



Part of Xingye's range of finished leather. The China Leather Industry Association has said that, although the number of leather manufacturers has decreased in China, the total volume of leather the industry is producing has remained constant. CREDIT: XINGYE LEATHER

Country Commentary

China's role as a producer of leather

Sales in China of leather, footwear and leathergoods increased by 6.6% in the first six months of 2017 compared to the same period last year. Total sales revenues for all large-scale companies in the sector reached \$103.5 billion, according to the China Leather Industry Association (CLIA). Exports increased in value by 8.2% year on year, reaching \$38.4 billion.

Major footwear manufacturers across China produced a total of almost 2.3 billion pairs of leather shoes over the six-month period, a 3.2% increase on the corresponding figure for the same period in 2016. Exports of shoes of all kinds reached almost 5 billion pairs and had a value of \$22.5 billion.

Turning to leather production, CLIA now counts 'about 600' medium- and large-sized tanneries in China following a number of years of consolidation. Together, they produced 350 million square-metres of finished leather in the first six months of this year, flat compared to the same period in 2016. In November 2011, CLIA said there were 1,800 tanneries operating across the country. In September 2015, it said this figure had fallen to around 1,000. The figure it gives now indicates another fall and an obvious question to ask is if this progression is likely to continue.

With two Chinese tanneries taking part in the sixth programme of Tannery of the Year, we will keep up the tradition of aligning our country commentaries with the tannery reports by dividing the China country commentary into two parts. In this first part, we examine the country's current status as a manufacturer of leather and leather products. We will follow up in the December-January issue with part two of the country commentary, looking at China as a consumer of leather and finished products that contain leather.



The effluent treatment plant at the Tongtianxing tannery in Zhejiang province. Environmental requirements are probably the main reason why the number of tanneries operating in China has dropped from 1,800 in 2011 to 600 now. CREDIT: TTX

Small falls away

"Well, the figure we have given for the current situation is certainly correct," honorary chairman, Su Chaoying, says, "because it comes from official national statistics. But I personally think that, in the near term, the number could stay steady now. This refers to medium- and large-sized tanneries. We do still have some small tanneries but for small operators it's very difficult now. It's difficult even to know how many small tanners survive. It also seems clear that some of their production is going to be absorbed by the 600 medium or large operators."

The challenge is mainly an environmental one. CLIA insists that its member companies are now producing leather in a cleaner way. The industry body's secretary general, Chen Zhanguang, and Su Chaoying have spent time reflecting on how the sector has managed to achieve these improvements. "The Chinese government wanted this to happen," Mr Su says, "and the government has very strong power to control the pollution situation."

He makes it clear, however, that there has been much more to this than the central government in Beijing simply handing out demands. "It is sending in independent groups to monitor the situation," he explains, "and it has also involved the CLIA in this effort. We have set up a special working team devoted to this environmental task. We have been assisting the government in implementing new requirements and in monitoring the response of each of the tanning regions. There is no resistance. The tanners accept that this is the only way now if they want to survive."

Attraction of automotive

Current secretary general, Mr Chen, agrees about this and talks of a change in the mentality of China's tanners with regard to the environment. There is a chance of growth for those who have embraced the new environmental demands; it comes in the shape of automotive leather production, into which a number of Chinese tanners have recently moved (or would like to). "This is a new, growing part of the leather industry here," Mr Su confirms, but he warns that it may not be a move every company can make successfully. "The customers are demanding and the regulations are very strict," he says. Chen Zhanguang confirms that the growth is happening. He says that five years ago, perhaps 5% of all the leather produced in China was going into automotive. The figure he puts on this today is 10%, and major international automotive leather producers have entered the market.

Good ideas for the tanning sector's future have come from the industry itself, Mr Chen says, supported by impressive work from the five universities and institutes across China that teach leather science and support research into advances in manufacturing leather. The diversity, geographical spread and strength of these education and research facilities gives China a scientific advantage over everyone else in the global leather industry. No other country is producing new-generation leather technicians and technologists at remotely the same rate.

Mr Su explains that industry figures in Ethiopia and other parts of Africa have formally requested help from China; they want representatives of institutions such as the universities of Sichuan,



Xi'an, Qiqihar or Jinan to travel to Africa to share knowledge and teach. Two years ago, students from Africa arrived in China to study leather science. "Language is a bit of a barrier, though," Mr Su reflects. He would like there to be greater Chinese participation at international events such as the IULTCS Congress and he insists that finding high-quality presentations to put forward would be easy. Finding presenters with the confidence to speak to an international audience in English is the difficulty. His hope is that the new generation of young, confident, outward-looking leather professionals will be able to overcome this hurdle.

Belt and Road Initiative

For some years, we have witnessed a rise in production costs in China, particularly in the major cities and industrial zones on the east and south coasts. As a result the government has been pushing for manufacturers to set up new factories in the country's interior, allowing companies to keep costs down while spreading wealth and creating jobs in other regions.

Now the government is interested in going further. The chairman of the China Leather Industry Association (CLIA), Li Yuzhong, has said the country's international economic development strategy, the Belt and Road Initiative, will provide opportunities for Chinese leather-sector companies to make product outside China's borders. It's an ambitious strategy, broadly involving large volumes of Chinese investment in infrastructure projects in the countries around its borders (the 'belt' part of it) and along the ancient trading routes that link the Far East, central Asia, the Middle East and Europe that we call the Silk Road. With better infrastructure, the feasibility of producing leather or leather products in Mongolia, Kazakhstan, Kyrgyzstan, Uzbekistan and so on, will increase.

A parallel point, which may be an inaccurate impression, is that

China may harbour hopes that Belt and Road will succeed where the proposed Trans-Pacific Partnership (TPP) failed. It took years for the 12 TPP partner countries to come to an agreement on how a new series of free trade agreements among them would work. They signed a preliminary agreement at the start of 2016, only for the new president of one of the 12, Donald Trump, to cancel everything at the start of 2017. The countries involved were Australia, Brunei Darussalam, Japan, Canada, Chile, the US, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. China's exclusion was a sore point. Whether this is part of the motivation or not, it's undeniable that there has been a new level of enthusiasm for Belt and Road in the messages coming from China to the international business community in 2017.

Without descending into schadenfreude, Mr Li limits himself to saying he hopes the leather industry in China can implement "a new dynamic" in keeping with wider changes in the country's economy as it moves from being export-led to being driven, principally, by domestic consumption.

While there are, as yet, no details to share of specific leather and footwear projects, the industry body's secretary general, Chen Zhianguang, insists his member companies are already making investments in some of the external locations with which Belt and Road will enable China to develop stronger supply chain links. They are being attracted by the availability of space, of raw materials and of workers, Mr Chen says, and he adds: "They want to see what the possibilities are."

It's the view of Su Chaoying, honorary chairman of CLIA, that China's tanners and manufacturers of shoes and other finished products are "very realistic". He explains: "For them to find out what conditions are like in these markets is the correct thing for them to do. That's where we are, at an initial stage and the levels of investment we have seen so far reflect that." 🌐