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PROSPECTS FOR INCREASING EXPORTS OF FOOTWEAR AND LEATHER GOODS FROM DEVELOPING COUNTRIES 1/

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CONTENTS

I HIDE AND SKIN SUPPLY

The production of a whole range of leather products for consumption on the home market of a developing country and for export is the logical outcome of progress which has commenced with better utilisation of the raw materials which exist within the country's borders. Leather and leather products can contribute significantly to a country's export earnings and its balance of payments account. Leather, shoes, leathergoods etc., which were formerly imported at prices, for obvious reasons, vastly out of proportion to the earnings gained through the export of raw hides and skins, can be produced for the export market. Considerable export earnings can thus replace a negative balance of payments situation in this sector.

At the outset of developments, developing countries should realise that improvements can be made in animal husbandry, butchering and hide and skin preservation to ensure an increased supply of raw material. A comparison between the hide availabilities in developed and developing countries will amply demonstrate this point. (1). An assessment of the world cattle population showed a population of 1,152.8 million in 1971. Developing countries held 710 million (61%) and developed countries 442.8 million (39%). However, of the annual availability of hides of 239.2 million only 96.4 million (40%) came from developing countries while the developed countries with a lower cattle population yielded 162.8 million (60%) hides.

Six developing countries have 40% of the world's total cattle, but only produce 25% of the world's hides. Whilst five developed countries with only 25% of the world's total cattle produce about 40% of the world's hides.

Developing Countries

	Cattle numbers		Hide availability p.a.	
India	230.0	million	23.0	million
Brazil	90.0	"	10.2	"
Argentina	49.8	"	11.0	"
Pakistan	44.9	"	0.1	"
Ethiopia	28.2	"	2.7	"
Mexico	25.1	"	3.5	"
	466.0	"	50.5	"

Developed Countries

U.S.A.	109.0	"	42.0	"
U.S.S.R	94.0	"	30.0	"
China	70.0	"	8.5	"
Australia	24.5	"	8.0	"
France	20.5	"	8.0	"
	317.0	"	96.5	"

The world sheep population is estimated at 1032.4 million of which the developing countries hold 422.5 million (42%) with an annual skin availability of 130.8 million (39%) and the developed countries 609.9 million (58%) with a skin availability of 213.7 million (61%). The world goat population is about

363.6 million of which the developing countries hold 277.2 million (76%) with an annual skin production of 101.7 million (79%) and the developed countries hold the much lower number of 86.4 million (24%) with an annual skin yield of 26.6 million (21%). The developing countries share of available skins compared with livestock is more even than in the case of cattle hides.

II LEATHER PRODUCTION

Having established the useful advantage which the developing countries have with their resources of raw material, much of which can be improved without increasing the cattle population, the steps of progress can be plotted. Certain Asian and African countries have been exporting semi-processed leathers for many years and are now eager to launch into the full-scale production of finished leather and leather products. Government imposed restrictions on the export of raw stock and semi-processed material can accelerate the transition toward finished leather production. There are nevertheless several important factors which must be understood. In terms of total export earnings, precipitate change over to the production of a more advanced product could be a retrograde move, because without a marketing structure, marketing ability, market demands, sufficient grasp of technology and a sufficiently large home market to absorb the inevitable export reject production, losses in export earnings could occur.

Without a big home market for leather products, perhaps a gradual progress from raw through to the production of ready to finish leathers would be most expedient. (2). European styled tanneries should not be transplanted to developing countries. Plants designed to the immediate local needs with the capacity to modernise with the progressing ability of the staff and according to the market should be built. Many modern plants which have been established in developing countries are today running uneconomically. Installing machines, due to the transport and installation costs, is more expensive than in the developed world. High level technical management for four to five years until full competence and productivity is established would probably be needed.

Better marketing and technical abilities in the developed world ensure that finished leather tanners obtain a better price for their products. Many developing nations heavily subsidised the the export of finished leathers and leather products in order to stimulate the industries' growth. However, this forces other countries to follow the same policy and makes it uneconomic to enter the finished leather field without Government aid.

'Wet-blue', although giving a big profit return to individual producers, is not really economic to produce as it yields minimal added value per unit. Tanners in developed countries demand it to allow them to retan and finish to their own requirements. In terms of time, almost immediate full productivity can be obtained. However, the producing country receives a poor return in foreign currency.

'Ready to finish' gives a good return on capital plus high added value in terms of foreign currency, and seems the ideal object for future projects, especially as it allows the final finishings to be done in the importing country to their exact requirements. The time required to achieve high productivity in 'ready to finish' is considerably shorter than that required for finished leather, where it is accepted that only 60% productivity can be hoped for after one year's operating, rising to 90% after three years.

The current situation whereby 'wet-blue' pays little or no duty, and finished leather pays high duty, accentuates the position. With the development of technological excellence in the production of finished leathers enhancing the probably small output of finished leathers for domestic demands and the installing of modern plant for the consistent production of finished leathers, large scale production can be contemplated with some confidence. Failure by Governments to cater for the immediate needs of a growing industry by freeing the importation of necessary machinery and chemicals from duties and heavy burocracy can severely hinder progress. It has been proved true that Governments, although eager enough to obtain the added value in exporting finished products are jealous over the import duties on materials which constitute a more fraction of the finished value of the product. The increase in relative value between raw hide and a shoe is of the order of 1000%.

III FOOTWEAR EXPORT OPPORTUNITIES

Developing countries have many advantages in the field of shoe production. In Europe, the minimum amount of labour content goes into shoe manufacture, therefore, techniques have altered and the industry has become an assembly industry. The labour content in the industralised footwear industries already existant in some developing countries is considerably higher than in Europe. The developing countries often have large artisan footwear industries catering for the domestic needs, which are, of course, very labour intensive.

The character of the footwear industries varies throughout the developing world.(3). In India for instance the major development has been in artisan footwear production, Government policy favouring the extension of village industry. Small scale footwear production has proved successful in Agra, India's leading shoe producing centre, where buyers from the U.S.S.R and other Comecon countries establish the style requirements with groups of shoemakers who then work together to fulfill the orders. The buying countries have inspectors on the spot to monitor the quality of production. Alongside the artisan industry in India are the large mechanised factories, producing products of consistent quality which command a higher price.

Amongst the developing countries the Latin American nations, especially Brazil, Argentina and Mexico have progressed the most in the establishment of large mechanised plants. In the export of footwear and other leather products these countries are exemplary to all. The growth of the leather and leather

products industries has taken place in an atmosphere of simultaneous growth in many fields of industry. Chemicals and machinery are available in these countries, yet despite this they have bought the best European machinery often over high import duty walls. Government bans on exports of the abundant raw materials and tax incentives for exports of leather and leather products have greatly helped the industries. The mechanised production of all-leather footwear in these countries makes them the producers of low priced shoes of better quality than most European countries.

In the third sector, Africa, considerable variation in progress is detectable. North of the Sahara, leather industries are traditional and have not progressed radically. South of the Sahara developments have been impressive in some countries in leather production whilst other countries not yet in the field are or the brink of tannery development. Footwear industries of an artisan nature exist in most countries and some have modern mechanised plants, however, development in the sector as a whole is still in its early stages.

The approach which industries in the various parts of the developing world should make toward the export of footwear will therefore differ. For instance, the cost of artisan produced shoes in India varies from Rs20 to Rs50 per pair whilst the price of the mechanised shoe production is slightly higher varying from Rs35 to Rs65. In South America artisan produced shoes are usually double the price of mechanically produced footwear.

Looking at the problem overall it is encouraging to realise that the long term prospects for leather products exports are better than those for finished leathers, provided that the correct plant is installed with sufficient expertise to operate it efficiently. Two major difficulties are overcome, the long distance match and the fragmentation of production.

What are the facts about footwear consumption in the developed and developing nations? As expenditure on footwear is sensitive to short term growth in real income, demand on the home markets in developing countries is likely to accelerate faster than demand in developed countries where the acquisition of footwear often doesn't have the novelty or status creation that it has in the emergent countries. There is the danger of over-estimation of demand in the long term, because of the short term sensitivity, as in the long term footwear exhibits low income elasticity. As real income increases, expenditure on footwear remains static, people becoming more vehicularly propelled than perambulatory.

There are two means of increasing consumption which particularly apply to developed countries;

a) built in obsolescence or fashion change

b) increase in personal stocks of shoes for different purposes: walking, sports, etc.

No matter which approach is taken to promoting footwear consumption, a ceiling is reached.

Between 1970 and 1980 footwear consumption in Europe and North America should increase by 16% as a result of population increases,

greater fashion consciousness and wider varieties of footwear for different uses. On the same basis consumption in the Comecon countries should rise by 10% but consumption in the developing countries is expected to rise by 100%, showing that the new industries must satisfy domestic demand on a large scale as well as earning foreign exchange through exports.

The manufacture of leather and leathergoods from the raw material represents 0.6% of the world's manufacturing added value, whereas leather footwear production represents 1% of the world's added value. Footwear manufacture is thus of importance to a developing country, as it also represents 1.6% of the total value added in all manufacturing industry in the developing countries. Of the total value added in the Comecon countries, footwear production represents 1.2% and in the developed countries 0.9%.

The opportunities open for manufacturers in the developing countries lie with the export of all-leather footwear to the developed countries, where such footwear is very highly priced. In Western Europe and North America, the diversification in the market for leather brought about by the large demand for leather clothing contributed to a division in the footwear market. The choice in these countries lies between the cheaper supermarket type shoe which has a high proportion of man-made materials in it and the expensive all leather craft-image shoe. The raw material crisis resulting in the big increase in the price of leather confirmed the division.

As most people desire at least one pair of leather shoes, the market is attractive to all-leather shoes of good quality at moderate prices. Italy, Spain, Portugal and Greece serve as excellent examples amongst the developed countries of how to develop a successful export oriented footwear industry. It is said that Italy's success has been based on the all leather shoe combined with fashion flair. The phenomenon has been repeated in Spain and Greece and is currently elevating Brazil amongst the world's leading shoe exporters. Argentina, Mexico and now Colombia are having increasing success in the export field typifying the success which other developing countries could enjoy.

In several Latin American countries industrialised units manufacturing footwear mainly made in alternative materials satisfy domestic demand whilst most of the best production of leather shoes is directed to the export market. The best prospect therefore lies with the production of all leather footwear for men, women and children on an industrialised scale.(4). The proportion of the market occupied by fashion footwear is probably growing but there remains a vast market for classical styles. A good production mix is therefore needed. Competition in the classical style shoes is intense in Western Europe as a result of Comecon exports in this field. This underlines the success of Italian exports which have tended to have a high fashion content whether for men, women or children.

Industralised units could well enter the all leather shoe export market, after having satisfied the local market with cheap shoes in man-made materials or poorer quality leather, concentrating on the classical shoe market. Individually styled artisan made shoes could be more fashion oriented as they are more suited to short-run production.

To usefully enter the export field artisan co-operatives would be more viable. This system has been working successfully in Agra, India, for several years. Several problems, however, would have to be overcome. Uniformity of production throughout the co-operative is essential. Co-operatives would have to equip to meet the market demands therefore finance on a large scale could be required. The confidence and liaison of an importer for information on fashion and market conditions would have to be gained. Finance to cover the period before a return on the goods sold appeared and funds to cover import and freight would have to be found.

The group of countries forming the organisation for Economic Co-operation and Development (OECD) brings together the principal capitalist developed countries. The volume of trade amongst OECD countries plus trade between OECD countries and other countries probably accounts for 95% of total world trade in footwear. This indicates a factor not hitherto mentioned, the possibility for increased trade amongst developing countries. This will happen as these nations advance at varying rates, nevertheless the principal export market for footwear for the developing countries will lie in the OECD group of countries.

The condition of the footwear industry is generally deteriorating in the OECD countries with certain notable exceptions in the Mediterranean area and the Far East.(5). In 1971 production of footwear with leather uppers increased in only four countries notably in Spain. Plastic footwear is on the increase in all EEC countries making the overall position better compared with the industry's performance in 1970.

Major depressions in production of footwear with leather uppers occurred in W. Germany (-3.2%), the U.S.A.(-3.8%) and Australia (-9.3%). Gains in output were recorded in Austria (+12.7%), Canada (+6.8%), France (+6.7%) and Spain (+29%). For the first time Italy showed no gain in production. Production of footwear with leather soles continued to increase.

In 1971 consumption of footwear with leather uppers increased in the EEC within the range of 1.7 million pairs in Holland (+6.6%) to 11.5 million pairs in Italy (+12.3%). In Scandinavia, Japan and the U.S.A., declines in consumption were recorded. Consumption as a whole in the OECD countries improved to 1.87 pairs per head, but has not reached the 2 pairs per head held for several years during the last decade. According to an UNCTAD publication on Leather & Leather Products, Geneva, 1971; the per capita consumption of leather footwear in Europe and North America is as follows: (1).

Eastern Europe	2.12	pairs	per	person
Northern Europe	2.38	"	"	"
Western Europe	2.06	"	"	"
Southern Europe	1.90	"	"	"
North America	3.00	"	"	"

Imports of footwear by OECD European countries from the rest of the world have been steadily rising for a number of years, since 1963 they have tripled. In 1971 the figure was 153 million pairs (+20%) which accounted for 15% of apparent consumption. Imports have increased in all categories except rubber footwear (-10%), but especially in regard to footwear with leather uppers (+42%) and plastic footwear (+52%) of which the U.K. alone imported over 15 million pairs, accounting for half the total. In value these imports amounted to $152 million, a gain of 3.8%.

Outside Europe, the U.S.A imported, in 1971, 342 million pairs (+12.8%) valued at $747 million (+19.8%). Italy and Spain continued to be the main suppliers of footwear with leather uppers (67 and 28 million pairs respectively). Plastic footwear was principally supplied by Japan and Taiwan. Imports from Brazil into OECD continued to increase.

The per capita consumption of all types of footwear has been increasing over the past ten years.(6).

Pairs per annum

	1965	1969	1980 estimate
U.S.	4.6	5.6	
Canada	3.9	4.6	
France	3.8	4.6	
U.K.	3.7	4.2	5.1.
W. Germany	3.3	4.1	
Belgium	3.0	4.0	
Sweden	2.9	3.9	
Switzerland	3.1	3.8	
Netherlands	3.0	3.7	
Denmark	2.5	3.5	
Spain	2.0	3.5	

In some developing countries by comparison the per capita consumption of all footwear is very low:(1).

India	.37
Pakistan	.75
Brazil	1.10
Argentina	1.53

Per Capita Consumption of Footwear Categories for the U.K.(6).

Men	1965	1970	1980 estimate
Leather uppers	1.9	1.85	1.9
Slippers	0.6	0.5	0.7
Plastic uppers	negligible	0.1	0.4
Remaining categories	0.8	1.0	-

Women			
Leather uppers	3.0	2.0	1.8
Slippers	0.6	0.4	0.5
Plastic uppers	0.5	1.6	2.2
Remaining categories	0.3	0.7	-
Children			
Leather uppers	2.6	2.2	1.9
Slippers	0.7	0.3	0.5
Plastic uppers	0.6	1.0	1.3
Remaining categories	1.0	1.7	-

Taking the U.K. as an example, consumption of footwear in 1971 was 253.1 million pairs of which 79.4 million pairs (31.4%) were imported. Of this figure 57.1 million pairs had rubber, textile or plastic uppers and 19.4 million pairs had leather uppers, finally 2.9 million pairs of slippers were imported.

Sources of U.K Footwear Imports

	'000 pairs	%	£'000	%
Hong Kong	38,345	48.3	12,190	22.5
Italy	10,024	12.6	14,354	26.5
France	3,602	4.5	4,397	8.1
India	3,418	4.3	870	1.6.
Japan	2,748	3.5	1,515	2.8
Spain	2,716	3.4	3,033	5.6
Poland	2,482	3.1	2,016	3.7
Pakistan	2,161	2.7	520	1.0
Taiwan	2,072	2.6	1,090	2.0
Eire	1,532	1.9	2,701	5.0

Austria	1,488	1.9	2,402	4.4
Czechoslovakia	1,389	1.7	1,437	2.7
Rumania	1,267	1.6	1,370	2.5
Portugal	1,189	1.5	1,062	2.0
Singapore	603	0.8		
East Germany	570	0.7		
Switzerland			1,026	1.9
West Germany			580	1.1
Others	3,834	4.9	3,573	6.6
	79,440		£54,136	

Import penetration aided by Commonwealth preference can be clearly seen in these figures, 50% of Hong Kong's footwear exports go to U.K. The low cost per pair of footwear from Asia can also be discerned, however, much of this indicates textile and rubber footwear. Despite the fact that footwear production in Western Europe narrowly exceeds consumption, a market for moderatly priced all leather footwear can be realised. At the moment only 2% of footwear consumption in Western Europe emanates from developing countries, but if the forecasts recently calculated for the U.K. apply to other OECD countries, import penetration by 1980 should be substantial.

Footwear Import Penetration 1970 (Percentage of U.K Consumption) (6)

Footwear Type	Import Penetration %	
	1970	1960
Leather	12	50.5
Slippers	11	18
Textile	80	88
Rubber	55	61
Plastic	28	37

Rises are expected in all categories, but the significant increase in imports is expected in leather footwear.

Examining the leather footwear demand on a world scale, it has been projected that demand will increase gradually over the forthcoming years. The ability of the new footwear industries in the developing countries to supply a larger proportion of this demand remains to be seen.

Prospects for Growth of World Demand in Leather Footwear (1)

	Share of World consumption in 1970 %	Projected av rate of growth % p.a.	Projected index of demand in 1980 1970 = 100
U.S.S.R to East Europe	36.0	1.7	118
Developed countries	52.0	1.5	116
Developing countries	12.0	4.8	160
World (excluding China)	100.0	2.0	122

IV LEATHERGOODS EXPORT OPPORTUNITIES

The market for leathergoods is exceedingly complex, differing widely for the three main categories of goods, travel goods, handbags and small leathergoods. The description 'leathergoods' unfortunately encompasses goods made of materials other than leather, therefore the consideration of genuine leather goods will be specifically attempted.

In developed countries employing mechanised production uniformity of quality is the main advantage, but in the leathergoods field there lies an excellent market for the individually styled, hand-tooled articles. Reductions in labour content as a result of necessary mechanisation has encouraged the utilisation of uniform sheet plastic materials. The high fashion aspect of individually styled leathergoods augurs well for import penetration from the developing countries into the developed economies.

Craftsmanship content in the goods is expected and it must be of a higher standard than that usually found in tourist merchandise.(4). Good quality leather allied with good quality fittings and neat construction on both the interior and exterior must be inherent in the products. As fashions, especially in handbags, change rapidly excellent liaison with importers at the market end is essential. Except for the classic styles, handbag fashions change twice per year thus creating a market which is difficult to supply over a long distance. Perhaps the best fields for export from the developing countries would be in non-fashion goods such as

school bags, brief cases, shopping bags, soft travel bags, wallets, purses, belts and childrens toy items.

In conjunction with importers the type,quality and design of goods required by the market should be established. As the requirements of the various developed countries differ markedly, individual researches are necessary. The manufacturer should then decide whether or not he will supply the classical or fashion markets or both. Importers usually require to stock a full range of goods for immediate supply to the market. Confidence in the products can be established in this way as buyers can examine the full range of leathergoods and any distrust of the sample against the bulk delivery is removed.

As leathergoods is a buyer's market, publicity in the form of brochures describing ranges and styles and advertising in export journals and consumer journals at the market and is essential.

To maintain the high element of craftsmanship in leathergoods manufacture, artisan co-operatives could be viable, provided strict adherence to design and style for bulk deliveries was observed. Government assistance in the form of export credit guarantee would probably be needed to finance the commencement of operation as returns on first deliveries would take a long time to return to the artisans. Assistance would also be needed in market research and shipping.

Needless to say no viable leathergoods industry can be developed without the existence of a local leather industry which produces good leathers of consistent quality.(7). Co-operatives formed to produce leathergoods should operate joint purchasing, quality control and distribution. A certain degree of mechanisation should be introduced, such as sewing. Governments should be made aware of the need to import machinery and locks and frames etc which may not be available in good enough quality locally. Training should not be ignored whether on the job or at Government established training centres.

Western Europe and North America are the centres of leathergoods manufacturing, fashion and demand. Products desired by these markets should therefore be studied and produced. Prospects for exotic leathergoods, although better today than ever before, having been largely stimulated by the 'hippie' cult, are nevertheless limited.

Joint ventures between manufacturers in the developed countries and those in the developing can relieve the latter of total reliance on domestically produced leathers and accessories thus enabling such operations to supply the market more effectively.

Taking the 1968 figures, the U.S.A. was by far the biggest importer of leathergoods with a value of imports of $94.7 million. (28.9%) Germany imported $19.1 million worth of leathergoods of which the genuine articles valued $10.7 million and Switzerland imported $13.1 million of which genuine leather-goods valued $7.2 million, both much healthier proportions.

Sweden and Denmark are [illegible] in this [illegible] good. In the U.K. however, the total in 1971 was $[illegible] of which only $4.4 million were genuine leather goods, the same value was imported in 1960.

The healthiest leathergoods import increases 1964-68 were recorded by Austria, the Benelux countries and Canada all of which had increases of over 60%.

The high proportion of imports of plastic goods into the main markets is due to the price and cost of manufacture of genuine leathergoods. The entry several years ago of Japan, Hong Kong, Taiwan and Korea into the manufacturing field with light weight mass-produced plastic and textile goods, using such techniques as heat sealing and high-frequency welding instead of stitching, accelerated the decline of genuine leathergoods on the market. Developing countries should note this declining trend and be prepared to use other materials. Light weight moulded luggage is required universally for air travel.

Italy and France are the leaders in fashion for handbags and belts. West Germany has a sound reputation for solid workmanship in the production of briefcases, travel goods and small leathergoods. Competition in cheap leathergoods such as brief cases and other non-fashion items is being increasingly encountered from the Comecon countries and The Peoples Republic of China. Some countries have long histories of leathergoods production, Morocco features strongly in this category with production of purses and desk sets etc, Lebanon is well known for travel goods and shopping bags.

Among the countries coming recently to the fore is Yugoslavia with a wide range of goods. Rapid development in the supply of non-leather luggage has occurred in Taiwan, Korea, Mexico and Hong Kong. In 1967 Hong Kong supplied 25% of the U.S non-leather luggage market and 60% of the non-leather handbag market. Hong Kong along with Japan are also leaders in the supply of the whole gamut of cheap plastic and textile fabricated goods.

In certain OECD countries the imports of leathergoods in all categories was approximately as follows in 1972.

Values of Leathergoods Imports in Certain Countries

West Germany	1972	£ 73.4	millions
Switzerland	"	£ 25.0	"
Belgium	"	£ 23.6	"
U.K	"	£ 20.0	"
Holland	1971	£ 10.5	"
Austria	1972	£ 8.8	"
Italy	"	£ 4.7	"
Spain	1971	£ 1.9	"

It is interesting to compare the relative positions of exports and production, exports and imports and imports and consumption of leathergoods in these countries.

Examination of External Trade of Certain Countries

Country	Year	Quoted as Percentages		
		Exports / Production	Exports / Imports	Imports / Consumption
West Germany	1972	14.0	78.3	17.6
Austria	"	17.9	32.6	40.1
Belgium	"	24.3	33.6	36.6
Spain	1971	25.9	902.7	5.7
France	1972	14.6	131.7	9.9
Holland	1971	23.2	51.4	22.5
U.K.	1972	7.6	46.2	15.1
Switzerland	"	30.7	16.8	66.5

During 1972 there were considerable increases in the importation of leathergoods in the countries quoted. For example in the U.K, imports in 1970 were valued at £13.8 million, in 1971 the figure rose to £15.5 million but in 1972 the figure reached £20.8 million. Imports from Japan, Hong Kong form important proportions of the imports of West Germany, U.K and Spain.

Principal Sources of Leathergoods Imports in Certain Countries

Country	Year	Countries of Origin			
		from the EEC %	from Japan & Hong Kong %	three main sources	%
West Germany	1972	68.1	18.8	Italy France Holland	40.9 14.1 7.3
Austria	1972	75.6	4.1	W.Germany Italy Switzerland	39.2 14.3 13.2
Belgium	1972	82.6	2.7	France W.Germany Italy	25.4 22.2 21.2
Spain	1971	49.1	34.8	Italy Hong Kong Japan	28.2 17.8 17.1
France	1972	80.0	6.5	Italy W.Germany Belgium	41.3 19.6 13.2
Italy	1972	59.6	-	W. Germany France Belgium	27.3 19.4 13.0
Holland	1971	69.0	7,0	W.Germany Italy East Europe	39.8 19.4 11.7
U.K	1972	-	29.9	Hong Kong Italy Japan	19.2 13.0 10.7
Switzerland	1972	81.5	4.2	W.Germany Italy France	36.4 26.7 11.7

Opportunities can therefore be seen for the export from developing countries of wide variety of leather and non-leather goods. Perhaps the future holds even greater opportunities in the field of leather garment exports, provided the several marketing provisos already expounded are observed. As is thoroughly well known leatherwear has become very popular as fashion and utility wear. Several countries are already realising high export revenue in the exports of leather apparel, notably Spain, Turkey, and Finland and several of the other developed countries. Amongst the developing countries, the Latin American countries have made some progress in the field, notably Brazil and Argentina. As most of the developing countries lie within the tropical regions, these products will be almost wholly for the export market.

The value per piece is high yet the imported product from a developing country is much cheaper than that produced locally. To quote a market example, the current sales of leatherwear in the U.K is probably marginelly over 2 million pieces per year. It has been conjectured that it should be possible to sell one garment every 5 years to every man and woman and one garment every ten years to every young teenager. If leatherwear is to remain fashionable which seems highly probable, there must be import penetration into the market in order to supply the demand.

In terms of leather consumption, such sales would represent 15 or 16 pairs of shoes per head per year or the consumption of 30 to 40 sq.ft. of garment leather per person as against 6 or 7 sq.ft. of shoe leather. The rapid increase in demand for leather clothing has already put much strain on the raw material market causing a reduction in the volume of gloving leathers made (one average garment = 10 pairs of gloves) and introducing more hide leathers into clothing as sheepskin supplies, the traditional clothing leather, are exhausted. Europe is very quality conscious when buying expensive articles of apparel, therefore the best market for leatherwear produced in developing countries could be in North America initially. This has been a pattern with exports of other items, import penetration being more rapidly achieved and, when more expertise is gained, successful assaults on the European and other OECD markets have been made.

With the diminution of production of leather for gloving in several countries enjoying high clothing leather demand, the opportunities for export of leather gloves by developing countries appear clear. Several countries have been successful with exports of gloves to North America and Northern Europe. The Philippines, Commonwealth countries in Asia and Africa, Spain, Greece, Rumania, Turkey and Portugal have all been successful in this field.

V GENERALISED SYSTEM OF PREFERENCES

The anxiety of developing countries in the matter of tariff barriers in the developed countries eventually found shape in the emergence of the Generalised System of Preferences which had its origin in UNCTAD/GATT. Developed countries under this scheme give preferential tariff treatment to imports from developing countries, defined as developing by UNCTAD.

Qualifying goods must be consigned direct from the 99 developing countries concerned to the developed countries. All varieties of raw hides and skins semi-processed and finished leathers appear under Section 41 of the Brussels Tariff Nomenclature; articles of leather, saddlery, harness, travel goods, handbags etc., are under Section 42; furskins and artificial fur are under Section 43 and footwear and gaiters etc. appear under Section 64.

The preference giving countries, E.E.C., Japan, U.S.A., Canada, New Zealand and E.F.T.A., agreed to seek as rapidly as possible the necessary legislative or other sanctions to implement the preferential arrangements. While agreeing to the introduction of G.S.P., the developed countries reserved the right to (a) exclude certain developing countries from the scheme; (b) determine the product coverage; (c) determine the rules of origin; (d) determine the duration of the scheme; (e) reduce preferential margins by lowering or removing tariffs on a Most Favoured Nation basis; (f) determine the amount of the tariff cut affecting the preference; and (g) provide a

cut affecting the preferences; and (g) provide a safeguard mechanism in escape clauses to be incorporated in the scheme.

In the case of E.E.C, annual ceilings are normally calculated according to the following formula; c.i.f. import value from beneficiary countries in 1968 form the basic quota. In case of a particular sensitivity of a product, the basis of the calculation of ceilings may be deviated from. In order to limit the preferences granted to the more competitive developing countries and to ensure a substantial share for the less competitive sources, preferential imports of a given product from any single developing country are subject to a sub-ceiling fixed according to the product group.

The scheme was ratified by the E.E.C and came into effect in E.E.C countries in July 1971. Most developed market economies followed suit subsequently.

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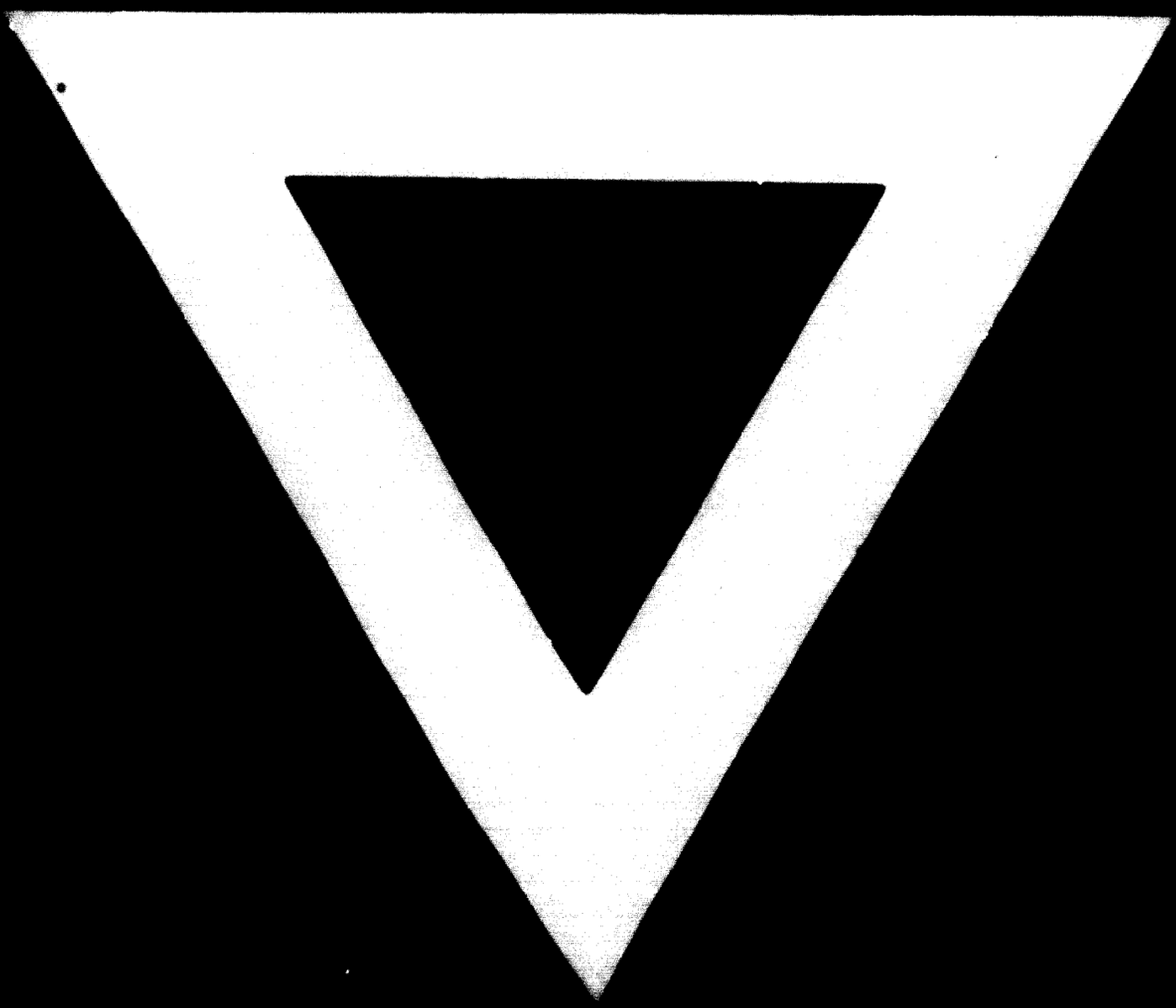

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