to various markets, in which EU, the US and Japan respectively accounts for nearly 60%, 20%, and 3% (See Figure 2). From 1996, the EC reported that Vietnam ranked third after China and Indonesia as the biggest exporters of footwear to EU.<sup>5</sup>

**Figure 2. Footwear Export Markets**

Along with its contribution to the national export, the industry plays a major role in attracting labor. It created a number of nearly 1 million direct jobs and the same number of jobs are provided in its supporting industries, making a significant contribution to the campaign of poverty reduction in Vietnam.



At the end of 2004, workers in footwear industry accounted for 20% of total industrial workers<sup>6</sup>. Proportion of immigrant workers, who come from rural areas outside the surveyed provinces, to the total workers in surveyed

4. Vietnam Ministry of Trade

5. The EC - EUROSTAT

6. Vietnam Statistics Yearbook 2004, the General Statistics Office, page...

**Figure 3. Workers in footwear industry**

*(Excluding workers in supporting industries)*

| Year              | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    |
|-------------------|---------|---------|---------|---------|---------|---------|
| Number of workers | 388,040 | 410,000 | 430,000 | 450,000 | 500,000 | 580,000 |

## II. Overview on the anti-dumping investigation by EC

### 1. Procedures

On May 30th, 2005, European Confederation of Footwear industry (CEC), representing more than 40% of European producers, lodged a complaint to the European Commission requesting for an initiation of anti-dumping investigation into 33 types of footwear with uppers of leather originating from Vietnam and China. The anti-dumping was initiated on July 7, 2005 by the EC.

On April 6, 2006, after 9 months, provisional determination on the investigation was made, in which provisional duties imposed on imports of footwear with uppers of leather originating from Vietnam would be 4.2% from April 7, 2006; 8.4% from June 2, 2006; 12.6% from July 17, 2006; and finally 16.8% from September 25, 2006.

### 2. Viewpoints of Vietnam

This proceeding has limited the efforts made by the two parties in the implementation of the Market Access Agreement between EU and Vietnam (entered as on 31/3/2005) and has been contrary to the General System of Preferences (GSP) accorded to Vietnam by EU, including footwear industry.

The Competition Administration Department under the Ministry of Trade of Vietnam confirmed again that Vietnamese enterprises are operating under the principles of a market economy, freedom to business and fairness in competition, and that they did not dumped their products into the EU market. The Government of Vietnam does not make any interference into or subsidy to businesses. Vietnam is a transitional economy, foreign investment, therefore, plays an important role in its economic development. Exemption or reduction of land rent for investors should be regarded as an incentive to encourage investment but a distortion of production cost. Investment promotion is a tool that is commonly used by market economies, including EU, in their economic policies.

Vietnam Leather and Footwear Association (a representative of Vietnamese footwear producers) said that: In practice, Vietnamese companies are actually operating in a market economy in which they are responsible for any results of business operation and ensuring all rights and interests of their workers as required by law. The Vietnamese footwear industry has been recently developed and therefore very immature. Nearly 80% of Vietnam footwear companies are processors of their importers, neither participating in marketing, distribution nor making any decision regarding cost prices and selling prices of exported products and therefore it is impossible for them to dump their products. Grounds alleged by the complainant and the determination that 8 sampled companies did not meet market economy treatment (MET), are unreasonable.

Vietnamese footwear producers stated that preliminary determination by EU on the imposition of anti-dumping duty on footwear with uppers of leather originating from



Vietnam is unfair. Mr. Nguyen Xuan Binh – Vice director of Company No. 32 - one of 8 companies under on-spot investigation – in his comments clearly said that “The preliminary decision of EC clearly showed their protectionism and all have already been prepared to make any possible restriction on imports of Vietnam footwear into EU”

Ms. Truong Thi Thuy Lien – Director of Lien Phat Footwear Company, which do processing for a Taiwanese partner with 100% of their products are woman leather footwear and 90% exported to EU – showed her concerns about unemployment of female workers as a result of the proceeding that “the proceeding makes a large part of Vietnamese footwear workers unemployed, particularly female workers who were insufficiently trained to find other jobs. Such proceeding shall put them in close connection with civil evils and undermine the friendly sentiments of Vietnamese people over EU countries, going against EU fundamental principles of EU towards developing countries.”

Vietnamese enterprises believed that EC has defined a dumping margin and imposed duty on Vietnam footwear exports without any consideration of proposals submitted by Vietnamese companies – particularly in choosing a surrogate country for defining normal value. There are major differences between Brazil and Vietnam. The costs of labour and material in Brazil are much higher than in Vietnam, whereas Vietnam has an advantage of cheap labour and modern technology. In spite of these asymmetric factors, they were still used by EC’s analysts in their calculation, making remarkably unfavourable to the Vietnamese footwear industry.



Chapter 2

**IMPACT OF  
ANTI-DUMPING**

## I. General

It is affirmed, upon analysis of data required from surveyed companies, that impacts of the proceeding on their production and trading are very severe. Among 21 companies surveyed, only three 100% foreign owned (Pou Yuen, Dona Victory and Tae Kwang Vina), one joint-venture and one domestic (Thai Binh Footwear Joint-stock Company and Coats Phong Phu) can have still maintained ordinary operation since the proceeding was initiated. The other 16 companies all are affected, from moderately to seriously, depending on their scale of production and types of products. Among these affected enterprises, those manufacturing footwear for women are the most seriously affected. This is because all Vietnam companies making footwear for women manufacture products of medium and high quality using genuine leather, while EU is currently their main market.

It is highly noted that the proceeding by EU targeted products that stay high in the priority list of development strategy for Vietnam footwear industry, that is, to develop products of medium and high quality to be competitive in the struggle with products made by businesses from other countries. In order to make a gradual annual growth, they are focused to produce footwear of their advantage and high competitiveness such as sport shoes or high quality footwear with uppers of leather. Therefore, the proceeding had a severe effect on Vietnam footwear industry when it targeted at mainstream of product made by Vietnam footwear companies and their largest export market.

## II. Impact on enterprises

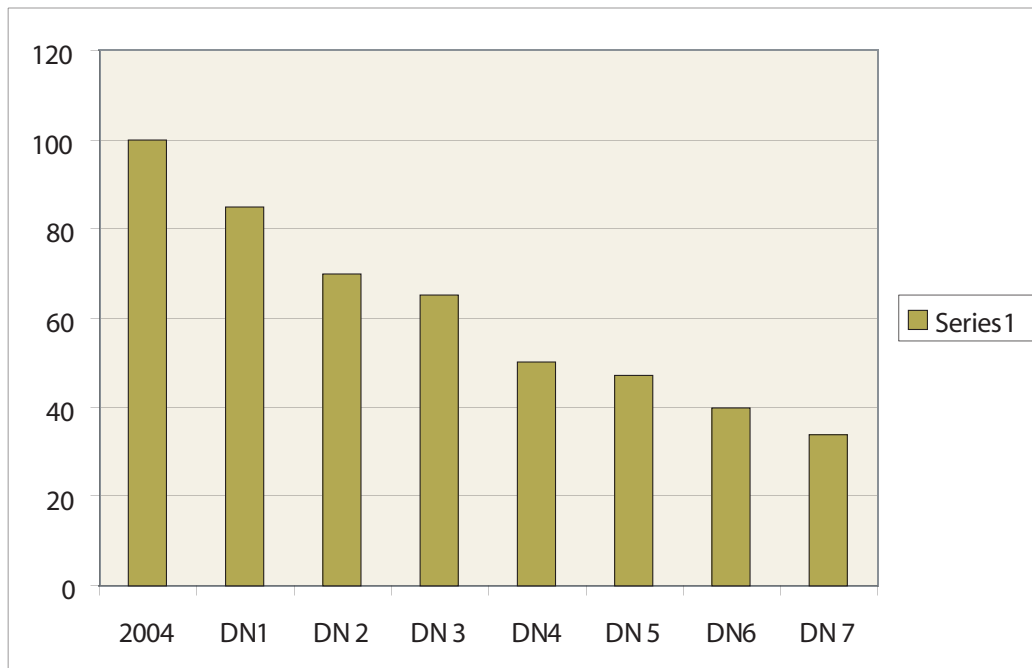
### 1. Orders and production

The most seriously affected enterprises are those who do 100% processing for foreign partners and therefore absolutely depending on them, or those whose footwear with uppers of leather accounts for 80% of total production or those whose products exported to EU range from 80% to 100% of total production. Therefore, when EC initiated the proceeding, those partners immediately took reactions in order to minimize any negative impacts caused by the proceeding. Some partners have not offered any big orders of footwear with uppers of leather, instead, they order other types of footwear made of other materials such as PVC, fabric, PU...

Some partners have cancelled their orders and turned to other countries such as Indonesia, Cambodia, Thailand... Consequently, Vietnam footwear companies lost not only their orders but also their customers.

The study shows that right after there was information about the lawsuit, orders have started decreasing and in the early 2006, decrease in orders became so significant. In the last months of 2005, the decrease in orders resulted in a 10% reduction of production, Number of orders in the first quarter of 2006 decreased 20-50% compared to that of 2005. In May 2006, all of 16 affected companies have not received any order for the next months. It is estimated that orders in the second quarter of 2006 shall continue reducing considerably (See Figure 4)

**Figure 4. Production of some typical enterprises in comparison with 2004(%)**



Typically, An Giang Footwear Company (DN1) reduced its production by 66%, 30/4 Tay Ninh Footwear Processing for Export Co. Ltd (DN2), which is specializing in processing shoes of different types for its Taiwanese partners, also reduced its production by over 60%, Gia Dinh Company (DN3) by 56%, Hung Yen Footwear Joint-stock Company (DN4) by 53%, Lien Phat Company (DN5) by 50%.

Due to the reduction of orders, some enterprises had to downsize their production or just produce a limited quantity and change their production structure.

Due to decrease in orders, some companies had to narrow or change their production. Over 50% of the affected enterprises had to narrow their production to various extents such as: closure of a subsidiary; closure of a factory; temporary ceasing of one or two production lines....The working atmosphere has been very terrible. Workers worried and machines stopped working...

For keeping their workers to stay, some enterprises such as Hai Duong Company, An Giang Company, Hai Phong Company and No.32 Company not only downsized their production but also had to apply a rotational working timetable and subsidize workers' earnings. In the meantime waiting for the final decision by the EC and the order confirmation from customers, some enterprises have to produce low value items and to work as sub-contractors for other enterprises to ensure the employment at minimum level such as Lien Phat Company, Gia Dinh Company...

## **2. Income of Enterprises**

According to surveyed enterprises, no growth means loss. In the period of 2000-2004, the annual average growth rate of Vietnam footwear enterprises was 15-18%.

Since the investigation was initiated, decrease in orders resulted in reduction of production. There are 76% of studied enterprises had their income decreased by from 15% to over 60%. Among these, 5 enterprises with the highest reduction of income are An Giang Footwear Company by 66%, 30/4 Tay Ninh Footwear Processing For Export Co.



Ltd by over 60%, Gia Dinh Company by 56%, Hung Yen Footwear Joint-stock Company by 53%, Lien Phat Company by 50%. According to reports by some companies, injury caused by reduction of income amounted up to tens of billions of Vietnam dong. Compared with the same period of last year, Hung Yen Footwear Joint-stock Company faced an injury of VND 10,592,035,6000, and Lien Phat Company's income was less US\$ 281,681 compared to that of the first quarter of 2005.

In addition, enterprises' income decreased due to the fact that they had to pay their workers during the time of waiting for works while they have not been placed with any order or with just low-valued orders (orders for artificial leather products are valued as 1/2 as genuin leather products).

Apart from reduction of income, enterprises are suffering from serious injury due to the fact that they only operate at about 60- 70% of their designed capacity, but have to suffer from stagnation of investment, tangible and intangible losses... As an immature industry, footwear industry has been considerably invested much money for the last period. The injury caused by the anti-dumping proceeding has pushed the entrepreneurs to a "dillema" in which they can not decide whether to invest further or stop investing.

A director of an enterprise said that the construction of a factory with a capacity of 1-2.5 million pairs per year would cost about VND 25-30 billion (US\$ 1.6-1.8 million) while the percentage of unused capital is now 17%. Now, those new factories which are being built or start operating have to be stopped and reduce its production quantity to be 1.2 million pairs per year less than the estimated capacity. This will lead to an unemployment of 1,000 workers.

Moreover, to prepare for pursuing the lawsuit, enterprises have spent billions of VND on hiring international lawyers and on preparation of documents submitted to the EC.

### **3. Difficulties and Challenges Facing Enterprises**

To overcome such challenges, some enterprises have been finding a *way to change the structure of their production*, notably to promote manufacturing non-leather or low-rate leather products which are not levied with anti-dumping duty. However, on the one hand, benefit of this way can be not much as selling price of these non-leather products is and value added is low. On the other hand, it is very hard for products of artificial leather to compete with that of Chinese enterprises.

*Searching for new markets and new customers:* Some enterprises have made a lot of efforts in looking for new customers since the old customers stopped placing more orders.

Due to difficulties of exporting to EU market, enterprises have been speeding up their promotion to expand their current markets. At the moment, the target markets of Vietnamese enterprises are US and other Asian markets (Japan, Korea, Taiwan). However, it takes much time and efforts to enter a new market

In practice, Japanese market has not been expanded for many years, but maintained at around 3% of total exports of the industry. The number of enterprises doing business with Japanese customers is very few and small orders from Japan still stayed unchanged so far. One owner of an enterprise with many years of doing business with Japanese said: "Japanese customers are very fastidious. In order to be able to trade with them, they will try and test for about 9-10 times"

US market requires even higher than Japan. Big orders with short delivery provision requires a well-developed capacity. It is very hard for Vietnamese enterprises to meet such requirements due to the fact that they are just processors that depend on 80% of their partners' technology and facilities and therefore they can not be active in their exporting process. However, in nature, looking for and establishing an relationship with new customers have not made any difference to the processing orders like before.

Furthermore, some companies have focussed on making goods for the domestic market. However, the consumption of high-grade leather footwear in the domestic market is very low. Therefore, if this direction is further focussed, enterprises shall have to turn back to low-grade products and when Vietnam joins WTO, their competitiveness shall be even weaker.

#### **4. Fluctuation of labour forces**

The proceeding has also caused significant impacts on the fluctuation of labour forces of footwear enterprises in Vietnam.

Due to the sharp reduction of orders, there has been no work for labourers and consequently enterprises had to let them be off work. This created many difficulties for their business operation in long term. To keep running their production when orders are back, those enterprises, which is lack of skillful workers, must recruit new workers and, as a consequence, incur a big cost for training these newly recruited workers.

On the other hand, with insufficient works, low income, series of labourers stopped working and hoped to find other jobs with higher salary. However, in practice, this is very difficult for footwear workers.

Since the initiation of the investigation (7 /7/2005), as a result of shrinking production, in 30% of surveyed companies, number of workers has been decreased remarkably. For example, An Giang Company reduced from 1,200 workers down to 500; Hung Yen Footwear Joint-stock Company from 1,800 to 1,200; 30/4 Tay Ninh Footwear Processing for Export Co. Ltd from 2,000 to 1,000 workers....

Some other enterprises's employees just worked for limited hours and rotated to be off work. In the first quarter of 2006, the number of working days per worker was just 16- 20 without overtime, compared to figure of 26 working days per month, 3 shifts per day in the past years. Their income, therefore, have undergone much changed. The percentage of workers taking a leave in order to wait for works fluctuated between 30 -50%. "We don't know how long we can exist in such situation?"; said some companies' leaders. If there is no order, they, at the end, shall have to close their factories and as a result workers will loose their jobs.

### **III. Impacts of anti-dumping investigation on employees in shoes production**

#### **1. Background of employees**

Around 90% of labourforce in footwear industry in Vietnam are coming from the countryside. They are all young, between 18 and 30 years old. Those above 30 account for just 10% of the whole labour force in the industry. Moreover, their educational backgrounds are very low, with 25% completing (and not yet completing) primary school, 65% junior secondary school and the remaining 10% for secondary school. Owing to their low education, the opportunity of being workers in the industry is their best option. They can earn at least around US\$ 25 – 32 per month that sufficiently feed themselves

and their family. Whereas they can only earn US\$ 12.5/sao<sup>7</sup>/year, due to poor cultivation techniques, insufficient land and severe natural disasters. They have nearly no chance to get off-farm jobs in the low seasons thus they always wish to enter towns to earn more money. Children's lives are attached to them. Their parents are always looking forward to their money transfers to survive, even to repair and renew their simple cottages. For farmers, this is actually a way to keep away from poverty.

### **Box 1. Poverty most likely be back**

Dang Thi Dien was born in 1985 in Nghe An province of Vietnam in a family with 5 children. She is the forth child but also a bread-winner of the whole family. Her parents are 60 years old and too old to go out to get a manual job. Meanwhile, her older brother gets mental disease and he needs daily care. Her little brother is still at grade 8 and in urgent need of school payment.

She revealed that "My family is very poor. Previously, our life totally depended on the land of 2,000 square meters that produced 650 kilograms of paddy per year. My homeland is located in the central region of Vietnam that is frequently stricken by the natural disasters every year. So we sometimes fell in hunger when the drought or flood happened. . Because my parents could not afford our education, my 26 year old sister dropped out at grade 5 and I quitted school after completing grade 7. In my village, a lot of young people rushed to big cities to earn job. In this tendency, my sister and I also decided to leave our home to secure job in the footwear factories in Minh Nghe three years ago.

We earned around VND 1.4 million per month (or US\$ 88) and sent VND 600,000 – 700,000 (or US\$ 38- 44) to parents for curing my brother's disease and siblings' school tuitions. Last year, with this money, my parents repaired our low-roofed house and bought television, some furnitures. We are very happy with this new house and my parents are very proud of us. However, for the recent months, the factory has obtained fewer orders so I received only VND 400,000 per month (US\$ 25) that were sufficient for feeding ourselves so I hardly sent any money to parents. All the workers in my factory and I myself are very worried for our future if the factory is closed. My family will fall into poverty and hunger again if our living will be totally relied on the agricultural production."

## **2. Instable work: employees being marginalised to unemployment**

Production downturn due to the anti-dumping investigation has caused a wide range of unemployment. It is clearly demonstrated in every surveyed firms. For example, Phu Hai Shoes Factory has been forced to sell out machines and closed down, An Giang shoes company has at the same time cut back on 600 labour, and that figure of Haiphong Leather and Footwear Company, Hung Yen Shoes Co. Ltd. And Tay Ninh 30/4 Co. Ltd. are 1,000, 600 and 1,000 respectively. Even are they imposible now to forecast labour demand after September when the maximum import duty rate (16.8%) is imposed to shoes with leather uppers from Vietnam.

In the meantime, there is no full employment for the remaining of the labour force of the industry. They can't work full time and they have to wait for orders longer than expected.

7. Sao: a measurement unit of Vietnam, which is equal to 360 m<sup>2</sup>

Statistics from 16 surveyed firms show that total working time in late 2005 and early 2006 are much less than that in 2004. Overtime has reduced by 50-60% compared with that in 2004. Some other factories don't work overtime, plus 2-3 hours per day for waiting orders.

To be in brief, the reduction in contracts to footwear factories has led to instable work for employees, making them unemployed and threatening their lives and families.

#### **Box 2. No choice available at all**

Staying with the Hai Phong leather and footwear factory for 10 years, Pham Thi Bich (Ms.), 33 years old, consider it as her second home. She is now living in #61 Group 28-Đông Khê Ward - Haiphong with her husband and one 7 year old son. She confided in worried voice that "Owing to the monthly income of around 800,000 VND (US\$ 50) from the factory, I can sustain our family's life. However, since late 2005, we have suffer from less work as fewer customers made orders with our factory. We have been working half day (4 hours) and take a leave by turn so that every worker could receive the minimum salary of 500,000 VND (US\$ 32). This amount of money has not been enough to cover the essential expenses for my family. We need at least 1.2 million VND (or US\$75) for paying house renting fee, electricity and water (US\$ 25), school fee for my son (US\$ 10) and the remaining for food. Every thing is really costly in a big city. My husband can only earn VND 600,000 (US\$ 38) from working as a hired labour in a construction site. In order to survive, I ever thought of peddling fruit on the street. It was not easy at all as I first imagined. The drug addicts stole my fruits or the police arrested as this activity has been prohibited. In the last resort, I gave up this business and chose the best way of saving more expenses from cutting down electricity and stopping sending my son to extra class. He was very sad but I had no other choices. I do not dare to think about the case if my factory is broken down, how will my family be? Whether I can afford my son's education?"

It is clearly understood that shoes production in Vietnam requires a large number of low skilled employees, therefore they would have no other choice for getting a new job if they lose current one and being unemployed. It would make worse to their lives and families consequently.

### **3. A sharp decrease in income**

It is understood that total income of an employee is composed of contracted wage plus overtime payment and other subsidies (for example, subsidies for responsibility, grants for working hard and for the time contributing to the factory).

There is a sharp fall in employee's income as the consequence of the lawsuit, say, from VND 1.2-1.3 million to under VND 1 million per month, despite the local government's effort to rise minimum wage under the Decree No.03/2006/ND-CP. Particularly for those in the North, it is just VND 600,000-800,000 per month. For those in the South, it is a little bit higher at VND 850,000-1,000,000 per month.

More seriously, contracts decrease combined with reduced working time would tail off employee's income to just VND 500,000 per month, even down to 450,000 in the first quarter of 2006. It is realised from the interview that the average income of employees in surveyed firms has fallen by 25-30% compared with that in 2004, especially two of which have witnessed 50% deduction in their income. It seems much more difficult



for employees to survive when they have to experience this while price level doesn't stop increasing. How can they feed themselves, let alone dependent people in their families?

#### 4. Employee's life – negative aspect due to the anti-dumping investigation

It is recognised that the life of each worker in the footwear industry has been negatively affected from day to day by the lawsuit. Particularly:

##### **Daily consumption is minimised**

Just VND 300,000-500,000 are spent for daily consumption for each employee, including accommodation, energy and water, food and some other personal expenditure.

- Not food enough and malnutrition: employees normally have no breakfast or have it with just VND 500-1,500, have lunch at the canteen (provided by firms with VND 2,500-4,000 each), and have rice (VND 3,000) or instant noodle (VND 1,000) for dinner;
- No money spent for clothes;
- No money spent for entertainment.

##### **Box 3. Just live from hand to mouth**

That is the common voice of employees in shoes production after the anti-dumping investigation.

"With just VND 15,000-20,000 income per day (or US\$ 0.95-1.25), we spend VND 5,000 (equivalent USD 0.3) for food, mainly cereals (rice, corn, sweet potato and cassava).

Before the lawsuit, we often got further VND 3,000 for food when working overtime and we gave it to our children for their food. But now we don't have that amount since we don't work overtime. We have only 20 working days per month as regulated, minus some 1-2 hours per day for waiting for orders, thus our income is now much lower. We tried several times to find some odd jobs out of working time with fails, since there are excess of labour supply while limited labour demand. We are just robbing Peter to pay Paul. We are really living from hand to mouth. It is impossible to know about tomorrow. The only wish of us is to get a stable job at the factory as previously"; said Dang Thi Nhien Yen La, representative of the experienced employees in Haiphong Leather and Footwear Company.

##### *Employee's health is not secured*

With such malnourished meals, vast majority of employees in the sector are not healthy, although they are all young. Some of them have been unconscious while being at work. Furthermore, hygienic conditions at boarding houses are so poor that many of them have got women's diseases or digestion problems. Yet, they haven't dared to go to hospital as their parents and children are much more in need of such small amount of money from them to survive.

#### Box 4. How to save a life of an ill boy?

Hoang Thi Nga was born in 1981 in Dien Chau district, Nghe An province. She has got married and had a boy who is 6 month old. She and her husband did farm work before deciding to enter into industrial production in big cities. They did so with the hope that they would earn enough money to set up a small house for the whole family and then to pay for their son's education. She began to work for Duy Hung Shoes Company in January 2004 while her husband worked for another mechanic company. In fact, new work has brought about stable income for the couple (VND 2 million or US\$ 125 per month). They could buy a motorbike (VND 7 million or US\$ 438) and a television (VND 1.2 million or US\$ 75) by installment (US\$ 250 has been paid back already). However when everything becomes more and more expensive, their son gets congestion. Meanwhile they have spent over VND 1 million (US\$ 63) to daily expenditure. They were advised that their son could be treated with 5 times of ironing multiplied by VND 5 million each (or US\$ 313). They would have no other choice but send their son to their parents in the countryside and minimise their expenditures in order to save money, plus further borrowings from others, to cure their son when he is 10 months old. Still they transfer VND 300,000 (US\$ 19) per month to support bringing up the child. Thereby not much would be left for saving for the later intention.

Nga revealed in a strangled voice: "My income has declined to VND 500,000 (or US\$ 32) since late 2005. This makes me much more difficult to arrange operation for my son as expected. In order to earn more money for his treatment, I also work as a dish washer in a small restaurant after working time in the factory until 10 pm with the extra wage of 400,000 VND (or US\$ 25). My husband and I also decided to sell the television and motorbike for paying back loan and save a small amount for his operation. If my factory worked well as before, my son probably would have the early operation"

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*Employee's families: also unsteady lives*

**Box 5. My parents are to die of hunger!**

This is the choked voice of a female employee of Sao Vang Shoes Company. Her name is Luong Thi Tuyen. Her family is so poor and parents are unable to earn money. Her mother is blind while her father has been operated so many times thus now incapable to work.

From Vinh Phuc province, a mountainous area, Tuyen has come to work for Sao Vang for more than 1 year. Though her wage is still low, she can transfer VND 500,000 (or US\$32) every month to her parents in the countryside. For people in her countryside, that is such a large amount of money, which is equivalent to total income of 2 sao of rich crop throughout a year. Nevertheless, she can't do this anymore from the beginning of this year due to the production downturn. She knows quite well that her parents are out of food now and so look forward to her money, but she fails to do anything for herself and for her poor parents.

Each employee of footwear factories is well aware that his/her income would support the life of their family members or facilitate their off-farm businesses. Therefore all of them try to minimise their daily consumption to send money, though a little, to their families. Currently in the slow-down of the whole industry, each of them finds greater challenge in supporting their families like that.

Such case studies release a part of sad stories of workers in shoes production now in Vietnam and emphasise the important role of income from a stable job to people in the countryside, especially female people. If they have to stop working now, they would fall into vicious circle of poverty.

**Box 6. Father is looking forward too much to his son's income from shoes production**

Nguyen Van Minh was born in 1982 in a poor big family in Nghe An province. He is the second eldest child among 4 children. Total income of his family was not enough for 4 children to go to school. In addition, his father was disabled and got hysterics thus unable to work for long. All of 4 children had to stop schooling and found a job instead. Minh began to work in towns when he was 13 years old. He did anything he could in order to have money. However due to early making a living, sometimes he fell down and thought that it was unable to stand up again. But the image of his family supported him to do that. Since he got a stable work in Truong Loi company, mounding section, he and his elder brother could transfer VND 600,000 (or US\$38) to his parents per month. Ironically his father has just had to go to hospital in Hanoi for 2-3 months, his family has been in worse situation. His brother has become unemployed and got back home. His mother has had to accompany his father to hospital. His income brings hope to the whole family then. But it seems not enough to cover his expenditure and his family in the countryside and his father in hospital. His family decided to mortgage the house for VND 20 million to cure his father in 2-3 months. How can Minh manage the life in this situation? How much worse it would be if the performance of footwear factories is badly affected?

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### **Children are shortage of their parent's love and unable to manage the schooling**

Due to income reduction, many employees have to send their children back to the countryside and ask for help from their parents. Schooling fee for those children is ranging from VND 150,000/month for primary school to VND 200,000-250,000/month for junior secondary school to VND 350,000/month for secondary school. Almost all workers said they would try their best to manage children's schooling, but if the situation is worse than today, their children might stop doing it. "We have sacrificed ourselves for the sake of the next generation. Yet the lawsuit has made our efforts meaningless. Our children would fall again into illiteracy, which we once experienced and now try to keep away from it" (*Female employees' voice of Khai Mon shoes factory under Haiphong Leather and Footwear company*).

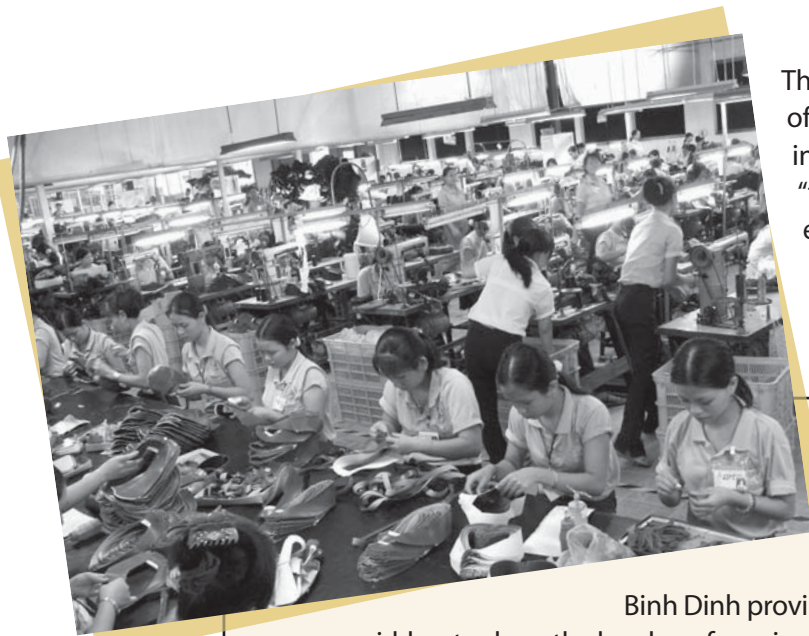
### **5. How is the future of employees in shoes production in Vietnam?**

Being asked how they would manage the life if things still go on as it is, employees don't know the answer. They cannot know how things are getting on tomorrow. They do wish to have a stable job in factories as before the investigation. If things are getting worse, they would have no other choice than returning home and doing the farm work (if they have already fields in the countryside). Otherwise they must find another way to survive although it is still vague. All of them say they'd rather stay with factories until retire and receive pension, especially old employees, since they are quite familiar with the work, and they can earn better from this work than others. Furthermore, they are not well prepared for other job thus it would be very unlikely that they could find a suitable one in their countryside. Or it would take time to do it. In any cases, they would find it much more challenge, to feed themselves and support their families. For some other people, they would intend to learn more after getting a certain amount of money from shoes production. But how can they do it now, when they even have not enough food?

#### **Box 7. No money, no treatment**

All females interviewed have been attached to shoes production for longer than 10 years. They have got married and been living in HCMC. Their ages range from 37 to 43. A case in point is Ms. Nguyen Thi Kieu Nuong (born in 1963), who has been working in a shoes factory for 11 years and is now in strobil stitching position. Her husband passed away in 2000 and left her with a 10 year old son. Her income in three first months of 2005 was VND 1.1 million (or US\$ 69) on average including overtime (three hours per day) from Monday to Friday. Nonetheless it has dropped to VND 700,000 (or US\$ 44) without any overtime since then. She told that: "I have been working for the shoe factory for more than 10 years and usually receive a quite stable salary of around VND 800,000 – 1,000,000. However, since mid 2005, all the workers in my factory have been facing with the difficulties of covering our family life within the constraint of salary. Our salary is unprecarious. More hardly, I have felt very tired for the recent months. I came to see doctor and he revealed that I got bazodo and weak sight disease and advised me to take some time for rest. If I stayed at home, I would have no money to buy food, let's alone cure these diseases. Each time I went to the hospital, it would cost me at least VND 200,000 (or US\$ 12.5). If only my factory remained working well as before, I would have more opportunities for taking care of my health"





There are many other pathetic cases of employees after the anti-dumping investigation of EU. It is considered a "tsunami" which is to take lifebuoys of employees away. Their future are quite pitchdark.

#### Box 8. Gloomy life start

Born as a third child in a large family with 9 children in My Long, Cat Hung ward, Phon Cat district, Binh Dinh province, Nguyen Thi Thuong, a 24 year old girl, has to share the burden of earning life for the whole family. Their family's earning source is mainly from products of farming work that have been done by her six sisters and parents. However, it is not sufficient for 11 mouths, they sometimes had to suffer from starvation for two or three months. To fight the hunger back, her 52 year old mother collected waste bottles with income of VND 10,000-15,000 per day (or US\$ 0.60-0.95) at the off-season time. Her father could not do any thing as he has caught goitre for 10 years but no money for operation. At the worst, she and two younger brothers left the countryside to find a job in cities. In the first days in cities, Thuong worked for Thanh Binh leather shoes company while her brothers helped in construction site. But the salary was too low and just enough to feed themselves. In order to have more money to send home, Thuong changed to work for Lien Phat shoes company in 1999, stitiching section, where she could earn VND 360,000/month (US\$ 23). After a short time of working, she could save a little for herself and return to her hometown for further study at twelve grade with an aim of seeking a better job in the factory. In 2001, Thuong returned to Lien Phat company after acquiring the diploma of secondary education. She could then earn up to 1.4 million.VND (US\$ 88) per month at the peak season and send approximately VND 900,000/month (US\$ 56) to home. With such amount of money, her father could have medicine and access to the treatment in hospital.

However, gone was the time when the workers could earn such high salary. Thuong confided with eyes melting in tears that: "My difficult time started in late 2005. I heard from my head of division that the orders of the company reduced by 10% and more seriously down by 50% in the first 3 months of 2006. As a consequence, my income has been dropped to VND 500,000/month (or US\$ 31) that has just been sufficient to feed myself and pay house renting. I sometimes skip breakfast and have instant noodle for dinner instead of rice, to further cutback the expenditure and to transfer VND 200,000 to mum. It is much more difficult when my brothers didn't have work in rainy season. Although they could find some odd jobs with VND 15,000-16,000/day, for example, assisting in exhibitions and being waiters in restaurants. I am really worried of my future. I do not know how to survive if my factory is broken down. Out of the leather and footwear industry, I find it hardly to seek a job in a city"

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## **Chapter 3**

# **EVELUATION AND RECOMMENDATIONS**

## I. Evaluation

Footwear industry has attracted a large number of labour forces, particularly young female workers from the rural areas. Such job creation has helped them be out the danger of impoverishment as a result of unemployment or not enough works and income.

With stable works, the average income of footwear workers is 800,000 – 1200,000 VND. Although this is not high, it plays an important role in assisting their families to reduce poverty. About 25-40% of their income has been spent on assisting their families.

The study can prove the lawsuit to be unfair to Vietnam:

- Vietnamese enterprises are operating under a market economy mechanism and are responsible for their business operation in front of laws and fully comply with all current laws and regulations in relation to workers' rights and obligations.
- Most of Vietnam's footwear enterprises are operating in the form of a processor for foreign partners, do not participate in the process of trading and distribution of goods, do not decide cost prices and export prices of exported products and therefore they can not be the creator of such dumps. Rather, they are just accidentally in the situation of dumping as such and become the victims of this petition.

It can be seen through this study that the impacts of this petition on business operation of enterprises and footwear workers' lives are very clear and serious.

- For enterprises, the main impacts are the reduction of customers, orders and price-compelled contracts. As a result, enterprises must narrow their production, change their structure of production or change their exporting markets.
- For workers, the impacts which are very significant include the unstable works and reduction of income as from the initiation of the lawsuit. The risk of losing their jobs is very manifest, not only for 500,000 footwear workers but also for a large number of workers in supporting and related industries.

Such impacts are even more serious as income of footwear workers is low and most of them are female and on average each worker must support 2.5 – 3 members of their families. When footwear workers face with the risk of unemployment, it results in many other social problems such as no future for young workers, no money for their children to go to school, financial difficulties for their families and impoverishment.

The viewpoints of insiders of the EC's anti-dumping lawsuit clearly confirmed that:

- Vietnam's footwear enterprises do not dump and are unable to dump their shoes into EU.
- The EU's provisional rate applicable to leather – upper shoes of Vietnam exported to EU market shall cause many negative impacts on the economic development, in general, and its footwear industry. The main victims of this proceeding are female workers working in footwear sector as well as their children as such industry attracts over 80% female workers and most of them are very poor from rural and agricultural areas. Probably, they shall be fired. This creates a burden on the whole society and increase the rate of poverty in Vietnam. The petition is "a tsunami" destroying Vietnam's footwear industry.

The only expectation of such workers is to continue making shoes in order to settle down their living and accumulate for the future as well as assist their families. For this

reason, they insist on requesting EC to reconsider their decision on imposition of anti-dumping duty on Vietnam's shoes with uppers of leather for the sake of hundreds of thousands of Vietnamese workers who are in need of works and happy lives.

## **II. Recommendations**

The Vietnam Leather and Footwear Association and ActionAid International Vietnam call for:

- The EC's reasonable and rational reconsideration of their decision on imposition of anti-dumping duty on Vietnamese shoes. Please abandon such decision on imposition of anti-dumping duty for the sake of works and lives of nearly one million workers in footwear and related industries as well as their families.
- Fights from international organizations for the fairness in trade and legitimate interests of Vietnam's footwear workers, especially their livelihood right.
- Importers and retailers and consumers of EU to remind EU of any negative impacts on consumers caused by such tariff measure.



## Annex 1: Members of Research Team

| No | Name                | Title       | Organization  |
|----|---------------------|-------------|---|
| 1  | Ngo Van Hoai        | Team Leader | Institute of Labor and Social Affairs Studies - Ministry of Labour, Invalids and Social Affairs |
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| 3  | Le Anh Duc          | Member      | LEFASO  |
| 4  | Phan Thi Thanh Xuan | Member      | LEFASO  |
| 5  | Nguyen Thi Mai      | Member      | Institute of Leather and Footwear Research  |
| 6  | Le Sy Giang         | Member      | Vietnam Competition Agency – Ministry of Trade  |
| 7  | Pham Thi Phuong Mai | Member      | Vietnam Chamber of Commerce and Industry  |
| 8  | Nguyen Anh Duyen    | Member      | Vietnam Chamber of Commerce and Industry  |
| 9  | Dang Thi Doan Trang | Member      | Vietnam Chamber of Commerce and Industry  |
| 10 | Pham Hoang Hai      | Member      | ActionAid International Vietnam   |
| 11 | Chu Van Anh         | Member      | ActionAid International Vietnam   |
| 12 | Luong Minh Phuong   | Member      | ActionAid International Vietnam   |
| 13 | Tran Vu Nghi        | Reporter    | Tuoi Tre (The Youth) daily newspaper  |
| 14 | Nguyen Hong Van     | Reporter    | Vietnam News  |
| 15 | Dinh Cong Thang     | Reporter    | Lao Dong (Labour) daily newspaper   |
| 16 | Tran Nam Duong      | Reporter    | Nguoi Lao Dong (The Worker) newspaper   |

## Annex 2: List of surveyed enterprises

| No  | Enterprise                          | Export proportion to EU in comparison with other markets (%) | Area       |
|-----|-------------------------------------|--|------------|
| 1   | Gold Star Company Limited           | 82   | Hai Phong  |
| 2   | Hai Phong Shoes Company             | 80   | Hai Phong  |
| 3   | Hai Duong Shoes Joint Stock Company | 95   | Hai Duong  |
| 4   | Phu Ha Footwear Company             | 90   | Ha Tay     |
| 5   | Thai Binh Footwear Company          | 70   | Binh Duong |
| 6   | Duy Hung Footwear Company           | 82,04  | Binh Duong |
| 7   | Truong Loi Footwear Company         | 100  | HCM city   |
| 8   | Lien Phat Footwear Company          | 89,60  | Binh Duong |
| 9   | Thuong Thang Footwear Company       | 97   | HCM city   |
| 10  | Sai Gon Shoes Joint Stock Company   | 70   | HCM city   |
| 11  | Pou Yuen Footwear Company           | 70   | HCM city   |
| 12  | An Giang Footwear Company           | 70   | HCM city   |
| 13  | Company No 32 – Ministry of Defence | 65   | HCM city   |
| 14  | Coats Phong Phu Company             |  | HCM city   |
| 15  | Dona Viet Vinh Company              | 35   | Dong Nai   |
| 16  | Tae Kwang Vina Company              | 40   | Dong Nai   |
| 17* | Ngoc Ha Footwear Company            | 75   | Ha Noi     |
| 18* | Viet Phat Footwear Company          | 80   | Hai Duong  |
| 19* | Hung Yen Shoes Company              | 80   | Hung Yen   |
| 20* | Gia Dinh Shoes Company              | 80   | HCM city   |
| 21* | 30/4 Export Company                 | 85   | Tay Ninh   |



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