



India sets an ambitious goal



UITIC's Footwear Congress took place after the IILF.
CREDIT: WTP

The Indian government has the leather sector a target of increasing turnover to \$27 billion by 2020, up from around \$12 billion last year, of which \$6.5 billion came from exports.

This is ambitious, said the managing director of India's International Trade Promotions Agency, LC Goyal, but the industry can expect a series of policies in the next two years aimed at helping it achieve the goal.

Mr Goyal said: "You have to be ambitious. This is how you achieve things. The government is going to simplify procedures to make it easier to export products from India and work hard to encourage entrepreneurs to set up ventures. There is immense optimism here and the leather industry has played a prominent role in bringing that optimism because it exports more than 50% of its turnover and three million people are engaged in working in it, with women representing 30% of that workforce. Can there be a better sector for women and for industrial promotion than this one?"

The initiatives to support the development include Make In India, Digital India, Clean India, Skill India and Stand Up Start-Up India. These are much

more than just slogans, he added, and signify reform of procedures and a better policy framework.

Mr Goyal was speaking at the 31st India International Leather Fair (IILF) in Chennai, which housed 456 exhibitors, with 156 of coming from outside India, representing 25 countries.

The governor of the state of Tamil Nadu, Dr K Rosaiah, was the guest of honour, and paid tribute to the leather industry's record in generating employment, alleviating poverty, improving productivity, promoting exports and increasing foreign exchange earnings for the Indian economy.

The show ended on a largely positive mood among visitors and exhibitors. However, the mood was overshadowed to some extent by new figures from the Council for Leather Exports (CLE) showing a 10% decline in India's leather sector exports in the first eight months of this financial year, April-November 2015. Total export values were just over \$4 billion.

CLE chairman, Rafeeqe Ahmed, told media that a ban on cattle slaughter in some Indian states last year was having an effect. He said the domestic supply of

hides and skins was down by as much as 6%, making many tanners turn to overseas raw material, which they can import duty free. During the fair, one Indian raw material trader, who asked not to be named, told *World Leather* that demand for crust from locations such as Turkey and Argentina had risen by 70% in India in the last two years.

Designers' Fair

Taking place alongside IILF was the new Designers' Fair, the brainchild of Naresh Bhasin, whom the CLE appointed as the chairman of a new Design Task Force in 2015. He is the organisation's regional chairman for western India and runs footwear manufacturer RAM Exports.

A step he has already taken to make attractive designs available to these buyers was to engage Karen Giberson, president of the New York-based Accessories Council, as international programme director for North America, and Mallorca-based footwear producer and exporter Antonio Munar to carry out the same role in Europe.

Their work resulted in six leathersgoods and apparel designers coming to the fair from the US, and 10 designers from Italy, two from Spain and one from Belgium, representing European footwear. There were also three footwear designers from Brazil, two apparel and accessory designers from Russia and two designers from India.

"Creativity and innovation are the tools that will help this industry meet its target," said Mr Bhasin. "Consumers want durability and brands want perishability to secure more sales. A design platform like this can create a win-win because design can compel consumers to buy more." The CLE will repeat the exercise in the months and years to come, with a follow-up fair in Agra in November next on the calendar.

UITIC Congress

Also taking place in parallel was the 19th UITIC Congress with 'the footwear factory of the future' as the event's main theme. It was co-organised by UITIC (the International Union of Shoe Industry Technicians) and by CLE – one of the association's biggest events – attracting 568 delegates from 28 countries.



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 **Vietnam Leather, Footwear and Handbag Association, (LEFASO VIETNAM)**

The chairman of CLE, Rafeeqe Ahmed, said the country's footwear industry has "huge market potential" and echoed predictions from other senior CLE representatives that the market could double in size.

Mr Ahmed – owner of one of the country's biggest footwear manufacturers, Farida Group – told *World Leather* per capita consumption in India is two pairs per person, giving a domestic market size of around 2.2 billion pairs and an annual value of around \$5 billion. "All we need is men to buy an extra pair per year each and women and extra two pairs and we will have nearly doubled this total," he said.

Global production reached 24 billion pairs in 2014, representing growth of 8% year on year. In the context of a world population of 7.3 billion people, this works out at an average consumption of 3.3 pairs per person per year.

The president of UITIC, Yves Morin of CTC, said the global footwear industry still has "a promising future". "The population will continue to grow," he said, "and we are going to have to grow global production. Changes are coming that will modify the entire supply chain, but we still have a promising future."

He warned, though, that it will be essential for footwear manufacturers to "think big" if they want to attract skilled workers in modern footwear factories. ☺

Bangladesh: 2016 set to be a pivotal year as tanneries make Savar move

The long-awaited move of more than 100 tanneries from the Hazaribagh district of Dhaka in Bangladesh to a purpose-built cluster at Savar will go ahead before the end of this year, according to a senior representative of the leather industry there. [See also Sam Setters comment on page 3]

Syed Masud Nizam, general manager of tanning and footwear group Apex, said: "We know this is something that has appeared in lots of headlines recently, but the move must happen and will go ahead before the end of this year."

He said it was just one example of infrastructure improvement in Bangladesh. "Lots of things are happening now," he said. "People are taking the initiative."

Bangladesh's Export Promotion Bureau reported export revenues for the country's leather industry of \$560.9 million in the first six months of the financial year (July-December 2015), a drop of 2% compared with the same period a year earlier. Finished leather exports brought in \$132 million, leathergoods \$176.8 million and leather footwear \$252 million.

This represents a decline of 37.5% in export revenues from finished leather, but the corresponding figure for leathergoods is an increase of just over 60%, while the figure for leather footwear is flat compared with the previous financial year.

For financial year 2015-2016, the Bangladeshi government has set the industry a target for export revenues of \$1.4 billion. ☺



From left to right at Mega Leather: Gulzar Firoz, chairman, PTA; Federal Commerce Minister Khurram Dastgir Khan; SM Muneer, CEO/TDAP; and M Rauf Alam, president of Federation of Pakistan Chamber of Commerce & Industry sitting on dais at the inauguration.

Pakistan: PTA pleased by second Lahore Mega Leather event

The Pakistan Tanners' Association (PTA) has said it was pleased with the second Pakistan Mega Leather Show in Lahore went at the end of January, with all stakeholders in the country's leather sector taking part in the organisation of the event.

A PTA statement after the event highlighted improving the image of Pakistan to the world's business community and motivating entrepreneurs in the leather industry to grow their businesses and enhancing the confidence in Pakistan of external investors as the main objectives. ☺

Pakistan's leather sector looks to India to counter export slides

During the second Pakistan Mega Leather Show, in Lahore in January, the government announced it would set up a Leather Export Promotion Council following a study of how the one in India works.

The European Union will also coordinate a training programme this year called the Pakistan Leather Competitiveness Improvement Programme with training providers travelling from Germany to provide finished product manufacturers with technical knowledge and skills that could help them improve their international market access.

Pakistan's leather sector exports for the first six months of the current calendar year (July-December 2015) show a decline of more than 20% year on year. The figure for the same period in 2015 was \$505.7 million compared with more than \$635 million during the first half of 2014.

Tanners exported eight million square-metres of finished leather with a total value of almost \$185 million. The comparative figures for the same period last year were 11.8 million square-metres in volume and just under \$250 million in value, which represents declines of 32.2% and 26% respectively. ☺

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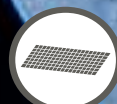
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Vietnam: Trade deals could boost Vietnam's footwear industry by 20%

Vietnam's footwear industry is targeting a 20% growth in exports this year, due to a number of new Free Trade Agreements including the Trans-Pacific Partnership (TPP).

Exports of footwear and handbags grew 16% in 2015 to \$15 billion, with \$12 billion from footwear and \$3 billion from handbags.

"To take advantage of those agreements, the local leather and footwear industry should prepare material at home to join preferential tariffs when exporting to the US, the European Union and some other markets," said Deputy Minister of Industry and Trade Ho Thi Kim Thoa at a meeting with Viet Nam Leather and Footwear Association (Lefaso).

Of the countries included in the deal – Australia, Brunei Darussalam, Japan, Canada, Chile, the US, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam – it is the China-Vietnam-US shift that will affect footwear the most. Wages are around 40% cheaper in Vietnam than China and investment is flooding in. Although the deal was provisionally agreed at the end of 2015, all member states still have to ratify the deal through their own governments before it will come into effect.

Vietnam has been preparing for the deal since negotiations began in 2008. Investment has been pouring in from Taiwanese, Thai and Chinese corporations, building footwear factories in anticipation of the benefits and taking advantage of 'push factors' such as rising wages and skills shortages in China. Wolverine announced

last year that while 75% of the company's supplies come from China, it will cut this to a third by 2020 and leave the rest to Vietnam, which currently supplies 15%. Taiwanese group Ever Rite, a supplier to Payless and Zara, launched production Vietnam in 2013 and now runs 60 assembly lines there.

However, while many brands have been sourcing from there for decades, questions have been raised over whether Vietnam has the infrastructure and supply chains to cope with much larger volumes of product. There have also been some issues with strikes over wages, although not as many as in neighbouring Cambodia, and the minimum wage was raised 15% to around \$145 from January 2015, which some manufacturers associations worried could deter brands.

Increases for leather

Figures published from the US government reveal Vietnam expanded its share of the US import market by 21.9% in 2015 to \$4.3 billion in total value at border. China remains the largest supplier to US consumers, but the country saw its annual share slide again to just 66%, a 15-year low.

For apparel sourcing, a major sticking point in the TPP negotiations was the 'rules of origin' – namely, how much of the garment had to originate in Vietnam for it to qualify: do the yarn and the textile have to be made there, or can the material be imported, and the garment just cut and sewn? For footwear, there was a similar debate. The conclusion was that it depends under which part of the agreement the component falls. For example, rolls of leather will be able to be brought into Vietnam, as they are not classified in Chapter 64 of the footwear tariff chapter of the Harmonised Tariff Schedule. However, many footwear components such as heels

do fall under this category and will have to originate from Vietnam.

Matt Priest, president of the Footwear Distributors and Retailers of America, said: "There is a lot of fully integrated footwear production, from the material level on, there is everything you need. So you may need to bring in rolls of leather, or PU or zips, but once you get it in you will be able to ship the shoes duty free. The rules are pretty flexible in terms of opportunities."

This will help leather shoe manufacturers. Vietnam's leather supply chain is not as robust as China's, as there are fewer tanneries. Observers have suggested the country will need 45% more leather between now and 2020. This opens opportunities for other countries to supply the material; India's Council for Leather Exports is targeting a 20% increase in its exports to Vietnam and Brazilian tanneries have been courting manufacturers in the country.

Vietnam is also set to benefit from the ASEAN Economic Community (AEC). This deal will offer duty-free access to Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos and Myanmar. Vietnam achieved shoe sales of \$1.8 billion in ASEAN partner states in 2014, making the prospects for growth under the AEC strong.

Additionally, the European Union and Vietnam last summer agreed in principle to a free trade agreement, which will remove nearly all tariffs on traded goods. The deal, which took more than two years to negotiate, is expected to conclude in late 2017 or early 2018, with some tariffs eliminated gradually over a 10-year period.

Vietnam's leather and footwear association, Lefaso, estimates that the 600,000 footwear workers will increase to around one million once these deals are ratified. ☺