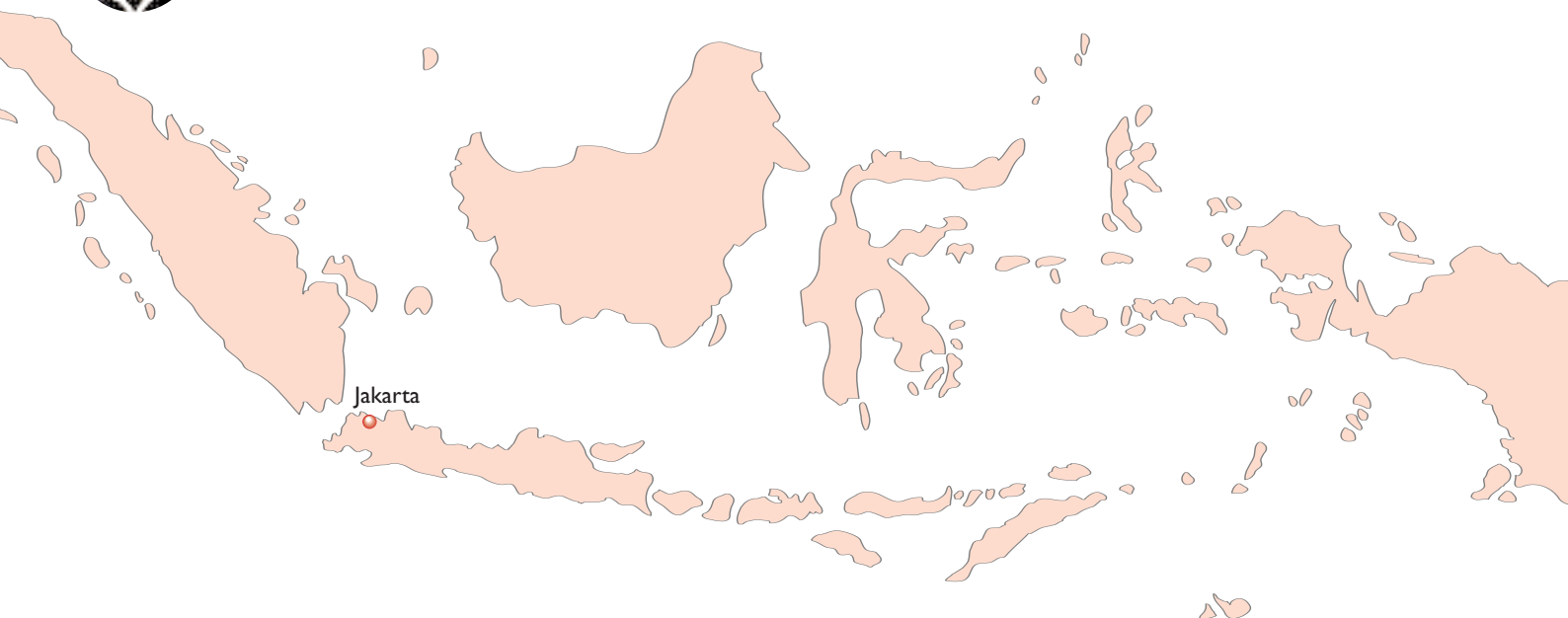
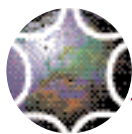




A far cry from the hey-days of the late 1990s

There is still a long way to go for the Indonesian tanning Industry to regain the stature it enjoyed pre the Asian crisis of the late 1990s. In 1996-1997 the leather industry contributed \$2.4 billion to the country's export-based activities, making it the third-largest earner in export terms. By 2003, this figure was languishing by comparison, at \$1.6 billion. From the standpoint of the economy, one clear picture emerges—that Indonesia has nevertheless shown both stability as well as moderate growth for the past few years and most forecasts suggest more of the same.

Too little investment

The picture of a relatively stable economy is combined with low investment for several years. Failure to invest in new plants, to buy new equipment and to maintain existing facilities means that the industry is limiting its ability to grow in the future. A lack of investment today stunts growth possibilities tomorrow.

Sensibly, it would not take too much for many firms to increase their capital spending, indeed the point has probably been reached when many businesses are likely to need to spend something just to keep their production facilities going.

There are, of course, a number of obstacles being faced by the industry such as the strict regulations controlling the importing of raw material, especially for

the glove industry. Tanners are also facing up to the fact that it is cheaper for leather manufacturers to import their finished leather requirements from abroad, rather than support local tanners and pay higher prices. And tanners are also facing increased costs in wages, fuel and energy.

The industry is not helped by the wide geographical spread of the tanneries, which has made it difficult and expensive to meet environmental demands and national legislation which is considered quite strict. The tanners association in Yogyakarta has organised a relocation to the Sitimulyo Piyungan sub district but so far only two tanneries have moved to the new area and the rest are still reluctant to move. According to Yogyakarta officials, the leather sector earned some \$8.7 million in exports in 2003, making it the leading earner. It is also seen as very important as it employs some 25,000 people (not including those employed in small scale leather product manufacture), a serious factor when the country's unemployment figure is an unsettling 9.5%—a percentage that has been increasing for the past few years. In 1997 it was down at 4.7%. The current unemployment level affects some 9.5 million people.

With tanneries spread out across Java island in the cities of Bandung, Cianjur, Bogor, Jakarta, Semarang, Solo, Surabaya and Malang, it has been well-nigh

impossible to consider the building of a common effluent treatment plant. Yet environmental concerns are becoming a serious issue according to recent reports. One tannery in Yogyakarta was recently caught red-handed by local police as it disposed of its solid waste sludge and shavings at a small village. It appears that this is common practice among many tanneries, according to the Association of Indonesian Leather Tanners (APKI). According to the APKI, Yogyakarta has only one sewage-treatment facility at present, in Sitimulyo, to where it would like to see others tanners. The only waste-treatment facility in the country for noxious materials was established in 1994 in Cileungsi, West Java, but it is certainly not big enough to cope with the country's tannery waste.

Waiting for the government

For the moment it seems that the industry is going to rely on the government to provide a proper infrastructure for it, as it is aware of its significant contribution to the country's export-based revenue and its importance in providing employment, throughout the leather production chain, at a time of high unemployment.

Currently, there are some 47 medium and large tanneries across the country with a total production of 72.5 million feet per year, as against 112 tanneries with a total annual output of 210 million feet in 1998. ●