

Special Presentation

The Development of Leather Industry Requires Support of Scientists and Technologists

Zhang Shuhua

President

China Leather Industry Association

Distinguished guests, delegates, ladies and gentlemen:

Good morning!

First of all, please allow me, on behalf of all the colleagues from China's leather industry, to express once again our most cordial welcome to the invited guests and friends from home and abroad. At present, while facing the international financial crisis actively, we are witnessing the grand opening of the 30th IULTCS Congress in Beijing, China. We have the honor to call this Congress "Olympic Games for Leather Technologies". Therefore, let us bear in mind the Olympic spirits, successfully run this congress and work together to help global leather industry bottom out and welcome a more brilliant future!

Today, I would like to talk about three issues: first, present situation of China's leather industry; second, forecasts for China's leather industry; third, expectations for contemporary scientific workers from the development of world leather industry.

I. Present situation of China's leather industry.

1. The rapid development of China's leather industry in the last three decades could not have been possible without the support and cooperation from peers around the world.

China's leather industry covers such main industries as tanning, shoemaking, leather garments, leather goods, fur and its products, as well as supporting industries such as leather chemicals, leather hardware, leather machinery, accessories, etc.. The industry has the features of complete industrial chains, high association between upstream and downstream industries, and reliance on market pull; it is also characterized by regular product updates, and integration of earning foreign exchange, enriching people, and creating employment.

China's leather industry is one that can absorb a large amount of labor force and enrich people. The number of people directly employed by enterprises above a certain scale in the main industry has attained more than 5 million. Employees of the whole industry, including supporting industries, have reached over 11 million, which have made a great contribution to the promotion of urban and rural employment, and to building a harmonious society.

According to preliminary statistics, China has more than 20,000 enterprises engaged in the production of leather, fur and their products, among which there are more than 7,000 enterprises above a certain scale (state-owned enterprises and non-state-owned enterprises with annual sales revenue of over 5 million yuan). In 2008, the industrial output value is of 561.15 billion yuan, total import and export volume is of 47.98 billion U.S. dollars, in which 42.53 billion U.S. dollars

were earned by exports.

Leather industry clusters with different characteristics are the backbone for this industry; 17 key industry clusters contribute more than half of the total output value of China's leather industry. These clusters mainly include:

Shoemaking industry clusters (seven clusters) :

China Shoes (Leather Shoes) Capital --- Zhejiang•Wenzhou,

China Shoes (Sports Shoes) Capital --- Fujian •Jinjiang,

China Women's Shoes Capital --- Sichuan•Chengdu•Wuhou,

China Western Shoes Capital --- Chongqing•Bishan,

China Women's Shoe Production Base --- Guangdong•Huidong, Shoe Industry Base for Energy Saving, Emission Reduction and Industrial Upgrading --- China Famous City for Shoe Industry ---Zhejiang•Wenling,

Industrial Upgrading --- China Men's Shoes Production Base ---Guangdong•Heshan.

Leather and leather garments industry clusters(two clusters):

China Leather Capital --- Zhejiang•Haining,

China Leather and Leather Garments Capital --- Hebei•Xinji.

Luggage and leather goods industry clusters(three clusters):

China Leather Goods Capital --- Guangzhou•Huadu•Shiling,

China Luggage Capital --- hebei•Baigou,

Industrial Upgrading --- China Travel Bags Capital---Zhejiang• Pinghu.

Fur garments industry clusters(five clusters):

China's Famous Fur Town --- Zhejiang•Tongxiang•Chongfu,

China Fur Capital ---Hebei•Suning,

Environmental-friendly Fur Base --- China Fur Capital --- Henan•Mengzhou•Sangpo,

China Demonstration Base for the Scientific Development of Fur Products---Hebei•Zaoqiang,

China Leather and Fur Garments Industrial Base---Liaoning•Tongerbu.

With the assist of "Genuine Leather Mark", China's leather industry has built an own brand group. Up to now, 525 brands of products made by 489 enterprises have been entitled to qualifications for genuine leather logo (including ecological leather). These enterprises occupied a large part of domestic market. According to statistics, production of footwear enterprises with genuine leather logo enjoys a domestic market share of 20%; production of leather garments enterprises with genuine leather logo enjoys a market share of 18% of the total output of leather and synthetic leather garment enterprises; production of tanning enterprises with genuine leather logo enjoys a market share of 12.5% of the total output among all tanning enterprises.

Currently, the whole leather industry of China annually produces more than 10 billion pairs of shoes, accounting for more than 50% of world output; annual production capacity of light leather attains approximately 640 million square meters, accounting for more than 20% of world output; the output volumes of leather garments, fur garments, luggage and bags, all rank No.1 in the world. China has become the world-renowned biggest producer of leather.

Moreover, China is also a big trading country for leather products. According to data released by the United Nations website, in 2007, China's total import and export volume of footwear amounted to 24.6 billion U.S. dollars, accounting for 18% of the world's total footwear trade, and ranking No. 1; total import and export volume of leather garments amounted to 1.3 billion U.S. dollars, accounting for 18% of the world's total leather garments trade, and ranking No. 1; total import and export volume of luggage and bags attained 11.2 billion U.S. dollars, accounting for 17% of world's total luggage and bags trade, and ranking No. 1.

Over the past three decades, China's leather industry has witnessed substantial development. Besides its own advantages, more importantly, China seized the opportunity of world leather industry transfer during the 1970's and 1980's, and obtained primitive accumulation in the initial stages of development. Strong international market demand has fed China's rapid development of leather industry, which was the opportunity given to China by the world. During the past three decades, in the process of its entry into the world, China's leather industry understood and learned international trade rules, absorbed the advanced management and technological achievements, and primarily established international cooperative trade network. Annually increasing foreign-funded and joint-venture enterprises not only served as our mentor, but also contributed to China's exports. According to statistics, annual export volume by foreign-funded and joint-venture enterprises accounts for about 40% of China total exports in recent years. In short, the rapid development of China's leather industry in the last three decades could not have been possible without the support and cooperation from peers around the world.

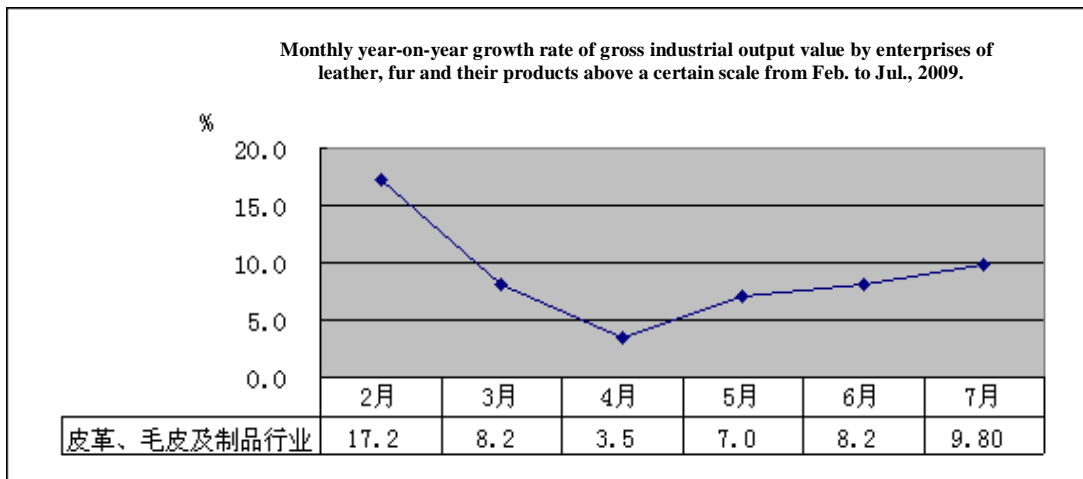
2. China's leather industry started the journey of recovery from January to July of 2009.

From January to July 2009, the production, import and export of China's leather industry all showed signs of recovery. Among those months, the speed of growth for gross industrial output value of certain scale companies for leather, fur and products continued to increase for three months, after acceleration in May. The decline of outputs for leather shoes continued to narrow for two months. The decline of natural leather luggage and bags production slowed down compared to the same period last year and decrease of exports slowed down for two consecutive months.

As there are many uncertain factors on whether global economy can recover by the end of this year, the decline trends for exports of China's leather, fur and their products are difficult to be radically changed, and the downward pressure remains high.

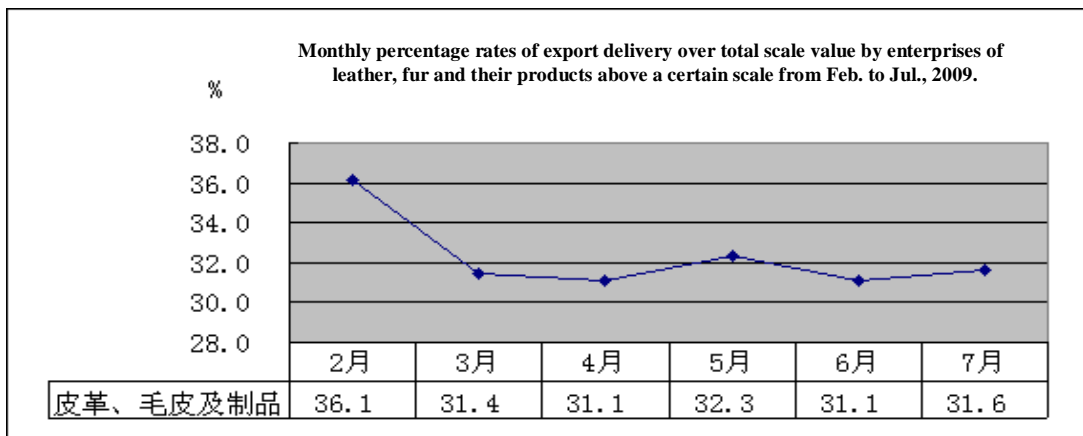
(1) The growth of gross industrial output value, in each month during the first half of the year, generally had slow down. However, after April, the growth had continuously rebounded; cumulative growth rate continued to drop substantially, compared to last year.

From January to July 2009, gross industrial output value of China's leather enterprises, which are above a certain scale of production for leather, fur and their products, achieved 318.8 billion yuan with an increase of 7.8% year on year, but a decrease of 13 percentage points in growth rate compared to last year.



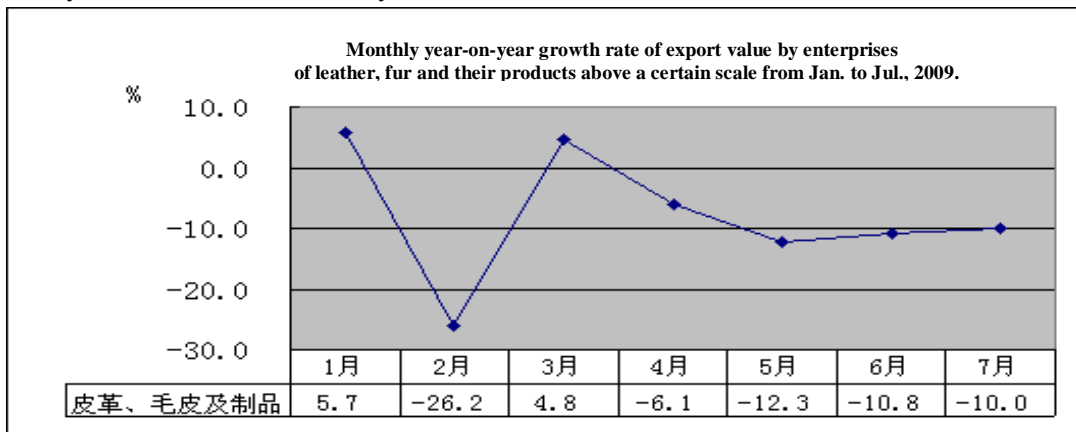
(2) The export delivery values in each month during Jan. to Jul. 2009 showed the trend of oscillating decline, accounting for less than a quarter of total sales value.

From January to July 2009, export delivery value by enterprises of leather, fur and their products accounted for 32.9% of sales value, decreasing by 4.9 percentage points compared to the same period last year.



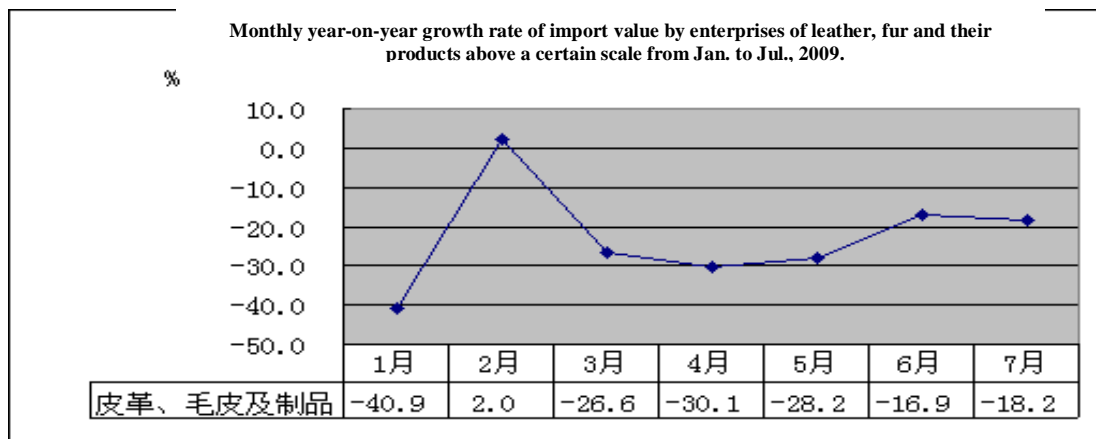
(3) From Jan. to Jul. 2009, exports of each month showed an overall downward trend, but the rate of decrease slowed down in June.

From January to July 2009, exports of leather, fur and their products were 22.11 billion U.S. dollars, decreasing by 7.5% compared to the same period last year, while during the same period last year, the value increased by 7.6%.



(4) From Jan. to Jul. 2009, imports fell each month compared to the same period last year, but after April the rate of decrease continued to slow down.

From January to July 2009, imports of leather, fur and their products were 2.49 billion U.S. dollars, decreasing by 23.7% compared to the same period last year, while during the same period last year, the value increased by 2.2%.



(5) According to market situation, since May, enterprises one after another have reported an increase of orders; the labor force scarcity in cluster areas of leather production have emerged; electrical consumption by industries exhibited a significant increase; and a growth trend of supply and demand was witnessed during China International Leather Exhibition (Shanghai) in early September.

3. Main reasons for prospective recovery of China's leather industry

(1) Since China has taken proper and timely policy measures, the real economy has suffered relatively slight impacts from the global financial crisis, and therefore, enterprises and consumers still hold much confidence.

(2) The government has adopted a series of policy measures to support industries, including the leather industry, and promoted the early recover of the industry.

In order to maintain steady and rapid growth of China's economy, the government has adhered to proactive fiscal policy and appropriately loose monetary policy, and has implemented the package plan to deal with international financial crisis, which mainly consisted of investment incentive programs of 4 trillion yuan, and adjustment plans for revitalization of the 10 industries including light industry. Recently, executive meetings of the State Council also proposed six measures to ease financing difficulties among small and medium sized enterprises, to increase fiscal and taxation support for them, and to speed up technological progress and structural adjustment to promote their development.

In addition, specific policies for leather industry are as follows:

--- *“New Requirements with Regard to Imports of Raw Hides and Semi-Finished Leather for Processing Trade”* (issued and implemented by the Ministry of Commerce, the Environmental Protection Department, and General Administration of Customs, [2009] No. 8, March 2, 2009.)

--- *“Notice with Regard to Further Raise of Export Tax Rebate Rate of Some Goods”* (issued and implemented on June 3, 2009, Fiscal and Taxation [2009] No. 88.)

(3) Economies of the world, Asia and China have generally bottomed out, showing a increasing trend of demand.

II. The next two to three decades are still a very favorable period for the development of China's leather industry.

At present, it is an objective reality that the industry faces many difficulties. 2009 is the most difficult year for the industry, and it also depends on the development trend of overall world economic situation in 2010. In short, the industry must face up against a difficult period in the next two or three years. However, according to analysis of domestic and international senior experts, the next two to three decades are still a very favorable period for the development of China's leather industry. In the long run, the goal of turning China from a big country of leather industry into a powerful country will be realized.

In today's world, China has a number of advantages for development of leather industry: rich resources of raw hides and skins, a perfect industrial chain, a large processing capacity, world's medium level of the processing technology and product quality, a big market with the great potential of 1.3 billion people, political and social stability, and so on. These advantages are very difficult to achieve by other countries and regions in the next two or three decades.

China's leather industry still needs to further strengthen international exchanges and cooperation in its future development process, and we hope to share with peers in the world the fruits of sustainable development and prosperity of China's leather industry.

III. Expectations for contemporary scientific workers from the development of world leather industry

We only have one earth and need to leave a beautiful environment for future generations; this is the common aspiration of all peoples on earth. Thus, industrial development cannot be achieved at the expense of sacrificing environment. This is not only the primary principle necessarily followed by any industry that strives for survival and development, but also is our social responsibility.

At present, the United Nations and countries around the world have taken active measures in response to the problem to guide the development of resource-saving and environmental-friendly industries, and to promote taking the path of sustainable development of recycle economy. China's "11th Five-Year Plan" proposed: unit energy consumption of GDP should be reduced by around 20% by 2010; and the total discharge volume of major pollutants should be decreased by 10% by 2010. These are two obligatory targets. The 11th Five-Year Development Plan for China's Leather Industry has also made the same requests.

Therefore, during new historical period, the new problems and challenges, faced by leather industries in China and around the world, are also sacred responsibilities and obligations for leather scientific workers nationwide and worldwide. The world leather industry expects to use the intelligence and wisdom of leather scientific workers, to solve the technical problems of its sustainable development. It is also a rare opportunity, as a huge market of leather industry will give scientific workers more space to promote scientific research results.

Here, I propose the following initiatives in two aspects:

First, more resource-saving and environmental-friendly products should be researched to lead the world leather industry into sustainable development.

1. New high-quality and environmental-friendly leather chemicals should be introduced, to ensure that they do not produce an excessive amount of "sensitive materials" in the process of application, and to give users a clear commitment.

2. Cleaning techniques should be transferred from concepts and scientific researches into large-scale industrial production as soon as possible; standardized and easy-to-promote cleaning technologies should be studied.

3. Technologies and equipments for tannery waste water treatment, which are of low cost and easy to operate, should be researched and promoted.

4. Comprehensive utilization of leather industry should be studied, in order to help leather industry take the path of recycle economy.

Second, we must dispel doubts and concerns of consumers by scientific attitude, and create a fair competitive environment for world leather industry.

With the global raise of awareness for environment and intensifying trade competition, since the 1980's, there has been a tendency of public opinions towards blind pursuit of environmental quality indicators which are higher than environmental needs in China and around the world. This tendency of public opinions is like a "double-edged sword": on the one hand, it promotes people to pay more attention to harmonious development with environment in industrial production and social activities; on the other hand, the pursuit of environmental quality beyond needs of environment has given rise to part of the unnecessary high cost in industrial production, and affected its development to a certain extent.

The pursuit of excessive environmental quality is due to consumers' honest appeal for high-quality and environmental-friendly products. As a consumer, it is impossible, even for every one of us here, to have a scientific understanding of chemical properties of materials in each product. Therefore, most people will pale when talking about chrome, because talking about "chrome" leads the chain reaction that leads people to think about "cancer". This honest appeal by consumers is expressed by demands for products which is "non-chrome", "formaldehyde-free", or "non-", while the response from the market is that, some big buyers set down demanding requirements in excess of environmental standards for products, in order to make their products safer and cater to consumers' psychology. Those excessive scientific requirements sometimes can become important weights for market competition. In addition, this tendency is gradually upgraded to a new form of trade protection measure in trade competition.

For practitioners in the leather chemical industry, a very important task is to figure out how to deal with this reality. For scientific workers, a scientific attitude must be adopted to proactively solve concerns and doubts of consumers, and create a fair competitive environment for leather industry.

To proactively solve concerns and doubts of consumers, and create a fair competitive environment for leather industry, is a very weighty task, but it is also an important platform for scientific workers on which "heroes present their power". All in all, the development of leather industry needs support of scientists and technologists.

Thank you!