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First Consultation Meeting on the Leather and
Leather Products Industry

Innsbruck, Austria, 7 - 11 November 1977

REPORT OF THE REGIONAL PREPARATORY MEETING FOR
CONSULTATIONS ON AGRO-BASED INDUSTRIES:
LEATHER AND LEATHER PRODUCTS 1/

organised jointly

by

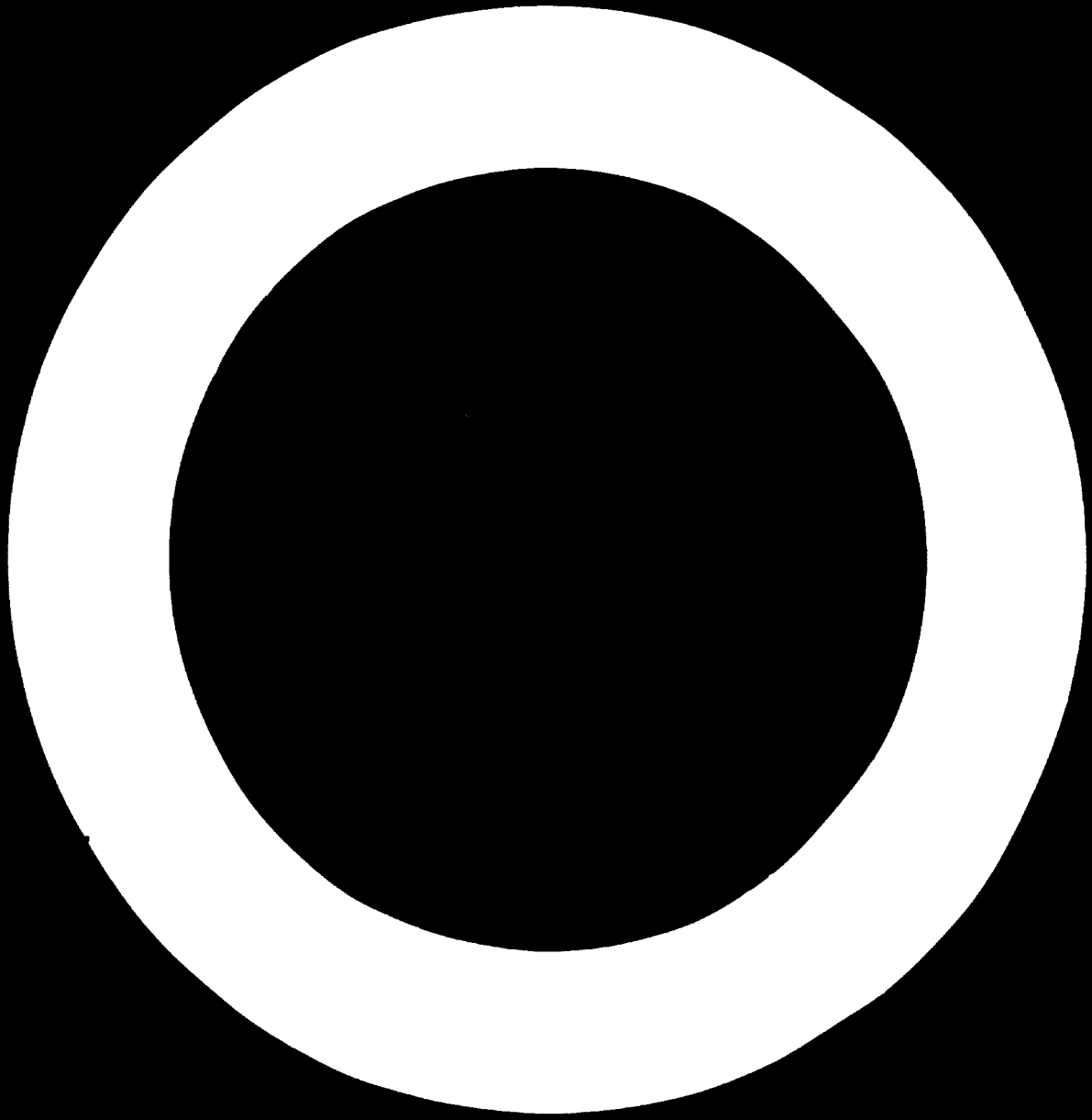
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PREFACE

The system of consultations in the Industrial Sector, which was initiated in early 1973, was eventually enshrined in the Lima Declaration and Plan of Action adopted at the Second General Conference of UNIDO held in March 1975 at Lima, Peru. It is a innovative mechanism which is expected to contribute to the increasing of the global share of the industrial production of the developing countries.

Prior to the Second Conference of UNIDO at Lima, important decisions were taken by developing countries at regional and international levels, viz. the meeting of the Ministers of Industry of Asia and the Pacific Region when a Declaration was adopted in Bangkok in October 1974 which, inter alia, underscored the need to relocate selected industries from developed to developing countries, and the creation of new and more effective mechanisms for the continuous and intensive consultations between the developing and developed countries.

On an inter-regional level, the Group of 77 - at its Second Ministerial Meeting held in Algiers in February 1975 - adopted a Declaration and Plan of Action which called for a system of continuous negotiations and consultations at global, regional, and sectoral levels as a major tool in facilitating the implementation of a new international economic order. It called upon UNIDO to function as a forum for negotiation of agreements between developed and developing countries and among developing countries themselves.

The Second General Conference of UNIDO recommended and the Seventh Special Session of the U.N. General Assembly (Resolution 3362) (S-VII) endorsed the proposal for UNIDO to establish a system of continuing consultations at all levels, viz. global, regional and sectoral.

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In conformity with these directives, the Industrial Development Board, at its tenth session, decided that, as an initial step, UNIDO should convene, on an experimental basis, consultation meetings on a few specific sectors of industry. It further decided that to pave the way for sectoral consultations UNIDO could, in co-operation with the regional bodies, initiate preparatory activities at the regional level. Accordingly, the first preparatory meeting on agro-based industries and specifically leather and leather products industry was organized by ESCAP and UNIDO from 2-6 May 1977 at ESCAP Headquarters in Bangkok. The purpose of the meeting was to develop a regional strategy and an issue paper for consideration at the global consultation meeting.

I. ORGANIZATION OF THE MEETING

Opening of the Meeting

1. Mr. Abid Hussain, Chief, ESCAP/UNIDO Division of Industry, Housing and Technology was the Chairman and Mr. H.K. Rahim of the Negotiations Section, UNIDO was the Co-chairman of the Meeting which was held from 2-6 May 1977 at ESCAP Headquarters in Bangkok. Dr. H.G.R. Reddy, Regional Industrial Adviser, was in charge of the substantive aspects of the organization and conduct of the Meeting.
2. The regional consultants who prepared background documents and participated in the meeting were (i) Mr. Pietoyo Sukarbowo (Indonesia), (ii) Mr. Boonluck Boonyaratanakornkit (Thailand), (iii) Mr. Abdul Asis (Pakistan), (iv) Mr. N. Lakshminarayanan (India) and (v) Mr. Ricardo Hermoso (Philippines).
3. Messrs. (i) Isidro J. Almeda, Secretary, Tannere' Association of the Philippines and Mr. M. Maher Abou El-Khair, UNIDO leather expert in Indonesia attended the meeting as special invitees.
4. FAO (Mr. Thet Zin, and Dr. Pillai), ILO (Mr. Antonin Brejnik, and Mr. Mohamed Ali Khan) were also represented at the Meeting.
5. The list of participants is shown in Annex-I and the list of documents considered in the Meeting is shown in Annex-II.

The Meeting adopted the following agenda:

1. Opening statements by Mr. Abid Hussain, Chief, ESCAP/UNIDO Division of Industry, Housing and Technology, and by Mr. H.K. Rahis, Negotiations Section, UNIDO, Vienna.
2. General Observations.
3. Consideration of the issues:
 - (a) Raw Materials
 - (b) Tanning of Hides and Skins
 - (c) Footwear
 - (d) Leather Goods

- (e) Economic and Marketing Aspects
 - (f) Infrastructure]
 - (g) Regional/Sub-regional Co-operation
 - (h) Technology
 - (i) Any other issues.
4. Redeployment of the Industry.
 5. Consideration and Adoption of the Report of the Meeting.

Opening Statements

6. Mr. Abid Hussain-in his opening statement-welcomed the regional consultations and other participants to the Meeting on behalf of Mr. J.B.P. Maramis, Executive Secretary of ESCAP and on his own behalf. He briefly referred to the background of the organization of the regional preparatory meeting which arose out of the Lima Declaration and Plan of Action and also the subsequent mandates of the General Assembly. The leather and leather products industry was of great economic and social importance to a large number of developing countries as was evidenced by the fact that it provided employment to millions of people in the ESCAP countries and was also an important earner of foreign exchange. Another significant aspect of the industry was that it is rural-based and the people engaged in this profession are, by and large, those who come from the disadvantaged sections of the population. Therefore, in the context of the integrated rural development which is a priority programme for ESCAP, the development of the leather and leather products industry would be significant.

7. He requested the consultants and other participants who had specialized knowledge and experience in their own countries and of the ESCAP region to make their contribution in the discussions so that specific issues could be identified for appropriate action at (i) the national level, (ii) the sub-regional and regional level, and (iii) co-operation with developed countries.

8. The focus of the exercise of the system of consultations initiated by UNIDO broadly called for the adoption of measures and innovative mechanisms which would help in the increase of the share of the industrial manufactures in the developing countries in the broad time perspective of 25 years through promoting co-operation among developing countries themselves and also co-operation with developed countries. The ultimate objective was the re-deployment

of the processing industries from the developed to the developing countries having regard to several socio-economic problems including those relating to pollution and environment. It had, in fact, been stated in many forums that the leather and leather products industry would be an ideal livestock based industry which is a part of the agro-based industry which could be considered for such redeployment.

9. Mr. Hussain invited the regional consultants and other participants to make general observations with a view to more effectively understanding the nature of the exercise in the preparatory meeting and to identify specific issues of consultations at the global level.

10. Mr. H.K. Rahim in his statement expressed the happiness and satisfaction of UNIDO in having been able to organize the present regional preparatory meeting which was the first in the series of these meetings to be held at the headquarters of ESCAP, ECLA, ECA. As to the expectation from these Consultation Meetings, he felt that there could emerge from its deliberation a clear guideline for identification of the global patterns of development of the industrial sector concerned, and solutions to some of the problems faced by developing countries in building up and expanding their industrial production; it would also indicate some international possibilities of co-operation among developing and developed countries. The Consultation Meeting should not be considered as a seminar or symposium which reviews some technological developments, nor should it be viewed as a confrontation between the developing and developed countries but should serve as a forum to pose and cross-examine issues and problems faced by the industry in the developing countries and assist in suggesting possible ways and means of achieving the targets set for increasing the share of developing countries by the year 2000. It is in particular a forum to review these issues and problems where a consensus may exist, and thus energize solutions on a global scale for the restructuring of world industrial production.

11. The purpose of the Regional Preparatory Meeting on Leather and Leather Products, is to specify the future requirements of the sector, and its potential for expansion in the region and on this basis, to identify certain priority issues and problems for consideration at the global Consultation Meeting. The central theme, at the regional deliberations, would be to identify the opportunities and constraints for redeployment/relocation in Asia and the Pacific of leather

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producing capacities which have become non-productive and uneconomic in developed countries, and to accelerate their process of transfer through broad agreements providing, inter alia, for the transfer of know-how, development of human skills, mobilizing financial resources, access to markets, etc.

12. The leather and leather products sector provides a unique if not "ripe" opportunity to realize and implement on a practical and workable basis the principle of redeployment: it is not a secret, that in the Federal Republic of Germany, Sweden (to name only a few countries), leather tanneries and factories are closing down. He hoped that the Meeting will provide some of the answers or a broad indication of areas of international co-operation which can be forged to bring about a more equitable re-distribution of industrial capacities in this important sector.

12a. The FAO representative in his statement made reference to the studies undertaken by FAO in most of the ESCAP countries for initiating development activities in the field of hides, skins and animal by-products. He stated that in all these studies, much emphasis was placed for the establishment of Pilot Production-cum-Training and Demonstration Centres for hides and skins improvement and better utilization of animal by-products. The role of the newly formed FAO Regional Commission on Animal Production and Health for Asia, the Far East and South-West Pacific (APHCA) in the development of livestock production was also explained to the Meeting. He added that the Commission's national currency fund could be utilised to train workers engaged in abattoir, tannery and other associated handling of hides and skins. An innovative approach was required in this programme because of its special nature of farming system and ownership of animals.

13. Dr. Reddy explained the organizational framework and the substantive aspects of the preparations for the meeting. He requested the regional consultants to discuss and identify specific issues and also suggest possible solutions. He reminded the meeting that the main purpose of the deliberations of the meeting was preparatory to the global Consultation Meeting to be organised by UNIDO and therefore the issues and solutions to be identified and supported should be amenable for consultations between developed and developing countries and among developing countries themselves.

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II. GENERAL OBSERVATIONS

14. The regional consultants made general presentations of the state of art existing in the leather and leather products industry. They also referred to several initiatives which were taken in their respective countries.

15. It was mentioned that from the point of view of employment in the ESCAP developing countries, millions of people were engaged in the leather and leather products industry and its economic importance was the earning of increasing foreign exchange.

16. The irony of the situation was that the developing countries on a global basis, had 60% of the livestock population whereas the developed countries had more than 60% of the production of leather and leather products. There were many socio-economic reasons for the lack of fuller utilization of the resources available in the developing countries.

17. The point was made that utilisation of the by-products of the carcass would considerably improve the economics of the leather products. However, it was also mentioned that the utilisation of the by-products would not be economical unless the slaughter houses were properly organized and the animals slaughtered in central places.

18. It was recognized that in the developed countries the use of footwear and leather goods had practically reached their saturation point and whatever increase that could take place in future would be in proportion to the rise in population. In contrast to the developing countries, there was a great potential for the expansion of the markets for the leather and leather products in view of the lower per capita consumption pattern at present. With the improvement in the standard of living, the demand for such products would increase sharply. In most developing countries the installed capacity was not being fully utilized for the production of leather and leather products and yet the raw material was exported in semi-processed form or as tanned leather. Further most of the capacity set up was not geared to manufacture items for export. A notable exception was the Philippines where the processing capacity had reached the saturation point and they did not have an adequate supply of raw materials, with the result that raw hides from developed countries such as the U.S.A., were being imported to meet their raw materials shortage. This indicated the reverse flow of raw materials from developed to developing countries

and the advantages that would accrue to such countries where industrial processing technology and facilities had been successfully established.

19. It was suggested that the establishment of (i) joint ventures which involve the import of capital in the form of machinery and equipment, technology and know-how, and (ii) free trade zones, as in fact, had already been done by Singapore and the Philippines, would considerably assist such processing facilities in the developing countries themselves with all the consistent socio-economic advantages.

20. As a future measure of co-operation between the developed and the developing countries, it was suggested that an attempt should be made to close the technology gap existing both in the tanning and the processing of leather through an arrangement of flow of technology to developing countries. As an illustration, the example of Italy and Spain were quoted which, in the case of footwear, were able to export three times the total exports of all the developing countries and the latter more than equalling the exports of all the developing countries.

21. Reference was also made to the co-operation and assistance that would be required from organizations such as the FAO in the improvement of the livestock and the modernization of the slaughter house facilities so that the quality of hides and skins and eventually the tanned leather and leather products could be considerably improved. This was considered imperative since quality of hides and skins is a pre-requisite for ensuring the hides quality of the end products themselves.

22. Considerable discussions took place on the need for standardization of the products. The meeting was of the view that in the case of hides and skins it was difficult to fix standards whereas in the case of tanned leather and leather products specifications were available. A view was also expressed that in the larger interest of evolving acceptable standards, a regional survey on the standards and measurements of the footwear may be considered.

23. Another point that emerged from the general observations was that in order to have a considerable increase in production special attention is to be paid to the fabrication of equipment and machinery within the developing countries themselves. To this end, a forum for consultations with the

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manufacturers of machinery and equipment was suggested. From the point of view of increased industrial production and investment, a separate meeting could perhaps be considered for investment and joint ventures.

24. In the matter of technology development, application and transfer, there was considerable scope for exchange of information on known and available technologies, national activities for development of the industry and experiences of both successes and failures. Equally important was the training of manpower at various levels and to this end, organization of training workshops would prove useful.

25. Considering the common nature of the leather goods produced in the developing countries with similar socio-economic conditions it was thought that the organization of an industrial exposition would contribute to the promotion of technical and economic co-operation among the developing countries.

III. RAW MATERIALS - POOR QUALITY LEATHER COMES FROM POOR RAW MATERIALS

26. General technical considerations of problems

1. Hides and skins as a by-product of livestock breeding, their availability is dependent upon slaughtering and natural death and not by demand for leather.
2. In developing countries hides and skins production is on the increase (while goat and sheep skin has not increased significantly).
3. Inefficient condition in slaughtering, and inefficient flaying and curing account for deficiency on quality of hides and skins, hence in reduced earnings.
4. FAO has a "Regional Livestock Survey" project for upgrading village slaughter-houses by inter alia establishing pilot-cum-demonstration units, and animal by-product utilization service. This involves a long educational process. The FAO Regional Commission on Animal Production should be strengthened and its activities widened so as to promote the assignment of hides and skins specialists to livestock departments.

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5. Most slaughtering is done in:
 - a. traditional or
 - b. through modern slaughter houses.

In the traditional method the time gap between flaying and curing is very long where as in the modern method there are advantages of better organization and management and the technical objections are overcome.

6. The export of livestock from the developing countries should be discouraged.

Issues for consideration

27.A. Improvement of leather quality (raw)

1. At national level:
 - a. Government should obtain technical assistance from FAO for livestock improvement, for modernizing existing slaughter houses and setting up of new ones.
 - b. Shorten the gap existing between slaughter houses and traders by combining slaughtering and curing into a single operation.
 - c. Training schemes for slaughter house operators.
2. At both regional and international levels:

Justification

Chemicals: [chromium sulphate, sodium sulphide, syntans, vegetable tanning extracts].

Chemicals account for 20-25% of total production cost. Of developing countries in ESCAP region only India produces locally almost all (95%) chemicals needed; Pakistan produces 50% (1,000 tons) of its total requirements in sodium sulphide. Remaining countries dependent on importing chemicals from Europe.

Scope for regional action: Export of syntans can be arranged from India; consideration that it boost production of other chemicals for export to other countries in ESCAP region.

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3. At international level: Price "squeeze":

High cost of imported chemicals: developed countries set prices of chemicals and then tacks on transport cost; on the other hand, developed countriss place a ceiling on the price of hides imported from developing countries and then deduct transport.

[The above proposal is discussed under "marketing"].

28.B. Mechanization of slaughter houses

Justification: At the initial stages, i.e. from 1980-1985 onwards action at the national level will have to be undertaken through technical assistance to educate small slaughter house operators of the requirements of the leather sector. This is a long process because of the influences of tradition and other factors. From 1980-1985 partial mechanization will need to be considered, this will greatly affect the up-grading in quality of leather. Abattoirs in the Philippines, India, Indonesia, presently import machinery from Italy, Canada, Australia.

29. What can be done to meet ESCAP countries requirements to 1980 and 2000 in volume and qualitative terms?

Bilateral financial assistance and joint ventures need to be entered into to provide machinery/equipment for abattoirs on a large scale from about 1980-1985.

30.C. Introduction of standardization in production of components (mainly metallic) used in the manufacture of leather products

Justification: In the importing countries 35% of total production costs of leather goods (handbags and suitcases) is earmarked for metallic components such as l cks, fittings, zips, clasps, etc. These accessories are dependent on engineering industry, and in countries such as the Philippines, they are produced on small-scale level and are of low quality. All locke must be imported.

1. At national level: (a) high import duties (40%) on imported metallic accessories, (b) standardization of production.
2. At regional level: (a) how to tap expertise in Korea, Japan, Hong Kong, which export accessories to developed countries; can bilateral governments be reached with them? (b) regional complementarity: India to produce certain accessories (such as fittings) and the Philippines (clasps and zips).
3. At international level: (a) licensing agreements, joint ventures/commercial agreements with developed countries to establish plants for manufacture of accessories in ESCAP region.

IV. TANNING OF HIDES AND SKINS: MECHANIZATION OF TANNERIES

Supporting Information and Justification

31. Main constraint in improvement of tanning operation is the lack of quality control. Generally, finishing processes are done by hand spraying which is uneven and rough. Mechanical spraying used in developed countries is not extensively used in ESCAP countries. The goal of increasing mechanization of tanneries can be achieved:
 1. At the national level: by technical assistance and training schemes at regional or national leather research institutes, and exchanging technical know-how and information among the ESCAP countries.
 2. At the international level: Justification: Due to closure of many tanneries in Europe, labour and pollution difficulties, climate is favourable for physical relocation of machinery/equipment:
 - (a) Concluding commercial agreements/joint ventures for acquisition of machinery and equipment from closed-down plants.
 - (b) Joint ventures for establishing finishing plants equipped with testing and quality control equipment.

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V. LEATHER FOOTWEAR AND LEATHER GOODS

- 32. Footwear: 80% of total production of leather goods

Leather Products: Wallets
 Handbags
 Belts
 Garments
 Gloves

Justification and Supporting Background Data: 1974 world production is 27 billion pairs of which developing countries share is 18% or 500 million pairs. 95% of world trade in shoes in developed countries. World trade amounts to \$2.5 billion of which 12% is share of developing countries: of this amount, 5% is share of ESCAP countries.

In India = 0.3 pair per capita in 1974. In 1980: 0.5 pairs projected. For ESCAP region: by 2000, taking into account increase in population, it is estimated that 1.5 billion pairs need to be produced: for this to be done: 1,920 tanneries and 12,000 shoe manufacturers producing 400 shoes per day need to be established; actual production in 1971 is 400,000 pairs. The manpower required would be 1.64 million against 800,000 at present.

33. What are the constraints facing ESCAP countries in meeting this target?
1. Leather quality: sub-standard and below specification required in export markets.
 2. Lack of mechanization: hand-operated units, partially mechanized units, and fully mechanized units (which operated below full capacity).
 3. Lack of proper technical and managerial skills.

Issues for consideration

- 34.A. Full mechanisation of shoe manufacturing capacities

At the national and regional level

- 1. Training for managerial skills and to promote incentives for mechanisation.

2. Training for exchange of know-how in region.
3. Building up of awareness of design trends by developing regional shoe-marketing associations which will maintain regular contacts with consumer groups in developed markets.
4. Bringing present mechanized production to full capacity.

At the international level

1. Taking into account the closure of several shoe plants in Europe, the opportunity is ripe to negotiate for obtaining machinery/equipment from these factories (relocation).
2. Arranging direct purchase of machinery and equipment with UNIDC organizing global meetings between top manufacturers of leather footwear machinery and developing countries shoe producers for a comprehensive dialogue on:
 - modification of machinery to suit local requirements
 - credit terms
 - mechanism for evaluation performance, and insurance of relocated machinery
 - measures for modernizing of existing mechanized units.

34.B. In the production of leather goods, improvement of standards of production at mainly national and regional levels

At the national level

This is a labour intensive operation: 80% of leather goods is covered by labour, and 20% capital. As cost of labour is going up in industrialized countries, the share of developing countries could increase considerably. [In 1971, developing countries exported US \$152 million, in 1974, US \$385 million].

As the leather goods production is a small-scale operation involving simple unsophisticated machinery, the following steps should be undertaken at the national level:

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- (i) obtain good quality leather
- (ii) improve quality of metal accessories and components
- (iii) need to standardize production
- (iv) adopt a consumer-oriented approach, when the manufacturer in developing country is aware of requirements and tastes of the buyer in developed country.

At the international level

UNIDO/UNCTAD should work to organize negotiation groups for the development of a market strategy aiming at the removal of the high tariff duties imposed by developed countries against importation of leather goods from developing countries.

VI. MARKETING

35. Supporting Background in Formation and Justification

General Considerations

The pattern of export from the ESCAP region is increasingly in the form of semi-processed leather; it is estimated that value added would be considerably increased if export is concentrated in the form of processed products. ESCAP countries should overcome present constraints in the export of footwear and leather products.

The case of certain countries such as Korea should be carefully studied for the ways and means used in successfully penetrating leather footwear markets in Europe and the USA. Further, the fact that Spain, which is a late-comer in footwear, was able to export to the same value as all developing countries (\$385 million in 1974) should be reviewed.

In ESCAP region, export of leather and leather products have been hindered by three major constraints:

- Absence of standard/sub-standard quality
- Lack of "fashion and market intelligence"
- Lack of bargaining power.

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Issues:

36.A. Performance application of standard and improvement of quality

1. At the national and regional levels: while it is difficult to apply standard on specification for hides and skins, such standard and specifications for semi-finished, finished leather, and leather products have been evolved in the U.S.A., and Germany and ESCAP countries such as Philippines have started to apply similar standard and specification; all ESCAP countries should obtain and apply similar standard and specification.

37.B. Eliminating stagnation of export of finished leather and leather goods and footwear

2. At the national, regional and sub-regional level
 - (a) Creation of Free Trade Zones (FTZ) similar to those existing in Singapore and in Philippines, especially geared for exports. Besides speeding up and offering an incentive to the process of redeployment, FTZ's would strengthen the bargaining power of ESCAP countries, and provide extensive market outlets.
 - (b) At the regional or sub-regional level, the setting up of an institutional base to strengthen the bargaining power of ESCAP countries, for example, a regional leather marketing and export promotion board.
 - (c) Because of the high demand in Western market for "novelty leather" (crocodile and reptile), ESCAP countries should promote and expand their exports by developing reptile farms for breeding. In the ESCAP region, only Thailand has followed such a course.

38.C. Eliminating international constraints hindering the flow of trade in leather, leather products and footwear

At the international level

1. The freight and shipping structure particularly places the ESCAP countries in a disadvantageous position because of the distance from markets (present freight rate of \$182.25 per metric ton (Thailand to U.S.A.)). The freight rate to Europe is expected to be increased by 12% in June. A meeting at IMCO Headquarters in

London will review and discuss this issue next month. However, UNIDO/UNCTAD/INCO joint action should be called for by developing countries.

2. Under the Lomé Convention between the EEC and the CAP (Caribbean African and Pacific) countries concessions were granted to leather producing CAP countries. Negotiation should be initiated with the EEC for the extension of these concessions to main leather producers in ESCAP region such as India, Pakistan, and Indonesia.
3. A comprehensive review by UNCTAD of trading policies of developed countries with regards to their export of chemicals to developing countries (see para. 27, sub-para. 3).
4. Code of conduct and effective mechanism to implement it.

VII. INFRASTRUCTURE

Supporting Background Information and Justification

39. General Consideration

Utilities infrastructure, transport infrastructure and human infrastructure for the leather and leather products industry, have been examined within the context of redeployment. Of the three types of infrastructure, the most crucial need in the ESCAP countries was found to be the human infrastructure, for the improvement of which speedy action is required (at national, regional, sub-regional and international levels) if redeployment is to be effected in a harmonious framework. The inadequacy of human infrastructure, its low productivity, the below-standard technical capacity for finishing and designing leather goods, the dearth in top level technicians and the very limited training facilities available in the ESCAP region have been stressed.

Issues for Consideration

40.A. Development of training and research facilities at national, regional and sub-regional levels

1. ESCAP countries should make it a policy to establish leather training cum demonstration centres.

2. The training centres or institutes existing in India (C.L.I.R.), Indonesia (Leather Research Institute), Pakistan (Institute of Leather Technology, GUJRANWALA) should be expanded to accommodate trainees from other ESCAP countries where no training facilities exist.
 3. On a regional and sub-regional basis, a wide scope exists for pooling R & D facilities in order to maximize efforts in this sphere, and in particular to create a technology information exchange network which at present is non-existent.
- B. To obtain more research and training facilities in institutes in developed countries, and to encourage machinery donations for demonstration purposes.

At the international level - UNIDO should:

1. Arrange with selected leather institutes or research countries in developed countries to accept an increasing number of trainers from ESCAP region;
2. Negotiate with selected developed countries (Sweden, Germany, Belgium, Netherlands) that they donate idle machinery from closed plants for pilot demonstration purposes in developing countries;
3. Should involve/interest ADB & IBRD in financing.

41. Regional and sub-regional co-operation

General Consideration and Justification

1. At present ESCAP leather producing countries have no forum to pursue co-operation on a regional, sub-regional or inter-regional basis. The structures for such regional co-operation known as the Coconut Community, Pepper Community, RWAM, OPEC, OECD, EEC, APHACA, should be studied to determine the broad elements which could be suited to a regional co-operation organization on leather and leather products, such as exporter/producer associations.

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2. In developing the institutional base for a regional approach, the assistance of the private sector should be sought, and close collaboration with governments should be maintained.

3. Area of regional and sub-regional co-operation. These areas have been defined for each issue under "Regional and sub-regional level". The basic areas for immediate action are:

- (a) providing a common basis for material specification and modification by way of standardization;
- (b) exchange of information covering technical and economical aspects of leather and leather goods should be immediately undertaken, even on an informal basis, pending a formal forum;
- (c) provide for collection of statistical data, its analysis and dissemination;
- (d) trade promotion through regional/sub-regional trade fairs and exhibitions;
- (e) intercountry and regional flow of raw materials, chemicals, equipment could be stimulated through lowering of trade barriers within the region.

VIII. TECHNOLOGY

42. The meeting had, no doubt, considered the issues pertaining to technology under other sub-items of the agenda. However, it was considered that in view of its importance a separate reference should be made to the development, application and transfer of technology insofar as the leather and leather products industry is concerned.

43. The issue was the means and alternatives to the acquisition of technology and transfer of technology under co-operative arrangements among the developing countries.

In discussing this issue the meeting recognized the acquisition of technology could be through (i) licensing agreement, (ii) employment of expert services, (iii) technical education and training and (iv)

joint venture arrangements. The licensing method had not generally been adopted, with one or two exceptions when special design footwear was licensed for the manufacture and distribution in local markets. The joint ventures were particularly favoured for acquisition of technology because they would bring equity capital. The success of the joint ventures established in Korea and Singapore were cited as examples. Such joint ventures also resulted in the modernization of management, marketing and financing, besides, the advantage of using their brand names.

The meeting also considered the establishment of a regional centre for leather and leather products as a means of exchanging the information on development, application and transfer of technology. It was recognized that one of the regional existing institutes could be selected to serve the function of clearing house and a repository of data, statistics, technological information and other matters relevant to production and trade transactions. In this connexion, the linkages that could be brought about between the Central Leather Research Institute, Madras in India, the National Science Development Board in the Philippines and the Pakistan Council of Scientific and Research and the LIRDI in Indonesia was suggested.

44. The second issue which was identified was the standardization of leather and leather products

The meeting was of the view that hides and skins were not properly classified and graded. However, in the case of leather, footwear and leather goods, it was emphasized that standardization should be brought about. The difficulty of setting up standards for leather goods was made known but all other components could be standardized. The importance of size and fitting standardization in footwear was stressed and on regional survey was recommended.

45. The third issue that was considered was the choice of proper machinery for tanning and shoe-making

The meeting came to the conclusion that the selection of most appropriate equipment should be in relation to simplicity of operation avoiding undue sophistication.

46. The fourth issue that was raised related to the technology of tanning

While discussing this issue, the meeting took note of the fact that tanning technology had been copied from developed countries and yet the quality of the tanned leather did not conform to high quality standards. This had largely to do with the methods and practices employed in the developing countries due to hides and skins defects and careless handling of raw materials.

The meeting came to the conclusion that the national technological capabilities should be developed and this, to a large extent, remained the responsibility of the concerned national governments.

At the regional level there was scope for consultations in the establishment of a clearing house to discharge the functions that have been discussed earlier for the establishment of a regional centre for leather and leather products.

Undoubtedly, the developed countries could be of great assistance to the developing countries in the transfer of technology and know-how and could provide necessary technical assistance. This would be an appropriate subject for consultations.

47. The meeting, while considering the subject of technology, also raised the issue of pollution and environmental control with particular reference to the leather industry

It was noted that the problem had assumed serious proportions in the developed countries and was one of the motivating factors for its re-deployment to the developing countries. While considering the acceptance of the physical transfer of leather processing units from the developed to the developing countries the meeting cautioned on the need to exercise necessary pollution and environmental control by the concerned governments.

Reference was made to the government regulations that had been introduced in the Philippines in this regard. Concern was expressed that the investment required is high as it amounted to US \$100,000 to treat the effluents of a tannery of approximately 150,000 gallons for 8 hours. The operational

cost was also considered to be high.

While the need to exercise control of environmental protection was appreciated, the meeting felt that owing to the considerable research and development activities already having been carried out in the developed countries, it would be an eminently suitable issue for consultations with the developed countries for securing necessary technical expertise and know-how to be applied in the developing countries.

Any other issues

49. The meeting considered the issue of synthetic leather substitutes, and observed that the subject was receiving due attention in the intergovernmental body on "synthetic and substitutes" established by the commodity division in the UNCTAD.

Insofar as the leather and leather products were concerned, although there were considerable developments in the field of synthetics and substitutes, the meeting was of the view that as at present these developments did not pose a threat to the expansion and development of the leather and leather products industry. However, as in the case of other natural products, it would be wise to keep a watch over such developments in future with a view to safeguarding the interest of leather and leather products.

IX. REDEPLOYMENT OF THE INDUSTRY

49. The meeting under the several sub-headings of the agenda had considered the redeployment of the leather and leather processing industry from the developed to the developing countries. Issues had been raised, discussed and suitable supporting information was provided. However, the meeting thought that special measures if any that could be resorted to hasten the process of redeployment could be considered. In the case of leather and leather products industry, it was mentioned that in the U.S.A. and some West European countries such as Germany, and Scandinavian countries the tanneries and leather processing units had closed down. These countries were in a position to negotiate the redeployment of the industry with the interested developing countries. On a long term basis, it would be advantageous if agreements could be reached on the total redeployment of this industry to the developing countries.

On the part of developing countries, necessary incentives might be considered in attracting such physical transfer of the units which are closing down in the developed countries. Insofar as the most sophisticated leather goods are concerned for example - garments and gloves as also other fashion-oriented leather products - the establishment of free trade zones in the developing countries for the redeployment of the industry could be considered.

In the spirit of the Lima Declaration and Plan of Action and the subsequent mandates of the General Assembly, UNIDO might take the initiative to make suitable investigation and promote the forum for negotiation meetings between interested groups of countries.

X. ADOPTION OF THE REPORT

50. The meeting unanimously adopted this report at its meeting held on 6 May 1977.

TWENTY YEARS

ANNEX I

LIST OF PARTICIPANTS

ESCAP/UNIDO

1. Mr. Abid Hussain, Chief, ESCAP/UNIDO Division of Industry, Housing and Technology, ESCAP
2. Dr. H.G.R. Reddy, Regional Industrial Adviser, ESCAP/UNIDO Division of Industry, Housing and Technology, ESCAP
3. Mr. H.K. Rahim, Industrial Development Officer, Negotiations Section, Division of Policy Co-ordination, UNIDO

REGIONAL CONSULTANTS

1. Mr. Pietoyo Sukarbowo (Indonesia)
2. Mr. Boonluck Boonyaratanakornkit (Thailand)
3. Mr. Abdul Aziz (Pakistan)
4. Mr. N. Lakshminarayanan (India)
5. Mr. Ricardo Hermoso (Philippines)

SPECIAL INVITEES

1. Mr. Isidro J. Almeda, Secretary
Tanners' Association of the Philippines
2. Mr. M. Maher Abou El-Khair, UNIDO Leather Expert in Indonesia

FAO

1. Mr. Thet Zin
2. Dr. Pillai

ILO

1. Mr. Antonin Brejnik
2. Mr. Mohamed Ali Khan

ANNEX II

LIST OF DOCUMENTS CONSIDERED AT THE MEETING

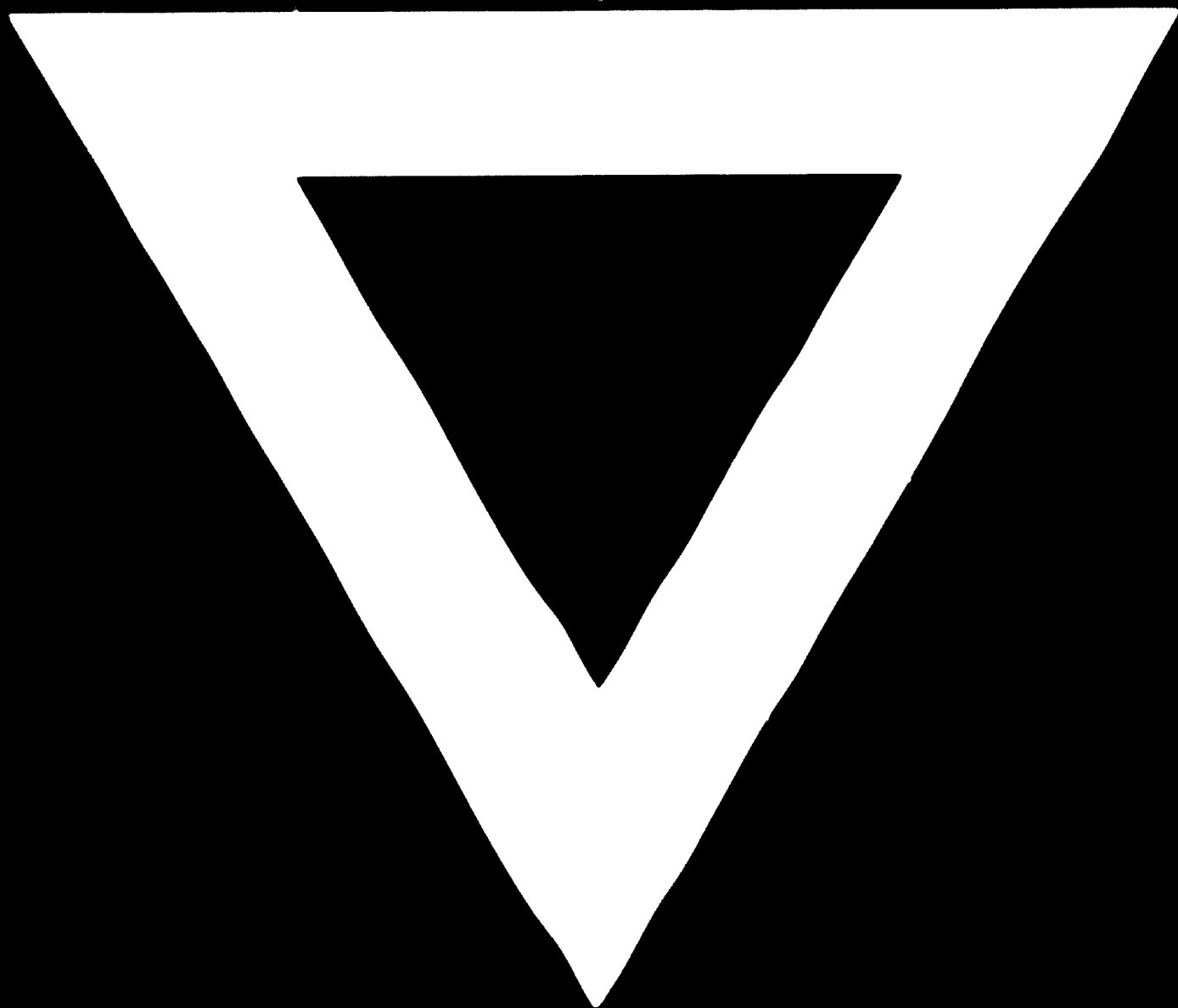
- CR/1 Growth of Leather Industry in the Developing World. Issues and Prospects. By Central Leather Research Institute, Adyar, Madras 20, India.
- 2 Profile: Philippine Leather Tanning Industry and Leather Products Industries, Philippine Leather Goods Industry by Mr. Ricardo Hermoso.
3. Leather and Leather Products Industry in Pakistan by Mr. Abdul Aziz.
4. Regional Aspects of Leather Goods Industry for Exports by Mr. Mohamed Maher Abou El-Khair, UNIDO, Leather Products Consultant.
5. Requirements and Availability of Raw Materials for the Leather and Leather Products Manufacturing Industries in Developing Countries (ESCAP) region, by Mr. A. Aziz.
6. Measures of Transferring Tanning Technology and Adoption of Leather Standard in Developing Countries by Mr. Boonluck.
7. Growth, Production, Standardization and Marketing of Leather Goods Industry by Mr. Boonluck.
8. Technology as it pertains to Tanning and Leather Shoe Industries (ESCAP region) by Mr. R.P. Hermoso.
9. Leather Footwear by Mr. Ricardo Hermoso and Mr. I.T. Almeda.
10. Transfer of Technology: A Case Study of the Tanning Industry in Thailand by Wit Satyarakwit.
12. Issue Paper on Synthetic Leather Substitutes by Mr. A. Aziz.
13. Issue Paper on Market (i) National (ii) Intra-regional (iii) International by Mr. N. Lakshminarayanan.
14. Issue Paper on Basic Resources by Mr. N. Lakshminarayanan.
15. Issue Paper on Infrastructure Improvement and Required Regional/Sub-regional Co-operation leading to beneficial redeployment for Leather and Leather Product Industries by Mr. P. Sukarbowo.
16. Issue Paper on Environmental Problem in the Leather Tanning Industry by Mr. R.P. Hermoso.

ANNEX II (continued)

- Leather and Leather Products - some salient statistics
- Leather and Allied Products - world market economy countries
- Utilization of Hides in Developing Countries
- The Regional Animal Production and Health Commission for Asia, the Far East and South-West Pacific (APHCA): information pamphlet.



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