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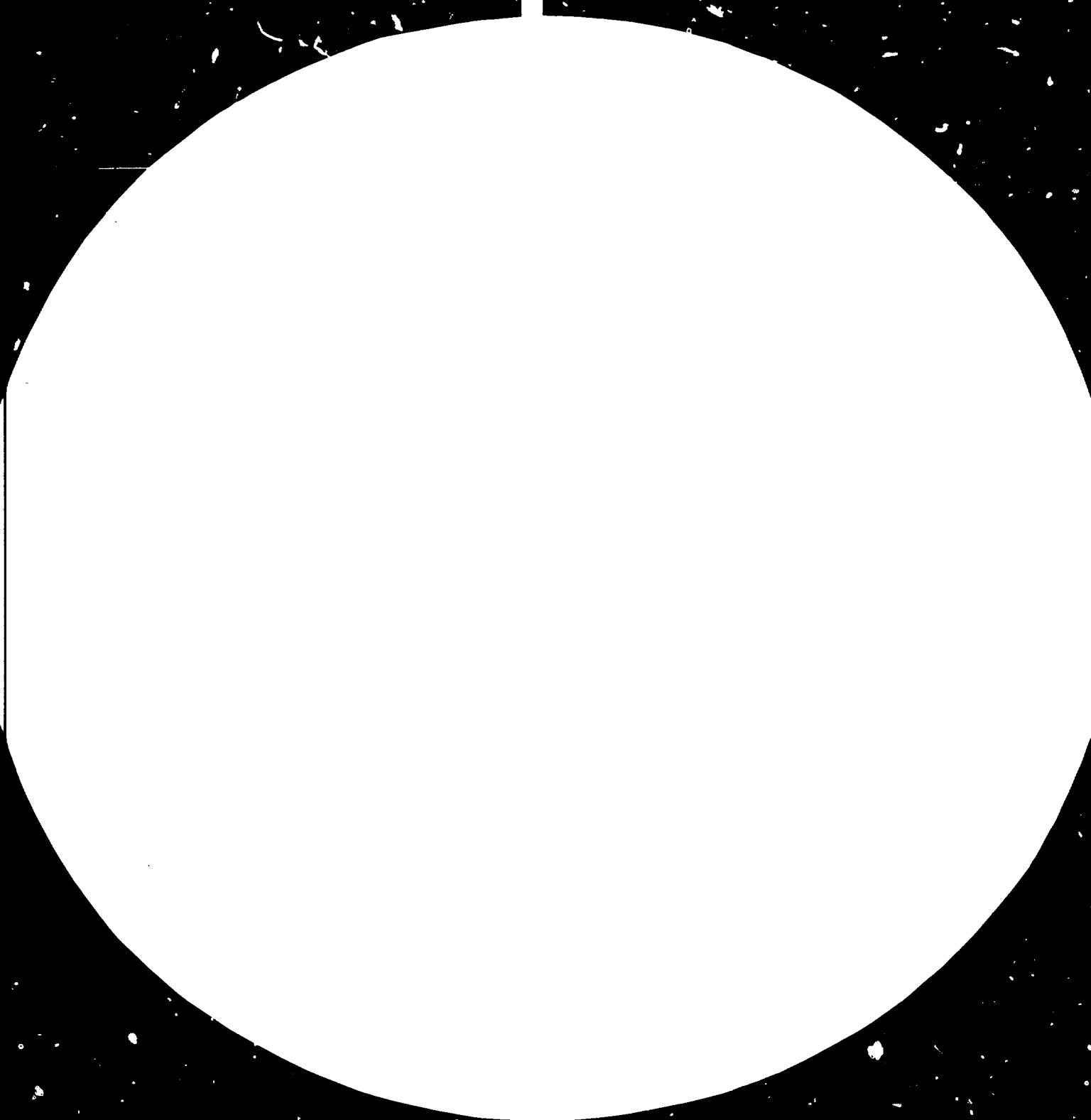
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SUMMARY OF *
COMMENTS RECEIVED ON "THE LEATHER
AND LEATHER PRODUCTS INDUSTRY UP TO 1985", REPORT PREPARED BY
IRVING GLASS, UNIDO CONSULTANT **

Prepared by
the UNIDO secretariat

** Background paper "The Leather and Leather Products Industry up to 1985", prepared by UNIDO consultant I. Glass (UNIDO/ICIS.124*) should be read in conjunction with this document.

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SUMMARY OF
COMMENTS RECEIVED ON "THE LEATHER
AND LEATHER PRODUCTS INDUSTRY UP TO 1985", REPORT PREPARED BY
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1. The report on "The Leather and Leather Products Industry up to 1985" was reviewed by the Leather Industry Panel at its special Fourth Session held in Beijing, People's Republic of China, 11-15 March 1980 and, subsequently, by the UNIDO Secretariat. The summary of these comments are reproduced in the report below under the following headings:

- (a) Summary and conclusions
- (b) Hides and skins economy
- (c) Leather and leather products economy

Summary and conclusions

2. The report does not emphasize sufficiently the agro-industrial development needs and interests of the developing countries but looks more at the problems of the leather and leather products industry from the point of view of the industrialized countries (i.e. mainly from the supply side of raw materials).

3. The views expressed in the report that access to raw materials takes precedence over all other factors in tannery site selection (page 125) and that cattle hide supply has been and remains the most vital issue to the leather products industries (page 1), and the subsequent warnings made on pages 6 and 8 against the starting of leather and leather products industries in countries wholly or partly dependent on the imports of raw materials cannot be supported as compelling arguments.

4. According to the report, leather and leather products industries should only be located at the source of the raw material. This is not in conformity with the generally accepted view on the international division of labour. For example, petrochemical industries are not limited to those resource-rich countries with adequate supply of oil.

5. The report further states on page 3 that projections on future trade in hides and skins foresees comparatively little changes for three reasons:

- First, world production in the major types of raw material will increase only modestly.
- Second, developing countries with important supply have completed the transition to domestic utilization. In fact, tanning capacity in various developing countries is excessive and greater than available hide and skin supply in these countries or contiguous areas.
- Third, the economies of processing cattle hides at origin will inhibit exports from the US.

6. With regard to the first point, projected growth of hides and skins availability in the report is based on the change of growth pattern in the US cattle hide supply in 1977. The report states that a revolution in the beef production in North America increased world cattle hide supply more rapidly than in any other period in modern history (page 2) and that for almost twenty-five years, beginning in 1952, the spectacular rise in US hide production had invited complacency and wishful thinking (page 63), and in retrospect, the unprecedented upswing in US cattle hide production appears to have been a major factor in the expansion of leather and leather products manufacture in the developing regions (page 79).

7. Although it is commonly known that the US hides availability during the past twenty-five years has been much greater than their domestic tannery and leather products manufacturing capacity, and that for this reason the US have exported great quantities of raw hides to the world market, there is no evidence in the report that this "almost exponential growth" (page 2) is the main reason and the only criteria for the increase of world cattle hide supply during the period of the past twenty-five years.

3. The growth in availability of cattle hides, if considered world-wide, is as great or greater in other parts of the world. Table VI on page 34 of the report shows clearly that the increase in North America during 1961-1977 in wet-salted bovine hides was 63.6 per cent (or 457.9 thousand tons); the increase in developing countries was 41.3 per cent (or 613.6 thousand tons), and in Eastern Europe and the USSR 73.4 per cent (or 331.4 thousand tons). It is, therefore, not accurate to single out the US cattle hide supply as the only source of the growth in global hide availability and expansion.

There is no evidence presented in the report that the growth of livestock population has stagnated in other parts of the world compared to the US. For this reason the growth projections in the report must be considered as being limited in scope.

9. On the second point, it may be that the tanning capacity in certain developing countries with significant raw material supply are larger than its actual utilization. However, this is mainly due to the fact that these installed capacities are only partly utilized and only to a certain stage of processing due to lack of management capability, skilled work force and market intelligence. It is therefore inaccurate to conclude, as the report does, that developing countries have completed the transition to domestic utilization of available raw materials when, in fact, this has not occurred.

10. Concerning the third point, if the economics of processing cattle hides at origin will inhibit exports from the US, as suggested in the report, it is difficult to understand why the report projects "comparatively little changes" in the future trade in hides and skins. This is in contradiction to the earlier assertion of the significance of US cattle hides export to the world market. It would therefore appear that export prohibitions from the US will certainly cause serious impact on the international market for cattle hides.

11. The report finally concludes that the transfer of technology is not a problem in this sector (page 16). The transfer of technology is considered in the report as synonymous with the selling of sophisticated and modern machinery and equipment to the developing countries (page 191). In the view of developing countries, the transfer of technology and processing know-how remains one of the major problems in this sector.

Hides and skins economy

12. The action programme in the report to improve the world-wide raw material supply and quality was supported and fully endorsed with special reference to the least developed countries in Africa. The technical questions and problems relating to curing and preservation methods and the ways and means of improving livestock development are considered important factors affecting the availability and quality of raw hides and skins supply which were not examined in the report.

Leather and leather products economy

13. The report asserts that the recent innovation in Orderly Marketing Agreement (pages 110, 111) is of mutual benefit to both the developed and developing countries. It is suggested in the report that the concept of OMA could be applied internationally. However, the developing countries do not share this view and consider OMA as being a "new" type of trade restriction to protect non-competitive industries in the industrialized countries.

14. The calculations on working capital requirements for tanneries are based on the highest hide prices ever quoted in the history of raw hide trade (April 1979). It should be noted that the prices have declined drastically since that time (by about 50 per cent). The report claims that skins prices invariably follow cattle hides prices, which is not true (page 91). In fact, skins prices actually follow a different pattern than cattle hides.

15. The projections on the development of the footwear industry in the developing countries, as presented in the report, are very much underestimated (pages 198 and 219). Not only are the domestic markets in the developing countries expected to expand during the coming ten-year period, as per capita consumption of footwear in developing countries increase, but it is also anticipated that developing countries will have a greater share of world market in footwear production.

16. Finally, more consideration should have been given in the report to the problems of tariff and non-tariff barriers to trade including the question of protectionism in international trade as it affects the leather and leather products industry. It was also noted that while globally developing countries had become net importers of raw hides and developed countries net exporters, the same could not be said for individual developing countries.



