



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 12/12/2007

GAIN Report Number: CH7623

China, Peoples Republic of

Market Development Reports

China, where American hides get shine

2007

Approved by:

Joani Dong

U.S. Agricultural Trade Office Guangzhou

Prepared by:

Vivian Xian

Report Highlights:

Fueled by a robust economy, growing middle class and status as the world's largest manufacturer of leather products, it's no wonder Chinese demand for U.S. hides in 2006 resulted in exports of \$1.05 billion, roughly half of U.S. foreign sales and, in fact, the third largest U.S. export category to China after soybeans and cotton. Chinese tanneries and manufacturers appreciate the thickness and high quality grains, not to mention consistent supply of U.S. hides. While continued sales growth depends on the health of the global as well as Chinese economy, increasing environmental concerns, rising labor costs, strengthening yuan and less favorable VAT policies are pressing challenges.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Guangzhou ATO [CH3]
[CH]

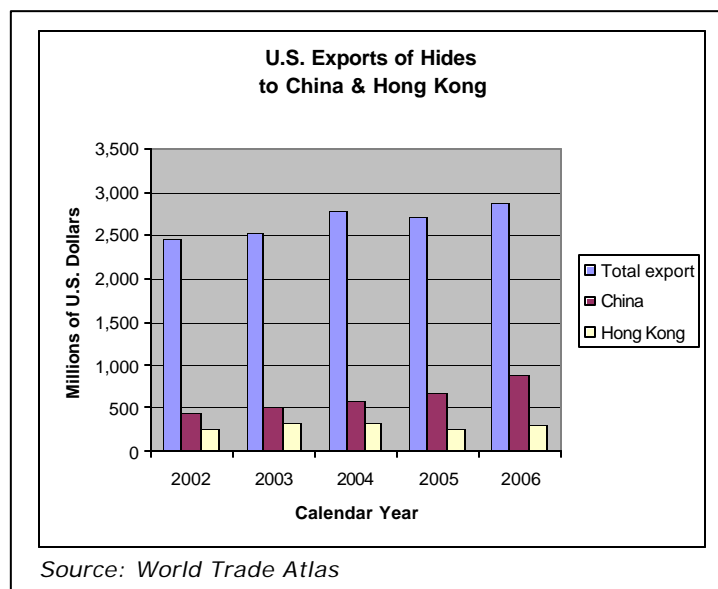
Table of Contents

| | | |
|-------|--|----|
| I. | What drives China’s leather market | 3 |
| II. | The tanning process – how raw hides become finished leather | 4 |
| III. | Evolution of the Chinese industry and where leather goods are produced | 5 |
| IV. | The Chinese leather industry faces many challenges | 6 |
| V. | How U.S. hides make their way to China | 8 |
| VI. | There are two U.S. industry associations | 9 |
| VII. | U.S. hides have advantages, yet face challenges..... | 10 |
| VIII. | Post Contact Information..... | 11 |
| IX. | A p p e n d i x | 13 |
| | Table 1: U.S. Hides Export Top 10 Markets | 13 |
| | Table 2: China Hides and Skins - Direct Import Top 10 Origins | 13 |
| | Table 3: Hong Kong Hides and Skins - Direct Import Top 10 Origins | 14 |
| | Table 4: Major Chinese Ports for Imported U.S. Hides..... | 14 |
| | Table 5: China Leather Products - Export Top 10 Markets | 15 |
| | Table 6: Hong Kong Leather Products - Export Top 10 Markets | 15 |
| | Table 7: U.S. Leather Products - Import Top 10 Origins | 16 |
| | Table 8: China’s Major Leather Product Manufacturing Leather Areas | 16 |

I. What drives China's leather market

China needs hides in a big way, and the US is its biggest supplier

U.S. hides command a premium in China. Typically, the term "hides" apply to bovine animals, such as steers and heifers while "skins" apply to smaller animals such as pig and sheep. Hides comprise just about all of the U.S. "hides and skins" category. Buyers value American hides because 85 percent of U.S. production are steers or heifers that have both the best looking grains as well as thickness (with the exception of South Germany which has limited production). Since well-cared-for American cattle feed on corn and wheat; grow faster; and utilize feed lots rather than graze, there is less room for scratches and bruises.



Chinese demand is growing for this American export worth more than US \$1 billion in 2006 and valued half of total exports of U.S. hides. U.S. hides is the third largest export category to China after soybeans and cotton. Driving this trend is strong demand for high end luxury leather products, such as leather bags, jackets, shoes, gloves and wallets for export and by local consumers.

Today, China is recognized as the largest leather products manufacturer in the world. With a robust local economy and a growing middle-class demand for quality leather, products are on the rise, and industry leaders expect this to continue.

China produces more than half of the world's shoes. It also leads in the production of various leather garments and fashion accessories. While local leather production is significant in its own right, China still needs to import up to half of its raw hide and skin needs to meet industry's demands.



Local supply is considered low quality mainly due to poor animal husbandry practices and damaging slaughtering techniques. That is why China needs to import high grade raw hides and skins from overseas producers to satisfy the leather industry's demand for high grade leather for export oriented products.

Official statistics show that China directly imported US\$5.6 billion worth of hides and skins in 2006. However, according to an industry source, China imported a total US\$8.6 billion worth of raw hides and skins and wet blue skins from all sources last year. Raw hides and skins made up the bulk of these imports, and they're processed locally for manufacture of

leather products to supply local and overseas markets. In 2006, China directly exported US\$12.4 billion worth of leather products. Local industry preferences in ascending order include bull, cow, sheep and pig. In 2006, the local leather industry processed more than 7.5 billion sq. ft (700 million sq. meters). Bull and cow hides accounted for roughly half of total demand while pig skins (25 percent) and sheep (20 percent) accounted for the rest.

The U.S. is the largest raw hide exporter to China with an estimated trade value of US \$1.1 billion. Meanwhile, it imported US\$6.8 billion worth of leather products from China. Other exporters to China include Brazil, Australia, Italy, South Korea, Argentina, India, Thailand and Canada.

Southern Chinese ports account for one-third of these imports while other major Chinese ports for imported hides include Qingdao, Shanghai, Hangzhou, Nanjing, Tianjin and Dalian.

II. The tanning process – how raw hides become finished leather

“Tanning” refers to the process of transforming hides into a different kind of material called leather. Basically, flesh, fat, moisture and bacteria are removed that cause decay, thereby turning the hide into leather. Specifically, the process is: (1) prepare to tan (cure and clean); (2) tan and (3) finish. “Tanning” can also refer to step two in the process when collagen fibers in the hide react with tanning agents to make hides more durable and flexible.

To prepare for tanning, raw hides for use in the US can be iced and sent to a tannery if put into tanning drums within 24 hours or so. However, hides bound for overseas have to use a brine salt process to preserve them for storage and transport since hides, like meat, are otherwise perishable. According to an industry contact, about 85 percent of U.S. production goes from the kill floor into a brine filled raceway that has a 96 percent saline content. Such a concentrated salt solution ensures protein destroying organisms can't function. This takes about 12-18 hours to “cure” (salt) the hides. Then they are graded, selected, stored and shipped for export to China where hides are subjected to “beam house operations” (soaked, limed, unhaired, scudded, fleshed, delimed and pickled); tanned (usually via mineral tanning using chromium) and finished according to the final leather product in mind (e.g., conditioned, dyed, split, embossed, shaved, buffed or sprayed).

According to a trade contact, perhaps 10 percent of total U.S. hides exported to China is “wet blue” which is considered semi-processed. That means the hide has undergone beamhouse operations (described above) at an American packing house. They are tanned in large rotating drums during which hides react with chromium sulphate. This makes them look wet and blue, hence the name “wet blue.” Hides are then passed through rollers to remove excess tanning liquor before packing for export to China where wet blues are finished.



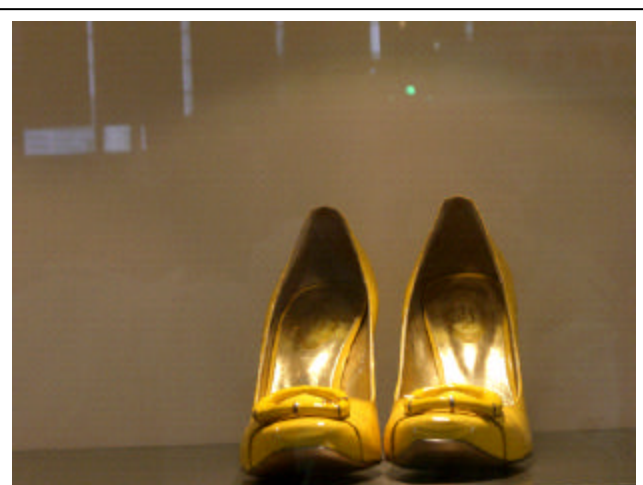
III. Evolution of the Chinese industry and where leather goods are produced

South Korea and Taiwan were first to develop their leather industries in Asia. However, increasing concerns for the natural environment and higher labor costs drove manufacturers to relocate their operations on the mainland where leading producers entered some 20 years ago. South Korean companies concentrated their factories in north and northeast China while Taiwanese and Hong Kong investors predominate in the South and Eastern provinces.

According to the *China Leather Industry Association*, the country housed 2,900 leather manufacturers and produced 7.5 billion square feet (700 million square meters) of leather, representing 20 percent of the world's total leather production in 2006.

Key manufacturing centers include Guangzhou, Dongguan and Nanhai in Guangdong province to the south and Jinjiang in bordering Fujian province. Also, Wenzhou in Zhejiang province of eastern China, and Xinji in Hebei province to the north are the major leather manufacturing bases in China.

Wenzhou (near Shanghai) and Haining of Zhejiang Province focus more on shoe uppers, while tanneries are mostly found in Southern China producing leather for hand bags, belts and furniture. Shandong province used to produce more garments. However, consumers in its major market, Russia, have switched preference to other materials, such as feather, thus there has been a shift towards shoe uppers and furniture upholstery. Guangdong manufacturers tend to focus on leather shoes and hand bag production. Since the south has more temperate winters than the north, demand for leather garments tends to be limited to the cooler months of winter from December to March. (Refer to Appendix, Table 8 - China's Major Leather Product Manufacturing Leather Areas)

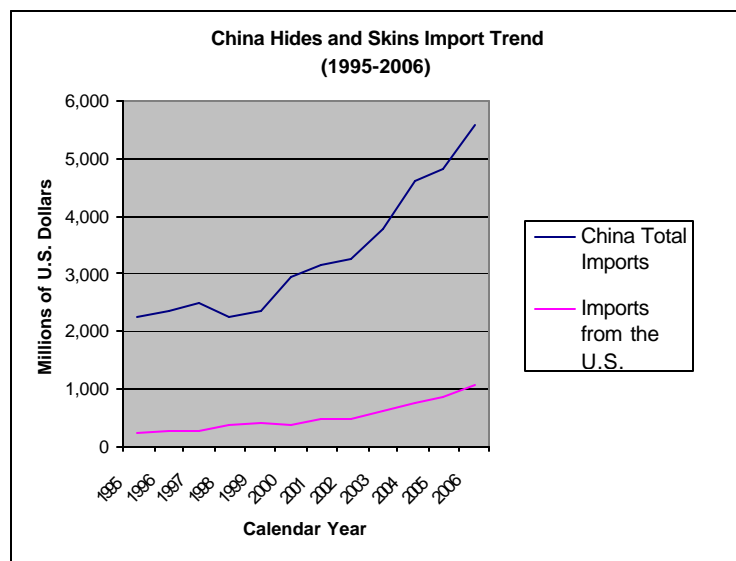


*A pair of well-designed pumps made in China
(Source: ATO Guangzhou)*

With more than 20 years of development, Guangdong leather product manufacturers have accumulated experience and developed a reputation for producing export quality products. They kept a sharp eye on international fashion trends and used modern production technology and management. This enabled them to successfully produce higher quality products for export more reliably compared to local rivals.

In recent years, local government authorities have started to pay more attention to the leather industry's impact on the environment. Some cities have already announced they will prohibit leather tanning in their jurisdictions. In response, the industry has already started relocating some of their tanning facilities to less developed regions in the mainland and/or importing wet blue skins from other sources. For example, one Guangdong based leather shoe manufacturer moved his tanning factory to Vietnam and brings in the finished leather to Guangdong for shoe production.

IV. The Chinese leather industry faces many challenges



Source: *World Trade Atlas*

With more than two decades of development, the local leather and related industries have started to mature. In 2006, China imported US\$5.6 billion worth of hides and skins, an increase of 15.38 percent from 2005.

Local industry sources also say China exported US\$12.4 billion worth of leather products in 2006, 8.6 percent more than the previous year.

Environmental

However, rising concerns about the environmental impact of tanneries, particularly discharged waste water, limit development of the industry.

Waste water treatment facilities require substantial capital investment and adherence to strict regulatory practices adding to costs & reducing margins. Bigger tanneries can afford their own facilities, but smaller tanneries cannot, thereby contributing to consolidation of the industry.

Local governments in developed areas have limited or even prohibited tanneries in their regions. For example tanneries in Shenzhen have moved to Dongguan and Huidong in Guangdong and Guangxi Province. Hangzhou is another city that has banned tanneries.

At the same time other developed areas have also implemented strict regulations to limit expansion of tanneries.

In response, some tanneries have moved to less developed areas, where centralized tanning industry production zones have been established, such as Qingyuan and Huizhou in Guangdong province, Zhaoyuan in Heilongjiang province, Baicheng in Jilin Province and Quanzhou in Fujian Province.

Increased competition

The Chinese leather industry is facing increased competition from surrounding countries, such as Vietnam and India, where there are cheaper labor and less environmental policy restrictions. Industry insiders say that while India has not picked up any Chinese tanneries, it is looking into expanding leather production to compete with China. Its environmental and waste water pollution issues are becoming just as important as in China.

Price

Meanwhile, prices for raw hides have risen because of increased demand. For example, U.S. steer hides in 2004 for branded steers hides cost up to \$55 per hide unit while prices in 2007 at the beginning of the year ran as high as \$66, but have declined to a high of \$59 towards the end of the year.

Labor costs

For manufacturers, labor costs are also rising rapidly, further squeezing operating margins. For example skilled worker salaries doubled in the past two years (up from US\$100 to US\$200 per month).

VAT issues

Another recent issue impacting the Chinese leather industry is the latest revision to the Value Added Tax (VAT) policy. Three government agencies (*Ministry of Finance, State Administration of Taxation and China Customs*) jointly announced on March 30, 2007 that tariffs for Wet Blue skins would be subjected to regular import duties of 7 percent and an additional 17 percent VAT, if converted into finished leather, then re-exported (Decree #15). However, if skins are eventually converted into valued added products, such as footwear or other finished leather products, and then re-exported, the tariff and VAT are exempted.

On June 19, 2007, the *Chinese Ministry of Finance and State Administration of Taxation* jointly announced Circular No. 90 to adjust tax rebates for certain leather products. Starting from July 1, 2007, the rebate for leather footwear and bags was lowered from 13 percent to 11 percent. The rebate rate for leather apparel and gloves decreased from the original 13 percent to 5 percent, and all tax rebates for the exportation of finished leather terminated, owing to global pressure to lower governmental support.

The new policy demonstrates the central government's intent to limit the export of leather (which is not value-added) and slow the demand for leather goods (which are value-added).

Lack of brands and OEM status

For Chinese operators it's a lack of brand name and their OEM status that handicaps them from increasing margins.

In recent years a few manufacturers started to develop their own brands to increase margins. For example *Anta* sports shoes and *361°* casual shoes (from Jinjiang, Fujian) and *Belle* ladies fashion shoes (from Shenzhen) have enjoyed moderate local success with this strategy.

Industry watchers estimate OEM and self-branded shoe producers are almost equal in terms of relative market shares.



*Locally designed leather bag
(Source: ATO Guangzhou)*

Appreciation of the Chinese Yuan

Another growing concern for local manufactures is the appreciation of the Chinese Yuan (RMB). In October 2007, the exchange rate was US\$1 to RMB7.48, a 2 percent increase from July 2007. The stronger RMB just about dissolved OEM operating margins previously signed in U.S. dollars.

Other

Other challenges include European trade barriers, anti-dumping taxes and strict quota systems imposed by many countries against Chinese exports including leather products. Growing preference for synthetics to use as a leather substitute could impede leather sales. The Longwan district in the city of Wenzhou (in Zhejiang Province) has become the largest

artificial leather production base in the country with goods valued US\$60 million annually and accounting for 40 percent of China's total (according to *People's Daily Online*). However, Chinese traders that Post talked to did not believe synthetics were a threat as leather is still prized as a quality item. Demand for leather has gone up exponentially with the rise of the Chinese middle class.

V. How U.S. hides make their way to China

Most hides exported to China come from cattle raised in America's heartland with Texas and Nebraska as the largest suppliers. There are basically four parties involved in the business: (1) meat packers; (2) hide processors; (3) traders (dealers) and brokers; and (4) agents.

In the States, packers can be fully integrated meaning they own the feedlots, slaughter facility as well as hides processing plant. There are four fully integrated U.S. companies that process 85 percent of the hides.

Other packers may not own feedlots and sell live animals to the processor. At the slaughter house, hides are separated from the meat. Some slaughter houses process the hides themselves while others sell them to processors. Most packers flesh and cure, but if not, then the processor does it.

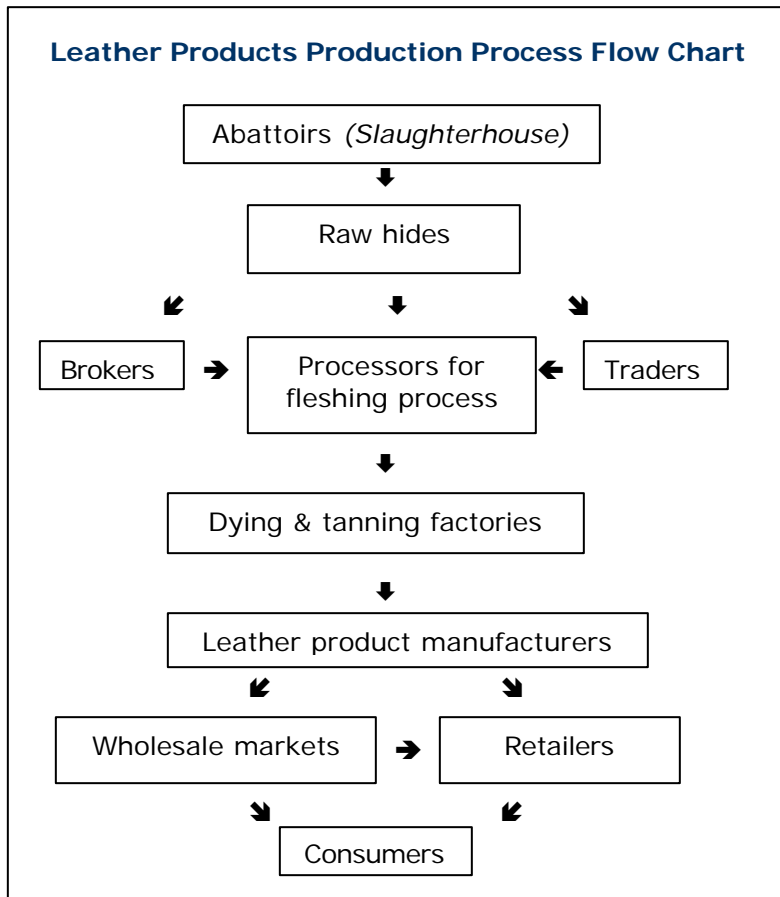
When a processor buys packer hides, they are typically sent to him "green," meaning just off the kill floor. He puts them in his raceway/brine tank. Most hides for export are sold in a brine cured state and shipped to China or other export destinations.

Traders (dealers) buy from the packer, take ownership of the hides and sell to the processor. By comparison, brokers act as an agent, but don't take ownership of the hides. He earns a commission by putting buyer and seller together. U.S. processors may deal directly with Chinese tanneries or through sales agents, traders and/or brokers.

The U.S. exporter pays the sales agent in China and elsewhere a commission on what is sold to support sales efforts. Chinese tanners may call the agent for service if there are any issues or concerns.

The types of hides sold to China include branded steers, branded heifers, butt branded (brand placed on butt rather on the side as is the usual practice which gives more useable surface area) or Number 3 Packer Hides (some damage on hide from cow that's scraped itself; by fleshing machine or during slaughter. These are not wounded animals.) Hides from branded steer are used to make shoes as they are thicker and heavier. Furniture uses hides from dairy cows that have more surface area. Car seats can use lower graded leather.

U.S. suppliers usually transport their hides to China in shipping containers from the west coast (California, Washington, Oregon). Shipping time generally takes three weeks to China and runs about \$2,000 per container. Freight charges continually increase due to a monopoly by steamship companies and rising fuel costs. Major ports for the mainland include Qingdao, Shanghai, Hangzhou, Guangzhou, Xiamen, Shenzhen and Hong Kong. Depending on the size of a hide, containers hold around 640 to 680 steer hides or 880 branded heifers.

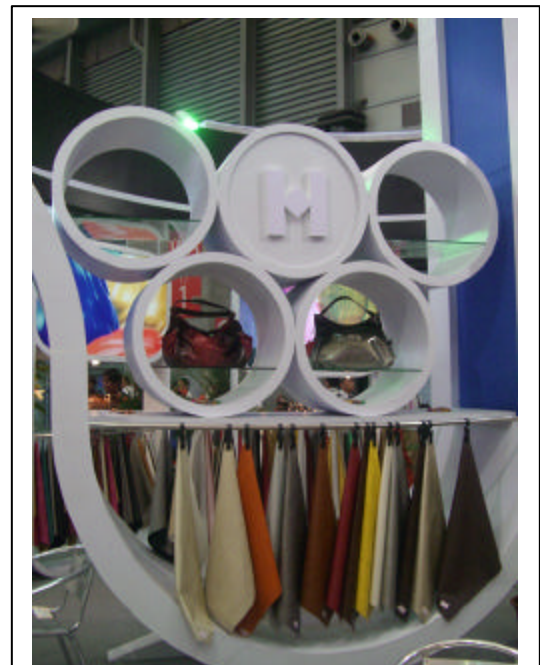


VI. There are two U.S. industry associations

The *U.S. Hide, Skin & Leather Association (USHSLA)* is the exclusive representative of the hides and skin industry in the United States. Member companies include meat packers, hide processors, brokers, dealers and exporters. It is a Washington D.C. based association that helps the industry explore market opportunities and maintain and further expand market share of U.S. skins and hides.

The association regularly organizes industry events for members, such as the *All China Leather Exhibition (ACLE)* in Shanghai and the *Asia Pacific Leather Fair (APLF)* in Hong Kong. Both events enable exporters to network and meet new buyers as well as maintain existing relationships.

USHSLA recently translated their industry *Standards Governing the Export of North American Cattle Hides* into Chinese. This initiative helps local manufacturers and traders better understand U.S standards and thereby mitigate misunderstandings.



A local exhibitor's innovative display at the All China Leather Exhibition (Source: ATO Guangzhou)

The *Leather Industries of America* (LIA) has represented American tanners and suppliers since 1917. The association provides various services for its members including environmental, technical and marketing support. However, demand for U.S. finished leather is limited in China, because of its higher price.

To further promote U.S. exports, these industry associations are strongly urged to consider organizing more trade seminars to further educate local tanneries and leather product manufacturers about the merits of using U.S. leather while paying a higher premium.

At the same time PR initiatives are needed to further promote U.S. leather's image to cultivate consumer preference towards U.S. origin hides.

By approaching Chinese buyers in a unified way, producers build a solid platform for promoting U.S. hides as the better product of choice.

VII. U.S. hides have advantages, yet face challenges

U.S. hides are well known for their superior quality because of their thickness, strength, larger surface (so there's more usable area), consistent quality and smooth appearance. This ensures higher quality for final leather products. Therefore, prices tend to be higher than competitors'. However, if the customer needs to manufacture top quality leather products, U.S. hides will help them achieve premium prices. One of the major U.S. hides importer noted that consistent and sufficient supply from the U.S. is the main reason that keeps him coming back for more. The US slaughters roughly 650,000 animals every week.

Some of the traders believed that the industry could encourage cattlemen to skip branding to get higher revenue. Post was told by an industry source that this would bring in an additional \$3.00 a hide, about an additional \$2,000 per container. However, another source informed Post that most U.S. feedlots would not be willing to stop the common practice of branding. Nevertheless, Chinese importers can still buy non-branded hides if willing to pay a premium for non-branded hides.



*How big can a hide be?
(Source: ATO Guanqzhou)*

According to industry sources, there are a few minor issues that may delay the release of containers of American hides and skins at Chinese ports. Reportedly, there have been minor complaints from port inspectors about leaky containers and odor. However, most American traders Post talked to stated they did not know of any port hold-ups.

U.S. exports could be impacted by China's downscaling its tanning industry because of environmental concerns, yet China has spent much to build up the industry with substantial employment to boot.

Accordingly, USHSLA expects that 20 percent of exports of U.S. hides could shift from China to outside countries within five years as tanneries further develop. To further support this migration, U.S. industry representatives have already organized trade missions to India and Turkey and plan to visit Vietnam to further assess the market.

VIII. Post Contact Information

For further information about the China market, as well as updates on our upcoming events and activities, please visit our website at www.usdachina.org or contact any of the following:

FAS/Office of Agricultural Affairs (OAA), Beijing

5-2 Qijiayuan Diplomatic Compound
Jianguomenwai, Beijing, China, 100600
Tel: (86 10) 6532-1953
Fax: (86 10) 6532-2962
E-mail: agbeijing@fas.usda.gov

Agricultural Trade Office (ATO), Beijing

Kerry Center, South Tower
24th Floor Suite #2425
No. 1 Guanghua Lu, Beijing 100020
Tel: (86 10) 8529-6418
Fax: (86 10) 8529-6692
E-mail: atobeijing@fas.usda.gov

IPR Office

E-mail: yuanchuan.liang@fas.usda.gov

Agricultural Trade Office (ATO), Guangzhou

14/F, Office Tower
China Hotel, Guangzhou 510015
Tel: (86 20) 8667-7553
Fax: (86 20) 8666-0703
E-mail: atoguangzhou@fas.usda.gov

Agricultural Trade Office (ATO), Shanghai

Shanghai Center, Suite 331
1376 Nanjing West Road
Shanghai 200040
Tel: (86 21) 6279-8622
Fax: (86 21) 6279-8336
E-mail: atoshanghai@fas.usda.gov

Agricultural Trade Office (ATO), Chengdu

Kevin Latner
U.S. Consulate General
Chengdu Agricultural Trade Office
4 Lingshiguan Lu
Chengdu, Sichuan, PRC 610041
Tel: +86 13808212410
Fax: +86 28 8513 8698
Email: Kevin.latner@usda.gov

Agricultural Trade Office (ATO), Shenyang

Jim Butterworth
E-mail: James.Butterworth@fas.usda.gov
(Office to be opened 2008)

Animal and Plant Health Inspection Service (APHIS), Beijing

Room 618, Beijing International Club Office Building
No. 21 Jianguomenwai Avenue
Beijing, China 100020
Tel: (86 10) 6532-3212
Fax: (86 10) 6532-5813
E-mail: Theresa.boyle@aphis.usda.gov

IX. Industry Associations:

U.S. Hide, Skin & Leather Association

Website: www.ushsla.org

Leather Industries of America

Website: www.leatherusa.com

China Leather Industry Association (in Beijing)

Website: www.china-leather.org

VIII. Appendix

| | Country/Region | 2004 | 2005 | 2006 | % of share |
|----|-----------------------|-------------|-------------|-------------|-------------------|
| 1 | China | 580.43 | 675.16 | 876.77 | 30.49% |
| 2 | Mexico | 651.46 | 561.75 | 423.01 | 14.71% |
| 3 | South Korea | 396.33 | 370.97 | 355.11 | 12.35% |
| 4 | Hong Kong | 336.20 | 260.64 | 318.28 | 11.07% |
| 5 | Taiwan | 199.43 | 183.16 | 212.18 | 7.38% |
| 6 | Italy | 142.03 | 190.01 | 198.00 | 6.89% |
| 7 | Japan | 111.14 | 82.06 | 94.75 | 3.30% |
| 8 | Dominican Republic | 48.00 | 81.64 | 67.08 | 2.33% |
| 9 | Thailand | 68.31 | 66.05 | 59.42 | 2.07% |
| 10 | Costa Rica | 18.32 | 44.94 | 41.52 | 1.44% |
| | Total | 2,782.61 | 2,723.25 | 2,875.80 | 100% |

Source: *World Trade Atlas*

| | Country/Region | 2004 | 2005 | 2006 | % of share |
|----|-----------------------|-------------|-------------|-------------|-------------------|
| 1 | United States | 774.24 | 842.73 | 1,052.94 | 18.91% |
| 2 | Italy | 354.19 | 391.34 | 527.83 | 9.48% |
| 3 | Brazil | 303.75 | 377.57 | 520.72 | 9.35% |
| 4 | Taiwan | 611.60 | 549.04 | 519.05 | 9.32% |
| 5 | South Korea | 595.50 | 530.83 | 802.71 | 9.03% |
| 6 | Australia | 359.98 | 339.57 | 337.34 | 6.06% |
| 7 | Argentina | 105.53 | 129.86 | 170.16 | 3.06% |
| 8 | India | 106.53 | 125.05 | 151.85 | 2.73% |
| 9 | Thailand | 93.60 | 101.83 | 120.80 | 2.17% |
| 10 | Canada | 128.66 | 154.73 | 104.04 | 1.87% |
| | Total | 4,594.67 | 4,826.13 | 5,568.24 | 100% |

Source: *World Trade Atlas*

| Table 3: Hong Kong Hides and Skins - Direct Import Top 10 Origins | | | | | |
|--|-----------------------|-----------------|-----------------|-----------------|-------------------|
| in millions of U.S. Dollars | | | | | |
| | Country/Region | 2004 | 2005 | 2006 | % of share |
| 1 | China | 689.06 | 775.51 | 590.42 | 21.62% |
| 2 | Italy | 431.71 | 446.22 | 457.57 | 16.75% |
| 3 | India | 184.86 | 200.16 | 217.69 | 7.97% |
| 4 | United States | 234.10 | 256.58 | 207.24 | 7.59% |
| 5 | Brazil | 170.21 | 212.62 | 207.13 | 7.58% |
| 6 | South Korea | 154.07 | 148.89 | 135.66 | 4.97% |
| 7 | Argentina | 96.34 | 115.75 | 115.31 | 4.22% |
| 8 | Taiwan | 81.17 | 85.12 | 100.64 | 3.69% |
| 9 | Thailand | 93.62 | 84.33 | 84.37 | 3.09% |
| 10 | Pakistan | 49.40 | 67.28 | 81.09 | 2.97% |
| | Total | 2,672.13 | 2,879.53 | 2,731.38 | 100% |

Source: *World Trade Atlas*

| Table 4: Major Chinese Ports for Imported U.S. Hides | | | | | |
|---|-------------------------------|---------------|---------------|-----------------|------------------------|
| in millions of U.S. Dollars | | | | | |
| | Port/Province | 2004 | 2005 | 2006 | 2006 % of share |
| 1 | Qingdao, Shandong Province | 206.26 | 219.29 | 242.59 | 23.04% |
| 2 | Shanghai | 85.68 | 131.98 | 171.19 | 16.26% |
| 3 | Hangzhou, Zhejiang Province | 98.76 | 97.26 | 129.77 | 12.32% |
| 4 | Huangpu, Guangdong | 60.54 | 52.97 | 84.12 | 7.99% |
| 5 | Nanjing, Jiangsu Province | 53.06 | 68.64 | 82.60 | 7.85% |
| 6 | Xiamen, Fujian Province | 47.87 | 56.80 | 76.18 | 7.24% |
| 7 | Shenzhen, Guangdong Province | 32.08 | 40.47 | 52.46 | 4.98% |
| 8 | Tianjin | 23.78 | 34.31 | 46.23 | 4.39% |
| 9 | Guangzhou, Guangdong Province | 42.11 | 29.02 | 41.99 | 3.99% |
| 10 | Gongbei, Guangdong Province | 44.51 | 39.53 | 40.20 | 3.82% |
| | Total imports | 774.24 | 842.73 | 1,052.94 | 100% |

Source: *World Trade Atlas/China Customs*

| | Country/Region | 2004 | 2005 | 2006 | % of share |
|----|-----------------------|-------------|-------------|-------------|-------------------|
| 1 | United States | 3,174.03 | 3,365.22 | 3,619.71 | 29.18% |
| 2 | Japan | 954.35 | 1,048.80 | 1,208.30 | 9.74% |
| 3 | Hong Kong | 932.19 | 1,000.26 | 1,104.48 | 8.91% |
| 4 | Russia | 1,120.99 | 1,177.98 | 821.39 | 6.62% |
| 5 | Germany | 534.75 | 580.32 | 605.57 | 4.88% |
| 6 | United Kingdom | 380.55 | 425.87 | 468.86 | 3.78% |
| 7 | Italy | 290.08 | 357.28 | 427.29 | 3.45% |
| 8 | South Korea | 217.05 | 276.20 | 357.87 | 2.89% |
| 9 | France | 241.09 | 272.58 | 311.00 | 2.51% |
| 10 | Canada | 225.65 | 246.52 | 290.25 | 2.34% |
| | Total | 10,262.57 | 11,423.92 | 12,403.42 | 100% |

Source: *World Trade Atlas*

| | Country/Region | 2004 | 2005 | 2006 | % of share |
|----|-----------------------|-------------|-------------|-------------|-------------------|
| 1 | United States | 2,178.14 | 2,221.06 | 2,295.68 | 39.60% |
| 2 | Japan | 516.94 | 592.53 | 622.73 | 10.74% |
| 3 | United Kingdom | 345.71 | 357.14 | 361.54 | 6.24% |
| 4 | Italy | 205.59 | 240.13 | 307.60 | 5.31% |
| 5 | South Korea | 170.94 | 200.46 | 249.67 | 4.31% |
| 6 | Germany | 233.73 | 258.31 | 233.93 | 4.04% |
| 7 | China | 126.63 | 159.43 | 204.81 | 3.53% |
| 8 | France | 184.13 | 201.58 | 204.51 | 3.53% |
| 9 | Canada | 160.96 | 167.79 | 156.42 | 2.70% |
| 10 | Australia | 125.18 | 127.95 | 128.58 | 2.22% |
| | Total | 5,266.15 | 5,559.68 | 5,797.74 | 100% |

Source: *World Trade Atlas*

| | Country/Region | 2004 | 2005 | 2006 | % of share |
|----|-----------------------|-------------|-------------|-------------|-------------------|
| 1 | China | 5,709.93 | 6,258.25 | 6,837.32 | 72.05% |
| 2 | Italy | 594.95 | 629.66 | 730.87 | 7.7% |
| 3 | France | 270.08 | 287.40 | 326.75 | 3.44% |
| 4 | India | 248.86 | 242.62 | 246.89 | 2.6% |
| 5 | Vietnam | 123.94 | 128.73 | 137.30 | 1.45% |
| 6 | Mexico | 127.63 | 110.04 | 106.91 | 1.13% |
| 7 | Philippines | 120.41 | 101.92 | 104.67 | 1.1% |
| 8 | Hong Kong | 129.79 | 120.72 | 103.64 | 1.09% |
| 9 | Indonesia | 99.48 | 91.62 | 100.93 | 1.06% |
| 10 | Thailand | 144.01 | 109.77 | 93.75 | 0.99% |
| | Total | 8,226.63 | 8,728.95 | 9,490.34 | 100% |

Source: *World Trade Atlas*

| Major areas for leather industry | Tanning/Cutting | Leather products |
|---|---|---|
| Guangdong | Shoe uppers, belt, hand bags and furniture upholstery | Shoes, belts, hand bags and leather furniture |
| Fujian | Shoe uppers | Sports shoes, casual shoes |
| Zhejiang | Shoe uppers, garments | Shoes, garments |
| Hebei | Shoe uppers, furniture upholstery | Mostly garments, shoes |
| Shandong | Shoe uppers, furniture upholstery, garments | Shoes, garments |

Source: *ATO/Guangzhou survey*