



**TOGETHER**  
*for a sustainable future*

## OCCASION

This publication has been made available to the public on the occasion of the 50<sup>th</sup> anniversary of the United Nations Industrial Development Organisation.



**TOGETHER**  
*for a sustainable future*

## DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

## FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

## CONTACT

Please contact [publications@unido.org](mailto:publications@unido.org) for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at [www.unido.org](http://www.unido.org)

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



07669



Distr.  
LIMITED  
ID/WG.258/1  
8 September 1977  
ENGLISH

United Nations Industrial Development Organization

First Consultation Meeting on the Leather  
and Leather Products Industry  
Innsbruck, 7-11 November 1977

ISSUES TO BE CONSIDERED BY THE CONSULTATION MEETING

Note by the UNIDO secretariat

id.77-6749

Explanatory notes

A full stop (.) is used to indicate decimals.

A comma (,) is used to distinguish thousands and millions.

Use of a hyphen between dates (e.g. 1960-1965) indicates the full period involved, including the beginning and end years.

The following forms have been used in tables:

Three dots (...) indicate that data are not available or are not separately reported.

A blank indicates that the item is not applicable.

A dash (-) indicates that the amount is nil or negligible.

---

The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the limitation of its frontiers or boundaries.

CONTENTS

<u>Chapter</u>		<u>Page</u>	<u>Paragraph</u>
	INTRODUCTION .....	5	1-9
I.	ISSUES TO BE CONSIDERED BY THE CONSULTATION MEETING .....	7	10-34
	<u>Issue No. 1.</u> The prospects for the growth of the leather and leather products industry up to 2000 throughout the world:  In the period up to 2000, developing countries will plan to increase their production of leather and leather products to supply both their own markets and the markets of developed countries. On what basis should they make their plans? .....	7	10-16
	<u>Issue No. 2.</u> How the utilization of existing capacity in the leather and leather products industry in developed and developing countries might be improved:  What measures are needed to ensure that optimum use is made of existing capacity for (a) tanning and (b) the production of leather footwear and other leather products? .....	8	17-25
	<u>Issue No. 3.</u> A special programme to assist the least-developed countries and other latecomers that have potential to establish a leather industry:  What measures are needed to help the least-developed countries and other latecomers that have potential to establish a leather industry?	10	26-29
	<u>Issue No. 4.</u> Action required to follow up the Consultation Meetings:  Co-ordination and monitoring of global progress in the leather industry. Redeployment of existing capacity. Special programme for least-developed countries	11	30-34
II.	BACKGROUND TO THE ISSUES PRESENTED TO THE CONSULTATION MEETING .....	13	35-86
	A. The world's resources of raw materials for the production of leather in the period 1975 to 2000 .....	13.	35-38
	B. The potential for increasing the developing countries' share of world tanning activity in the period 1975 to 2000 .....	14	39-43
	C. The potential for increasing production of leather footwear and other leather products in developing countries .....	17	44-53
	D. Redeployment of existing capacity in the leather and leather products industry in certain developed countries .....	20	54-64

	<u>Page</u>	<u>Paragraph</u>
E. Improved utilisation of existing capacity in the leather and leather products industry in developed and developing countries .....	23	65-75
F. Special programme for least-developed countries and other latecomers in establishing a leather and leather products industry .....	25	76-82
G. The need for a leather and leather products industry panel .....	26	83-86
Annex. The least-developed countries: raw materials available and present tannery activity .....	29	

Tables

1. Estimated world production of hides and skins in 1975 and 2000 .....	13
2. Potential world production of leather in 1975 and 2000 .....	16
3. Estimates of world leather footwear production in 1975 and 2000 .....	19

Figures

I. Estimated import/export balance in hides and skins of all developing countries .....	15
II. World production of hides and skins and tanning activity 1975-2000 .....	17
III. Leather footwear production 1975-2000 .....	18

## INTRODUCTION

1. The Second General Conference of UNIDO, held at Lima, Peru in March 1975, declared that in view of the low share of developing countries in total world industry production, their share should be increased to the maximum possible extent and as far as possible to at least 25 per cent of total world industrial production by the year 2000 (Lima Declaration and Plan of Action on Industrial Development and Co-operation, ID/Conf.3/31, chap. IV, para. 28).
2. The General Assembly, at its seventh special session in September 1975, in its resolution 3362 (S-VII), endorsed the Lima Declaration and Plan of Action on Industrial Development and Co-operation and requested UNIDO to establish a system of continuing consultations in the field of industry between developed and developing countries. The consultations are intended to explore ways and means of bringing about the above objective and a new distribution of industrial activities in the world that will adjust the present economic imbalance between developing and developed countries and allow a more equitable development in the interest of all countries.
3. The developing countries' share of world production need not be the same in each industrial sector by 2000: in some sectors it may be less than 25 per cent and in others more. The leather and leather products industry is one of those industrial sectors in which there is scope for full and intensive utilization of on-the-spot processing and raw materials available in developing countries. It therefore appears probable that in this industrial sector the developing countries' share of world output will be considerably more than 25 per cent in 2000.
4. The First Consultation Meeting on the Leather and Leather Products Industry is therefore invited to consider:
  - (a) The prospects for the growth of the leather and leather products industry up to 2000 throughout the world;
  - (b) How the utilization of existing capacity in the leather and leather products industry might be improved;
  - (c) A special programme to assist the least developed countries and other latecomers that have potential to establish a leather industry;
  - (d) Action required as a follow-up to the First Consultation Meeting.
5. These four issues have been selected by UNIDO as priority issues for inclusion in the provisional agenda of the Meeting. The selection was based on the conclusions of preparatory meetings of developing countries held at

the regional level and a world-wide study prepared by UNIDO. However, the selection is not exhaustive or final; the Consultation Meeting is free to adopt its own agenda, adding or deleting issues as it sees fit.

6. The issues are defined in chapter I of this working paper. The essential features of the background to them are set out in chapter II. For further background information, the reader is referred to the UNIDO Draft World-wide Study of the Leather and Leather Products Industry: 1975-2000, referred to throughout this paper as the "UNIDO Draft Study".

7. The First Consultation Meeting is expected to reach broad agreement on the four issues selected and to decide what action should be taken to stimulate and institute greater co-operation between developed and developing countries in expanding the leather and leather products industry. Other issues related to this sector may be considered at subsequent consultation meetings on the industry. The First Consultation Meeting may therefore wish to recommend the establishment of working groups to prepare specific recommendations for further consultations.

8. As regards the report of the Meeting, the Industrial Development Board at its eleventh session decided that

"Final reports of the meetings should include such conclusions and recommendations as agreed upon by consensus among the participants. The reports should also include other significant views expressed during the discussion." (ID/B/193, para. 163).

9. The issues and background information included in this working document for the Consultation Meeting are supplemented by the following supporting documents for the Meeting:

- The UNIDO Draft World-wide Study of the Leather and Leather Products Industry: 1975-2000 (symbol to be announced later);
- The summary of the UNIDO Draft World-wide Study on the Leather and Leather Products Industry: 1975-2000 (UNIDO/ICIS, 43);
- Reports of the Regional Preparatory Meetings for the First Consultation Meeting on the Leather and Leather Products Industry (a) for Asian countries held in Bangkok, 2-6 May 1977; (b) for Latin American countries held in Santiago, 6-11 June 1977 and (c) for African countries held in Addis Ababa, 27 June to 1 July 1977.



I. ISSUES TO BE CONSIDERED BY THE CONSULTATION MEETING

Issue No. 1: The prospects for the growth of the leather and leather products industry up to 2000 throughout the world: In the period up to 2000, developing countries will plan to increase their production of leather and leather products to supply both their own markets and the markets of developed countries. On what basis should they make their plans?

10. The Second General Conference of UNIDO called for full and intensive utilization and on-the-spot processing of raw materials in developing countries to help accelerate their industrialization.

11. Although the developing countries possess a substantial share of the world's resources for the production of leather, those resources are not fully utilized at present. Of the potential added value that could be obtained by processing hides and skins into finished leather in 1975, developing countries realized only about 70 per cent. The situation is somewhat similar for the conversion of leather into leather products. There is therefore scope for increasing the developing countries' share of world production of finished leather and leather products based on their indigenous raw material resources.

12. In the early 1970s, developing countries established a large number of tanneries and increased their exports of leather to countries of the Organization for Economic Co-operation and Development (OECD). At the same time, there has been a corresponding decline in tanning activity in some developed countries. This trend is well established and in the light of available statistics seems likely to continue.

13. The development of new capacity in the leather footwear and other leather products industries has followed a similar trend in the early 1970s but is not yet so advanced. Developing countries have increased their exports of leather footwear and other leather products to developed countries and are expecting to expand this trade further.

14. Unless there is a substantial increase in the use of pigskin for the leather industry (no more than 30 per cent is estimated to be so used at present), the world's resources of leather are likely to grow by about 1.4 per cent a year up to 2000. It is therefore desirable that the development of new capacities for tanning and the manufacture of finished leather and leather products in developing countries to supply national and international markets be harmonized with the changing situation of this sector in the world.

15. Under these circumstances, the Consultation Meeting may wish to consider on what basis developing countries should plan the long-term expansion of their production, bearing in mind the following:

(a) For tanning activity, continuation of the well-established trend to locate tanneries in developing countries at the same rate as in recent years, in which case the developing countries' share of world tanning activity would increase from 31 per cent in 1975 to 65 per cent in 2000;

(b) For the leather footwear industry, three alternative paths for development of the world leather footwear industry, covering the period up to 2000, are suggested in the UNIDO Draft Study:

(i) Developing countries will convert to leather footwear and other leather products all of the leather produced by their tanneries from indigenous raw materials and significant imports of hides and skins from the developed countries. This would imply a gradual decline in output of leather footwear in developed countries. In this case, the developing countries share of world output of leather footwear in 2000 would be 65 per cent;

(ii) All of the increase in world production of leather footwear will take place in developing countries. This would imply that developed countries retain their present level of production of leather footwear. In this case, the developing countries share of world output of leather footwear in 2000 would be 56 per cent;

(iii) Developing countries will convert to leather footwear and leather products all of the leather produced by their tanneries from indigenous hides and skins. This implies a slight increase in output of leather footwear in developed countries. In this case, the developing countries share of world output of leather footwear in 2000 would be 45 per cent;

(o) For other leather products, insufficient information is available at present to consider at the First Consultation Meeting what path world production might follow in the period 1975 to 2000.

16. The Consultation Meeting is invited to consider, and if possible agree, which of the alternatives under paragraph 15 (b) would be the basis on which developing countries could plan the expansion of (a) their tanning capacity and (b) their capacity to produce leather footwear.

Issue No.2. How the utilization of existing capacity in the leather and leather products industry in developed and developing countries might be improved:

What measures are needed to ensure that optimum use is made of existing capacity for (a) tanning and (b) the production of leather footwear and other leather products?

17. Whatever approach is deemed appropriate when Issue 1 is considered, the improved utilization of existing capacity is of urgent importance for developed and developing countries alike.

18. At the present time, there is evidence that global capacity to produce leather and leather products exceeds world availability of raw materials. The recent establishment of new production facilities in the developing countries has not been accompanied by a decline of similar production capacity in the developed countries sufficient to keep world capacity balanced with raw material availability. As a result, some tanneries in developed countries are operating below capacity. It therefore appears advisable that when future production units are planned in the developing countries, the re-location of some existing plants from developed countries to the developing countries should also be considered as a means of accelerating the redeployment of the sector to the developing countries.

19. Although some developing countries have already established a leather industry capable of competing in world markets, there are tanneries and footwear factories in other developing countries today that operate at low capacity and produce low quality leather and leather products. Before all plants in developing countries can operate at full capacity, a number of important constraints have to be overcome.

20. Some major constraints on existing capacity identified by the developing countries at their Regional Preparatory Meetings for this Consultation meeting are:

- (a) Insufficient domestic markets and restricted access to markets in some developed countries;
- (b) Insufficient management and operational skills for operating existing plants economically;
- (c) A shortage of raw materials of acceptable quality in the countries concerned.

21. With respect to marketing, recent developments in the industry have shown that traders in industrialized countries are relying more extensively on imports from developing countries, provided (a) the price is attractive, (b) the supply is dependable, and (c) the design and quality of the product are suited to their markets. While some suppliers in developing countries have been able to comply with these requirements without external assistance, there are many producers in developing countries who would benefit from assistance to improve standardization, quality control, design, and access to markets.

22. With respect to operations and management, one approach to the problems might be long-term agreements with partners in industrialized countries.

23. With respect to raw materials, national action is required to improve the quality of hides and skins supplied to the tannery. With regard to supporting industries, developing countries represented at Regional Meetings felt that a local supply of tanning chemicals and non-leather accessories at competitive prices was important.

24. The Consultation Meeting is invited to consider how international co-operation can help overcome these constraints. It is suggested that the following forms of co-operation may be considered:

- (a) The negotiation of further measures to reduce, on a mutually acceptable basis, existing tariff and non-tariff barriers that impede the exportation of leather and leather products from the developing countries;
- (b) The establishment of joint ventures with partners from developed countries;
- (c) The agreement of developed country buyers to contract for the purchase of finished leather and leather products;
- (d) Long-term purchase contracts with or without technical assistance for design, quality control, training and production as required.

25. The Consultation Meeting is invited to recommend the type of action needed to institute such co-operation.

Issue No. 3. A special programme to assist the least-developed countries and other latecomers that have potential to establish a leather industry:  
What measures are needed to help the least-developed countries and other latecomers that have potential to establish a leather industry?

26. Some developing countries possess the raw materials for the production of leather but have not yet developed a tanning and leather products industry. Countries where small domestic markets are a major constraint may be able to export a major part of their production through co-operation with an external partner. The relocating of some of the existing capacity in developed countries, as suggested in paragraph 16, seems to be called for. In some cases, attention should be given to the possibility of establishing a tanning and leather products industry on a sub-regional basis.

27. It appears useful to develop a special programme of assistance for the developing countries that are latecomers in establishing a leather industry. For interested countries it will be necessary to decide, in conjunction with the foreign partner, whether initial production will be of semi-processed leather, finished leather or leather products. The decision will depend on the infrastructure and skills available within the country and the types of product that the foreign partner is interested in buying.

28. An agreement between the two parties co-operating in developing a leather industry must encompass all factors necessary for the successful operation of the project; it must cover more than only the supply of machinery and equipment. It is suggested that co-operation agreements might include some of the following arrangements:

- (a) The provision of financing to purchase machinery and equipment and mobilizing the necessary working capital;
- (b) The payment of the cost of imported equipment out of the proceeds of sales of the product guaranteed by a long-term sales agreement;
- (c) Guarantees required by the foreign partner to protect his investment and other interests;
- (d) Acceptance by the external partner of responsibility for management for a defined period while local management is being trained to take over;
- (e) The provision of technical personnel for the same defined period and the training of local personnel in all categories;
- (f) Acceptance by the foreign partner of responsibility for marketing of the products in export markets, and the training of local personnel in marketing.

29. The Consultation Meeting is invited to consider a framework for agreements that includes the above terms and conditions and provides benefits for both parties.

Issue No. 4. Action required as a follow-up to the First Consultation Meeting:  
Co-ordination and monitoring of global progress in the leather industry

30. Preparations for the First Consultation Meeting have shown that there is a lack of information on the development of the industry throughout the world. It should be noted that demand for leather seems likely to continue to expand faster than the supply of raw materials. There is therefore a need to consider how to obtain and regularly update sufficient information to serve future consultation meetings and, through dissemination to all interested parties, provide a basis for the harmonization of production plans in developing and developed countries.

31. The Consultation Meeting is therefore invited to consider the establishment of a leather and leather products panel. It is suggested that international governmental and non-governmental organizations participate in the panel. The panel would define the type of information on the production and trade of leather and leather products that is required, and would stimulate

and co-ordinate its collection. The panel would identify experienced leather-producing enterprises in developed countries that are interested in entering into co-operation agreements with partners in developing countries; it would also identify possible areas of co-operation between developed and developing countries and between the developing countries themselves.

Redeployment of existing capacity

32. The Consultation Meeting may also consider whether it would be useful for UNIDO to identify factories due to be closed in developed countries, contact the parties concerned in developed countries and promote their interest in re-locating the plant concerned in a developing country. It would be valuable if the party in the developed country were to supply technical assistance and marketing co-operation to the party concerned in the developing country. UNIDO would report to the next consultation meeting on the results achieved and any problems encountered.

Special programme for least-developed countries

33. UNIDO expects to play a role in (a) bringing together interested parties, (b) helping them negotiate agreements to implement specific projects encompassing some of the arrangements mentioned in paragraph 28, and (c) assisting in successful operation of the projects when required.

34. Participants may wish to contact the UNIDO secretariat so that it can identify:

(a) Developing countries with a potential for establishing a leather industry that would be interested in this form of international co-operation;

(b) Industrialized countries that would be prepared to assist interested developing countries through co-operation at the enterprise and/or government levels.

II. BACKGROUND TO THE ISSUES PRESENTED TO THE CONSULTATION MEETING

A. The world's resources of raw materials for the production of leather in the period 1975 to 2000

35. The developing countries have an estimated 66 per cent of the world's live bovine animals and 41 per cent of live sheep and goats. However, the annual off-take rates (slaughter) are generally lower, and the hides and skins produced in developing countries are generally smaller than in the developed countries. Hence, in 1975, the developing countries'<sup>1/</sup> share of potential world production of hides and skins was about 40 per cent. By 2000, the developing countries' share of world production of hides and skins is expected to rise to almost 50 per cent.

36. The basis for this estimate is summarised in table 1. Further information is provided in the UNIDO Draft Study, which acknowledges that the information on which global estimates of production of hides, skins, leather and leather products are made is rather inadequate but nevertheless sufficient to support these broad estimates.

Table 1. Estimated world production of hides and skins in 1975 and 2000

	Stock of live animals (millions) 1975	Actual or potential production of hides and skins (million pieces) (million sq. feet)			
		1975	2000	1975	2000
<b>Developing Countries</b>					
Bovine	883	123	201	3,187	5,234
Sheep and goats	898	295	503	1,416	2,416
Total				4,603	7,650
<b>Developed Countries</b>					
Bovine	450	151	186	5,301	6,492
Sheep and goats	549	237	285	1,428	1,717
Total				6,729	8,209

Source: UNIDO Draft World-wide Study of the Leather and Leather Products Industry.

<sup>1/</sup>In this document and the UNIDO Draft Study, centrally-planned economy countries in Asia (China; Democratic People's Republic of Korea; Mongolia; and The Socialist Republic of Viet Nam), are included in the classification "developing countries".

37. The estimates suggest that a major constraint on the growth of the leather and leather products industry throughout the world will be the global supply of raw materials, which it is estimated will increase by 1.4 per cent a year in the period 1975 to 2000 - about the same annual rate as in the period 1960 to 1975.

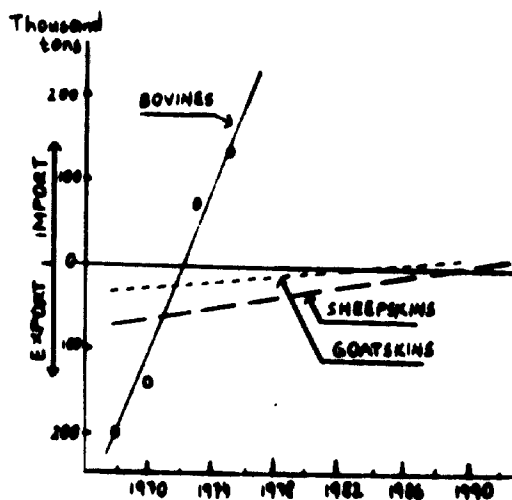
38. The estimates exclude the present use of pig skins, on which little information is available. A rough estimate suggests that if the pig skins used for leather manufacture in 1975 are included, raw material available for leather production would be increased by about 20 per cent, that is from 11.3 to 14.0 thousand million square feet. If pig skins are used much more extensively for leather manufacture by 2000, they could perhaps augment potential leather supplies by over 50 per cent, that is from 15.9 to 25.1 thousand million square feet. In this case, raw material resources for leather production would increase by 2.3 per cent a year in the period 1975 to 2000 instead of 1.4 per cent. However, for the consideration of the future growth of the leather industry in the UNIDO Draft Study and this document, this potential use of pig skins is not included.

B. The potential for increasing the developing countries' share of world tanning activity in the period 1975 to 2000

39. The developing countries accounted for about 31 per cent of world tanning activity in 1975, according to estimates made in the UNIDO Study. The estimate is approximate; it was based on an analysis of tanning activity in 40 developing countries and trade flows in raw hides and skins and semi-processed leathers.

40. Since the developing countries produced about 40 per cent of the world's hides and skins in 1975, this means that only about 75 per cent of the resources were used for on-the-spot processing.





Source: UNIDO Draft World-wide Study of the Leather and Leather Products Industry.

Figure I. Estimated import/export balance in hides and skins of all developing countries

41. In recent years, developing countries as a group have made substantial increases in their tanning capacity. As a result, they have become net importers of raw bovine hides since 1973, and their net exports of sheep and goat skins to developed countries have declined. This sharp change in the flow of trade is illustrated in figure I. A projection of this trend suggests that developing countries as a group will become net importers of sheep and goat skins after 1985. That the trend will continue is supported by the views of developing countries expressed at their Regional Preparatory Meetings.

42. The UNIDO Draft Study expects the trend to continue up to 2000 when it is assumed the developing countries will need to supplement their own resources of hides and skins with imports from developed countries to an extent that will increase their tanning activity to 25 per cent above the level that it would be if based on 100 per cent utilization of their own resources. In this case, their share of world tanning activity would rise from 31 per cent in 1975 to 65 per cent in 2000. The basis for this estimate is summarized in table 2 and is explained further in the UNIDO Draft Study.

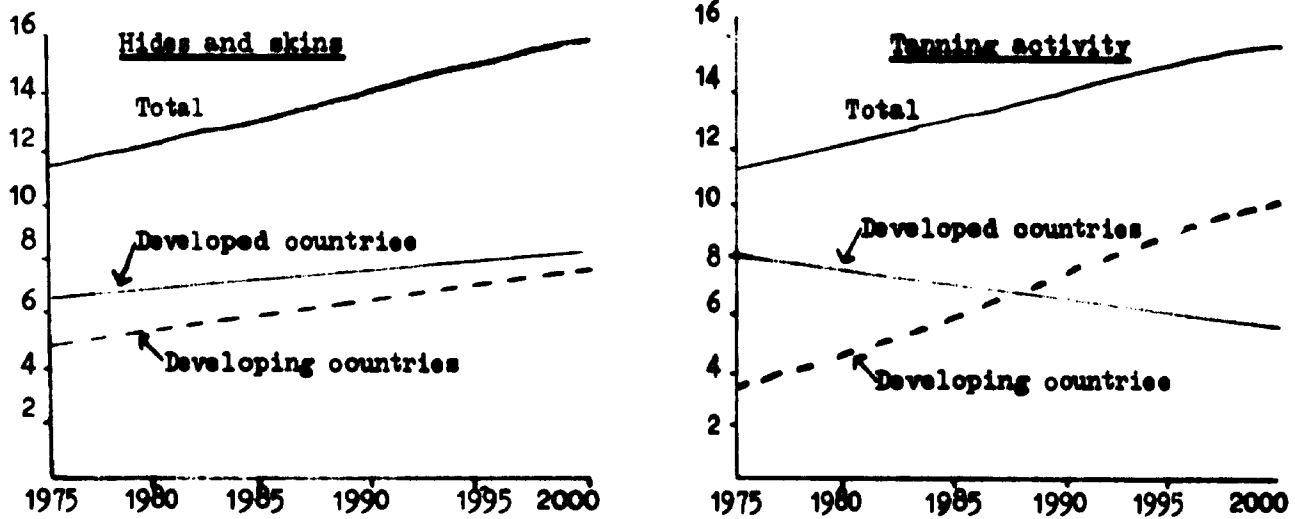
Table 2. Potential world production of leather in 1975 and 2000

	Actual or potential production of hides and skins		Net balance of trade in hides and skins		Volume of hides and skins tanned locally	
	(million sq.ft)		(million sq.ft)		(million sq.ft)	
	<u>1975</u>	<u>2000</u>	<u>1975</u>	<u>2000</u>	<u>1975</u>	<u>2000</u>
Developing countries	4,600	7,650	-1,100 <sup>a/</sup>	+2,600	3,500	10,250
Developed countries	6,700	8,200	+1,100 <sup>a/</sup>	-2,600	7,800	5,600
World total	11,300	15,850			11,300	15,850
Developing countries' share of world tanning output					31%	65%

Source: UNIDO Draft World-wide Study of the Leather and Leather Products Industry.

a/ Estimated equivalent of trade in hide and skins and semi and fully processed leather.

43. The trend in tanning activity suggested in the UNIDO Draft Study is indicative. The meagre information that is available and the opinion of certain observers of the industry support the view that tanning is an activity likely to migrate to developing countries. In the period 1973 to 1977, for example, the developing countries built 25 tanneries a year, although only 14 new tanneries a year would be needed to achieve the increase in production assumed above. There was a decline in leather production in OECD countries between 1963 and 1973, and imports of soles and uppers for leather shoes have continued to increase since 1973. Specific news items (such as the closure of 19 tanneries in the Federal Republic of Germany between 1973 and 1974) provide further evidence. This evidence and the fact that tanning is an arduous industry therefore suggest that migration is likely to continue; the Consultation Meeting is therefore invited to give a view on the indicative trend shown in the right-hand part of figure II.



Source: UNIDO Draft World-wide Study of the Leather and Leather Products Industry.

Figure II. World production of hides and skins and tanning activity 1975-2000 (thousand million sq ft produced a year)

C. The potential for increasing production of leather footwear and other leather products in developing countries

44. The world output of leather footwear in 1975 is estimated in the UNIDO Draft Study at about 3,200 million pairs, of which the developing countries produced about 1,100 million pairs or 35 per cent. World output of other leather products has not been estimated in the UNIDO Draft Study; the developing countries' share of world output is probably considerably lower than 35 per cent.

45. The production of shoes and leather products is labour-intensive and developing countries have increased their exports to developed countries in recent years. However, where production has declined in some developed countries, the main increase in their imports was from other developed countries rather than from developing countries.

46. At the Regional Meetings, developing countries expressed their intention to expand their tanning output and to convert all of the leather produced into leather footwear and other leather goods. Furthermore, some developing countries are already importing hides or leather from developed countries to supplement local supplies.

47. The UNIDO Draft Study expects the developing countries to increase their share of world production of leather footwear in the period 1975 to 2000 because:

(a) Domestic demand is expected to grow with urban population, perhaps at 4 to 5 per cent a year - much faster than world raw-material supplies;

(b) There is expected to be a further transfer of production from developed to developing countries.

48. Issue 1 considers three possible alternative paths for the development of the world leather footwear industry in the period 1975 to 2000. The level of production that would be achieved in 2000 under each alternative is shown in the figure III and in table 3. The three alternatives imply:

(a) A large expansion of leather footwear production in developing countries and a 25 per cent decline in production in the developed countries over the period 1975 to 2000 (alternative A);

(b) All of the increase in world production of leather footwear occurs in developing countries, while the developed countries' production stays at the 1975 level up to 2000 (alternative B);

(c) Production of leather footwear grows less rapidly in developing countries and production in developed countries increases 25 per cent in the period 1975 to 2000 (alternative C).

According to the alternative selected the developing countries' share of world leather footwear production in 2000 would increase from about 35 per cent in 1975 to 65 per cent, 56 per cent or 45 per cent respectively.

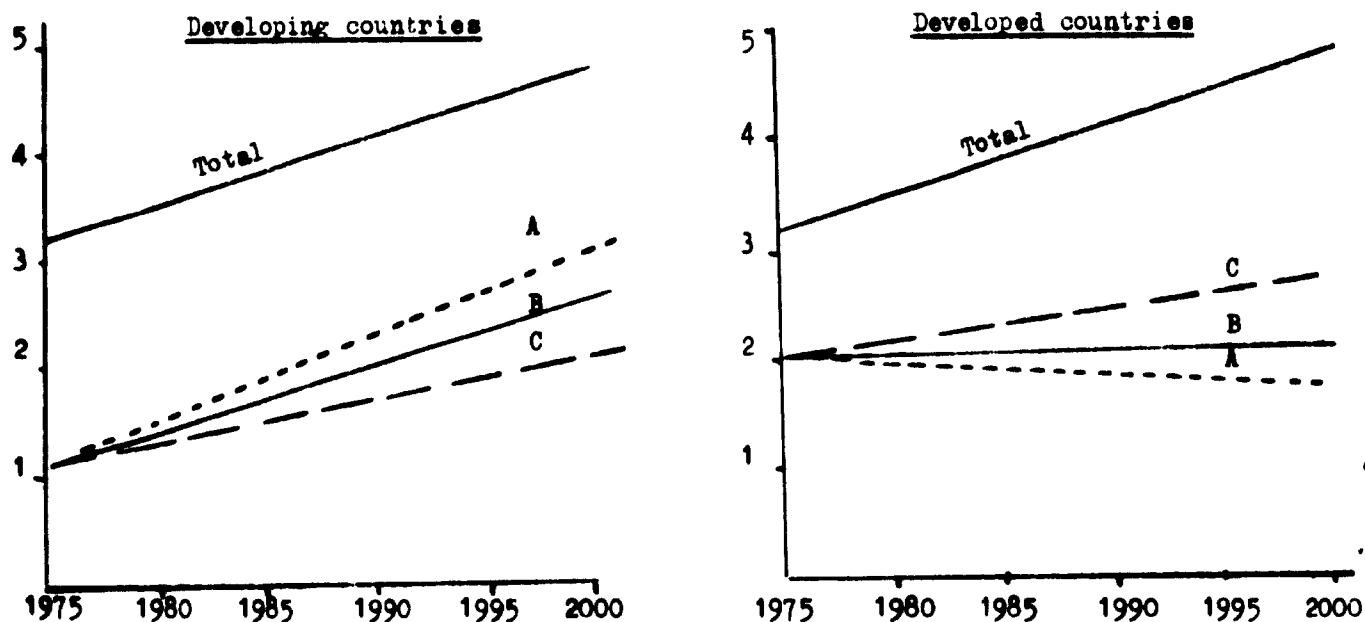


Figure III. Leather footwear production 1975-2000 (thousand million pairs)

49. It appears that developed countries could easily adapt to any one of these alternatives. In alternative A, the least favourable alternative for developed countries, their production of leather footwear declines by less than 1 per cent a year - less than the normal rate of turnover of labour due to retirement and other causes. Furthermore, the effect on output and employment levels in the economy as a whole would not be severe, because the leather and leather products industry typically accounts for less than 2 per cent of total employment in the manufacturing sector.

50. At their Preparatory Meeting, participants from Latin American countries concluded that tanning activity in the region might double by 2000 and that production of leather footwear and other leather goods should increase threefold by 2000. The Asian countries concluded that their production of leather shoes should increase from 400 million pairs in 1971 to 1,500 million pairs. In the meeting of African countries no specific level of output was mentioned. These conclusions support consideration of alternative A shown below in table III.

Table 3. Estimates of world leather footwear production in 1975 and 2000

	Developing countries	Developed countries	World total	Developing/developed countries share	Annual growth of output	
	(million pairs)	(million pairs)	(million pairs)	(%)	in developing countries (%)	in developed countries (%)
1975	1,180	2,098	3,208	35/65		
2000						
Alternative						
A	3,073	1,691	4,764	65/35	4.2	-0.9
B	2,666	2,098	4,764	56/44	3.6	-
C	2,127	2,637	4,764	45/55	2.6	+0.9

Source: UNIDO Draft World-wide Study of Leather and Leather Products Industry.

51. There is insufficient information available at present to make similar calculations for other leather products. However, the Consultation Meeting may wish to consider (a) whether an expansion of the same order of the developing countries' share of world output of these other leather products could be achieved and (b) what measures and co-operation would be needed to achieve such a goal.

52. It may be noted that the UNIDO Draft Study has assumed that two-thirds of the world resources of bovine leather will be used in the footwear industry. On the other hand, the developing countries' share of world raw material resources is higher for sheep and goat skins (55 per cent in 1975) than for bovine hides (45 per cent in 1975), and this differential is likely to increase in the future.

53. This large and increasing share of world supplies of skins can be used by the developing countries to exploit the expanding market for leather products in the developed countries. Prices for these leather products are high relative to those obtained for footwear, and the investment cost of the machinery required is generally lower. But to enter these markets, high quality and good design will be needed, as will assistance in marketing from partners in developed countries.

D. Redeployment of existing capacity in the leather and leather products industry in certain developed countries

54. The UNIDO Draft Study estimates that at least 25 new, modern tanneries were built in the developing countries in each of the four years from 1973 to 1977. This compares with the 14 tanneries that will need to be added each year in the period 1975 to 1985 if the development of the tanning industry in developing countries is to be rapid enough for them to provide 65 per cent of the world's leather output in 2000 (the alternative presented in paragraph 15 (a)). Available evidence also gives the impression that there has been a substantial decline in tanning activity in some developed countries in recent years. However, so far there have been few cases of redeploying either whole plants or machinery thus made idle in developed countries to developing countries.

55. At their Regional Preparatory Meeting, the participants from the Latin American countries concluded that the region could absorb the production capacity of the enterprises that may be closed down in the future in developed countries. For this to happen, it would be necessary to conclude agreements aimed at achieving this purpose. These agreements should be based on:

- (a) Feasibility studies indicating the advantages of redeployment for both parties;
- (b) Suitable guarantees for the efficient operation of the machinery and equipment to be redeployed;
- (c) Prevention of the transfer of the pollution effects of these industries by the introduction of suitable safeguard clauses;
- (d) Favourable credit conditions and terms of payment.

56. The regional Preparatory Meeting for Asian countries noted the possibility of concluding commercial agreements/ joint ventures for the acquisition of machinery and equipment from tanneries closed down in developed countries. The participants from Asian countries felt that special attention would have to be given to mechanized spraying and the establishment of finishing units equipped with modern testing and quality control equipment. Asian developing countries might offer incentives to attract the physical transfer of such units from a developed country.

57. The Regional Preparatory Meeting for African countries noted that machinery that was lying idle in developed countries could be transferred to leather industry training centres established in some African countries. Machinery suppliers' demonstration models were another possible source of equipment for such centres. It should also be possible for these training centres to absorb teachers and equipment that are made redundant when leather industry training centres close down in developed countries. A regional research and development centre for the leather and leather products industry was proposed by participants from African countries, who suggested that bilateral assistance should be sought through UNIDO for its establishment.

58. The majority of additional production facilities erected in recent years in the developing countries have used completely new plant and machinery. Only in a few cases have machinery manufacturers purchased equipment from factories shut down in developed countries, reconditioned it and sold it for use in a plant in a developing country.

59. It may be possible to relocate complete plants for leather and leather footwear production: the majority of the machines are robust, not over sophisticated and have a working life exceeding 20 years. The feasibility of relocating, with advantage to both sides, the plant, equipment and experienced operating personnel that are made idle when factories close in developed countries should be considered.

60. So far many of the developing countries have been reluctant to accept second-hand machinery, even when it is fully reconditioned<sup>2/</sup>. However, this reluctance could well change if the developing country knew that, in addition to obtaining reconditioned machinery at half the cost of new machinery, it could also hire for a sufficient time the services of the staff who had previously operated the plant.

<sup>2/</sup> Participants at the preparatory meeting for African countries indicated that before taking advantage of such opportunities, developing countries would need to ascertain the technical suitability of used equipment, the continued availability of spare parts and the additional costs in dismantling and reconditioning, as well as the fairness of evaluations and prices involved.

61. One advantage of a joint venture or other form of long-term agreement to relocate a complete plant is that by transferring the production capacity from a developed country to a developing country there will be less of a tendency to create excess capacity in the industry. If well organized, with sufficient incentive to the parties concerned in the developed country, the relocation agreement may accelerate the established trend of the industry to migrate to developing countries.

62. For the party concerned in a developing country, the advantages are:

(a) Machinery is obtained at lower cost; so initial investment and hence overheads are lower;

(b) A plant that is relocated will be internally balanced from the outset, because internal production difficulties are known and can be avoided in the new location (which is not always the case with the new production units);

(c) The services of personnel who previously operated the plant can help to ensure efficient operation and quality production;

(d) The market that the plant in the developed country had previously supplied may be supplied by the developing country through a marketing arrangement that would be part of the joint-venture agreement;

(e) The long-term joint-venture nature of the project should ensure that it is in the interest of the party from the developed country to ensure that the relocated plant operates successfully.

63. For the party concerned in a developed country, the advantages are:

(a) A better financial return would be obtained for unutilized plant and equipment;

(b) A long-term interest in the relocated production unit could help off-set the loss of revenue due to closure of the plant;

(c) Marketing rights to the goods produced in the developing country could be acquired, thus enabling the party to continue trading in the sector.

64. It is suggested that the following services would be required:

(a) The building up of a register of enterprises in the leather and leather products industry willing to relocate certain plant and machinery;

(b) The establishment of a register of developing countries that have expressed interest in accepting relocated plants;

(c) The monitoring, through published and other sources, of global trends in the tanning and leather products industry, and the ascertainment of which companies might be interested in considering relocation possibilities;

(d) The sending of technical teams to evaluate the actual plant and machinery that is being considered for relocation;

(e) The introduction of potential partners to each other and assistance to them in reaching agreements that benefit both partners.



E. Improved utilization of existing capacity in the leather and leather products industry in developed and developing countries

The global constraints of limited raw materials

65. The UNIDO Draft Study provides some evidence that demand for leather and leather products is likely to grow more rapidly than supplies of hides and skins. A physical shortage of hides and skins was experienced when demand peaked in 1973/74. The UNIDO Draft Study also shows that the capacity for tanning established in the world exceeds the supply of hides and skins. As a result, many tanneries in developed and developing countries are at present under-utilized.

The market constraint and ways to overcome it

66. In addition to the global constraint mentioned above, which affects the utilization of capacity in developed and developing countries alike, a number of other constraints have been identified that are particular to the developing countries. They differ from region to region and country to country, but can generally be summarized as follows.

67. At their Regional Preparatory Meetings, the participants from developing countries in Latin America, Africa and Asia identified the following constraints on marketing leather and leather products in export markets and, in particular, in North America and Western Europe:

- (a) Tariff barriers that increase as the degree of processing increases;
- (b) Significant non-tariff barriers (import quotas, etc.) in some developed countries;
- (c) Lack of information on trends in, and design and fashion requirements of export markets;
- (d) Difficulties in establishing a local marketing organization and in overcoming the loyalty of consumers to established products;
- (e) The effect of freight rates.

68. In addition to action that the developing countries could take themselves to overcome these constraints, the participants felt it was necessary:

- (a) To reach long-term sales agreements with buyers from developed countries;
- (b) To encourage international sub-contracting in the industry;
- (c) To promote joint ventures and other arrangements that would utilize production facilities already available in developing countries.

69. As regards co-operation between developing and developed countries at the government level, the participants saw scope for eliminating non-tariff barriers and reducing tariffs. While hides and skins are subject to a little or no duty in most developed countries, the import duty on leather is typically between 5 and 10 per cent and on leather products between 10 and 15 per cent.

The constraint imposed by the quality of hides and skins

70. At the three Regional Preparatory Meetings, the participants from developing countries saw a need to improve the quality of hides and skins. This would require improved animal husbandry; the integration of abattoirs and tanneries; modern slaughter houses; and the combining of slaughtering, flaying and curing in one operation.

71. The need to bring the quality of raw materials up to international standards was recognized in all three regions. It was suggested that standards and specifications that would act as a guide to the quality of hides and skins and processed leather should be introduced.

72. Attention was also drawn to the need for co-operation between developing countries in increasing exports of crocodile skins and the skins of marine and other exotic animals.

The constraint imposed by existing plant and operating skills

73. At the three Preparatory Meetings, participants from developing countries saw a need to introduce larger and more efficient production units. In some developing countries there was a need to introduce more mechanization in tanneries, particularly for the finishing of leather. Where new projects were undertaken, careful planning was needed to select appropriate machinery and equipment and realistically tailor the volume and quality of planned output to domestic and export market requirements.

74. Joint ventures and similar forms of co-operation at the enterprise level with an external partner could provide assistance for the selection of machinery, and strengthening management and operational skills.

The need to develop supporting industries

75. Participants at the Preparatory Meetings in Africa, Asia and Latin America saw a need:

- (a) To develop local or regional sources of supply of tanning chemicals at competitive prices;

(b) To further reduce their dependence on imported technology, machinery and equipment;

(c) To develop the local production of high quality non-leather accessories used in the manufacture of leather products.

F. Special programme for least-developed countries and other late-comers in establishing a leather and leather products industry

Availability of raw materials in least-developed countries

76. Annex A contains a summary of information on (a) the availability of hides and skins, (b) the present stage of development of the leather industry in 29 least-developed countries.

77. Raw material availability will determine whether a country can plan a tanning industry based on local raw material supplies or a sub-regional plant using hides and skins imported from other countries will be required to supplement local supplies.

Minimum size of tanning units

78. Views differ on the output levels required for a tannery to be an economic proposition. For a modern fully-mechanized tanning operation using new equipment, minimum requirements are approximately:

400 hides a day (100,000 hides a year), or  
2,000 skins a day (500,000 skins a year).

79. However, with a production unit employing older (perhaps re-conditioned) machinery and simple buildings, economic operation could perhaps be obtained with half the above output levels, that is 50,000 hides a year, or 250,000 skins a year. Operation at lower output levels may be possible in artisan or rural tanneries, but tanning at this level is not easily introduced into a country that does not have traditional skills in the sector.

Estimated leather requirements for local consumption of footwear

80. If footwear consumption in the least-developed countries is to reach a level of one pair per capita a year, about 60 hides a year would be needed for every 1,000 inhabitants. Countries that have less than 60 hides available a year for every 1,000 inhabitants will thus use all their hides to meet their domestic needs. In countries where more than 60 hides a year are available for every 1,000 inhabitants, the surplus production of leather, leather footwear or other leather products can be exported.

81. Most of the least-developed countries make little use of leather produced from sheep and goat skins. Countries that have available more than 250,000 skins a year may therefore have potential for developing an industry that exports these skins as semi- or finished leather or as leather products.

Stages of processing

82. If the development of the tanning and leather products industry is to be export-oriented, a step-by-step approach is recommended. These steps are described in more detail in the summary of the UNIDO Draft Study.

Basically, they entail:

- (a) Production of wet-blue leather (a primary form of semi-processed leather);
- (b) Production of crust leathers (leather awaiting final surface colouration);
- (c) Production of finished leathers;
- (d) Production of finished leather products.

In an export-oriented project the level of processing will have to be agreed with the foreign partner. If, however, the output of the tannery is designed mainly for domestic consumption, it may be possible to advance quickly to the further stages of processing.

G. The need for a leather and leather products industry panel

83. Preparation of the UNIDO Draft Study has shown that insufficient information on the leather and leather products sector is currently available. It is therefore difficult to monitor on a world-wide basis existing capacity and plans for expansion so as to relate these to world supplies of raw materials. Ways and means to overcome this situation need to be considered by the Consultation Meeting. One possibility might be to establish an international leather and leather products industry panel. It could be the panel's task:

- (a) To evaluate all available sources of statistics and data on the leather and leather products industry;
- (b) To suggest how the preparation of such statistics can be standardized, co-ordinated and improved in the future by:
  - (i) The co-ordination of data-collecting activities of international governmental and non-governmental organisations;
  - (ii) Outlining a programme of data collection to remedy the current lack of reliable information
  - (iii) Elaborating how United Nations field experts may contribute to this task.

85. Another task of the panel could be to prepare and regularly up-date an assessment of trends in the location of facilities for leather and leather products manufacture with a view to:

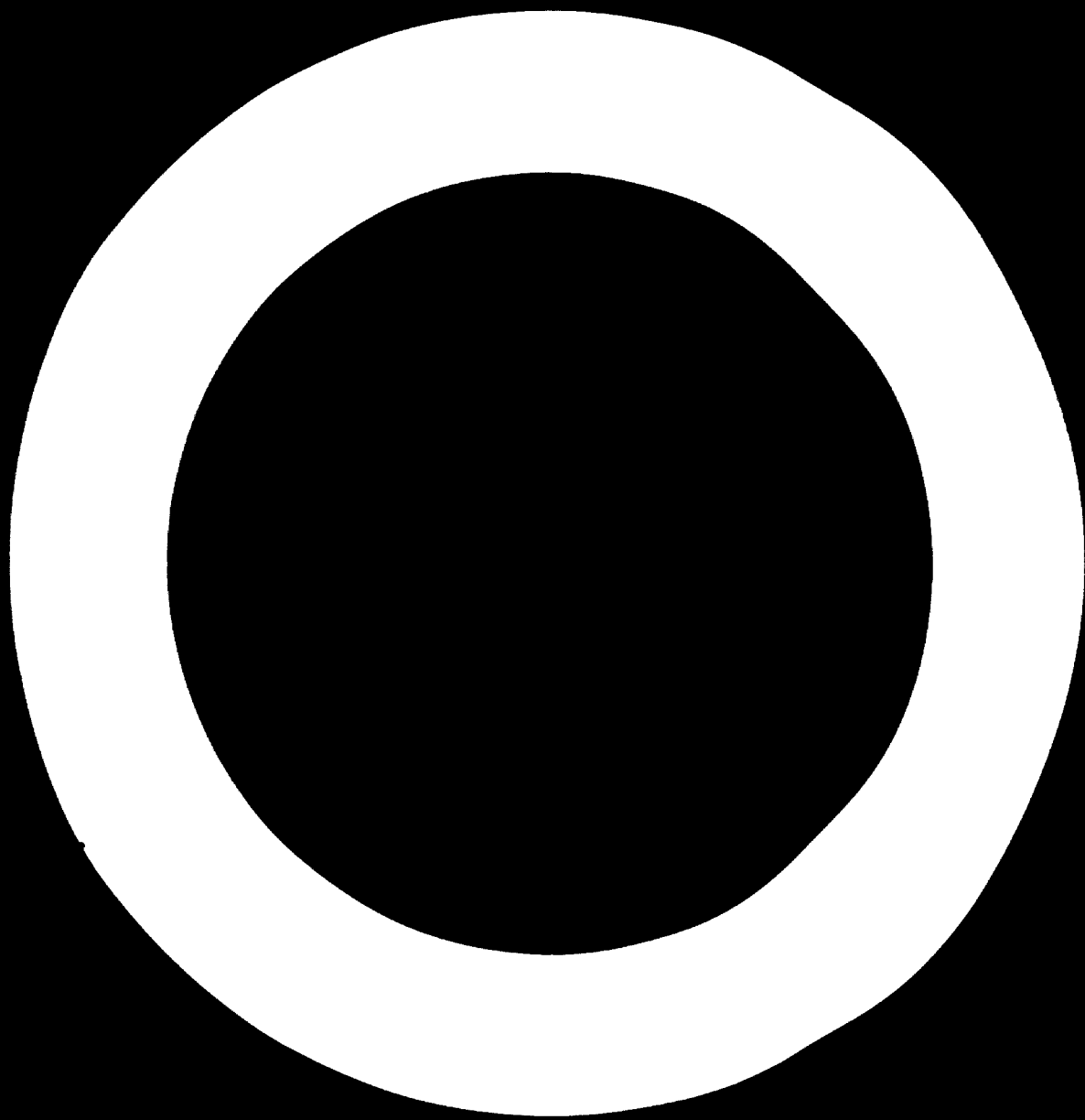
(a) Monitoring the growth of world production capacity in relation to the availability of raw materials and assessing trends in production and international trade in leather and leather products;

(b) Stimulating action at the national, regional and international level to implement recommendations of the Consultation Meeting;

(c) Identifying opportunities for redeploying existing capacity to developing countries;

(d) Assessing the obstacles to the realization of redeployment opportunities.

86. Another task of the panel might be to suggest a suitable framework of agreement for such redeployment projects that comprise the conditions of sale of machinery and equipment, the provision of personnel to operate the relocated plant, arrangements for marketing the products in developed countries, and the provision of assistance with design and quality control.



Annex

**THE LEAST-DEVELOPED COUNTRIES: RAW MATERIALS AVAILABLE AND PRESENT TANNERY ACTIVITY**

	<u>Annual hide production</u>		<u>Annual skin production</u>		Current leather sector status (if known)
	'000 pieces	per 1000 inhabitants	'000 pieces	per 1000 inhabitants	
Afghanistan	663	34	5,155	267	Well established tannery and leather production sectors, mainly at artisan level
Bangladesh	4,499	61	4,561	61	Well established tannery sector, mainly at wet blue stage. UNIDO making country sector study for Government
Benin	90	29	454	146	No significant tanning activity
Bhutan	...	...	...	...	...
Botswana	253	361	175	243	No significant level of activity to date, but capacity now being installed for wet blue operation
Burundi	111	28	497	130	No significant level of activity to date but some tanning capacity currently being installed with UNIDO assistance
Central African Empire	56	31	166	92	...
Chad	317	79	1,062	266	One modern mechanized tannery exists. UNIDO assistance being given to start production
Democratic Yemen	12	7	779	458	UNIDO assistance in expansion of existing tannery and with studies of further expansion of tanning activity
Ethiopia	2,101	75	9,223	329	Tanning and leather products sector exists with both rural and fully mechanized processing; capacity underutilized; processes only 20 per cent of domestic raw materials

Annual Hide Production      Annual Skin Production

'000 pieces      per 1000 inhabitants      '000 pieces      per 1000 inhabitants      Current leather sector status (if known)

Gambia	30	60	43	86	UNIDO study being made
Guinea	149	33	280	63	UNIDO study under consideration
Haiti	88	19	433	94	Some existing small-scale tanning units
Rep. People's Democratic	124	36	18	5	....
Lesotho	...	...	...	...	Small sheepskin tannery exists. UNIDO to prepare study for second tannery and leather products
Malawi	60	12	228	46	UNIDO study requested
Maldives	...	...	...	...	...
Mali	368	68	2,078	365	Tanning mainly at artisan level: One mechanized tannery. UNIDO study made
Nepal	1,224	97	1,874	148	Tanning and leather production sectors exist
Niger	263	57	2,240	487	Limited tanning activity to semi-processed stages
Rwanda	89	21	305	72	Rural tanneries exist
Sikhim	...	...	...	...	...
Samoa	...	...	...	...	...
Somalia	275	85	5,408	1,670	Tanning sector at early stage of development; modern tannery recently installed; UNIDO study of leather products requested
Sweden	909	49	5,080	277	Modern tanning capacity recently installed, but not fully utilized
Uganda	840	73	1,340	118	Modern tannery being installed
United Republic of Tanzania	1,320	72	2,124	117	Currently installing production capacity in tanning and leather products sector to process majority of indigenous raw materials

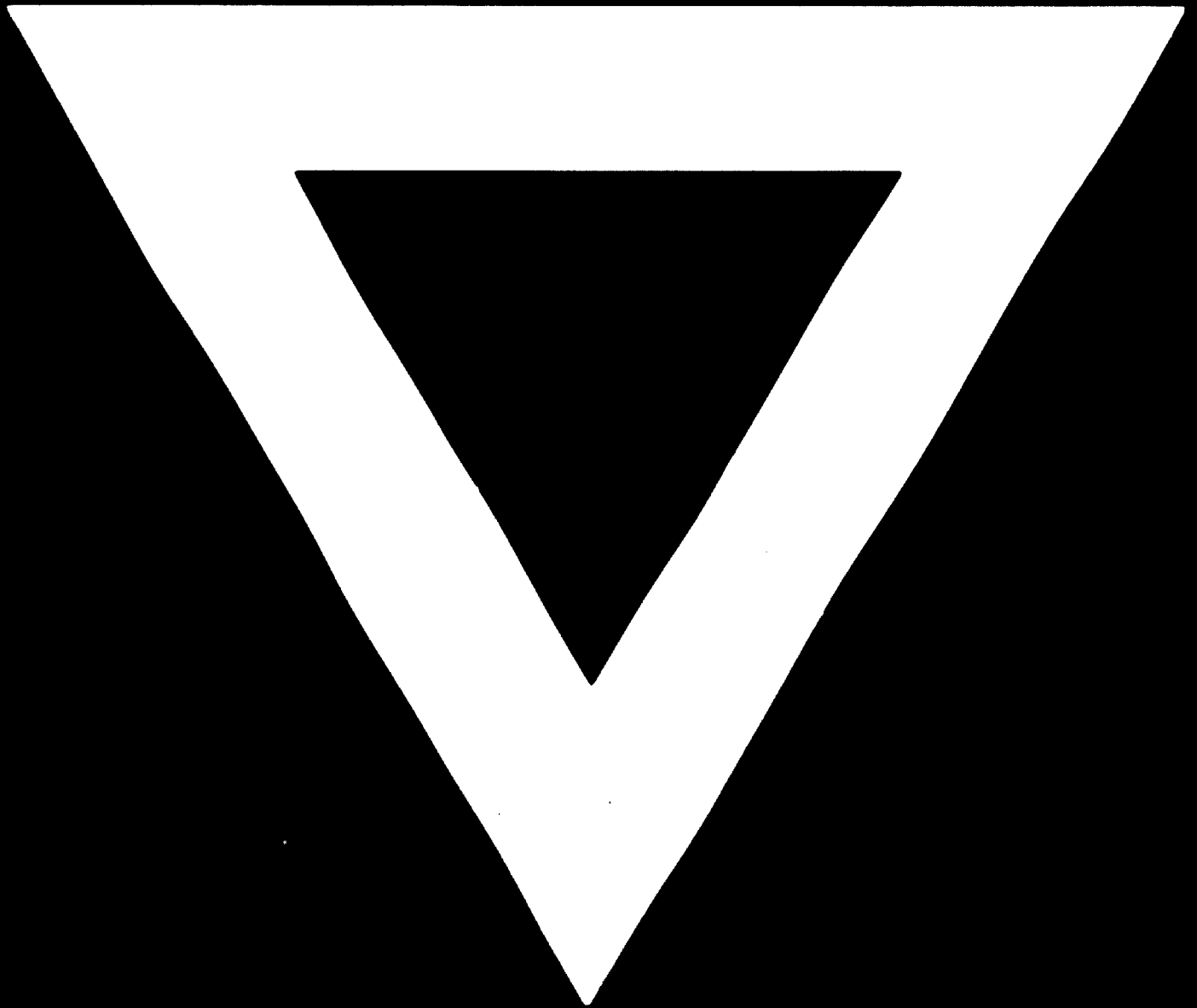


---

	<u>Annual hide production</u>		<u>Annual skin production</u>		Current leather sector status (if known)
	'000 pieces	per 1000 inhabitants	'000 pieces	per 1000 inhabitants	
Upper Volta	170	28	860	143	UNIDO study completed for a tannery
Yemen	110	16	3,944	589	UNIDO study completed. Government considering large tannery project

---

**C-673**



**78. 11. 10**