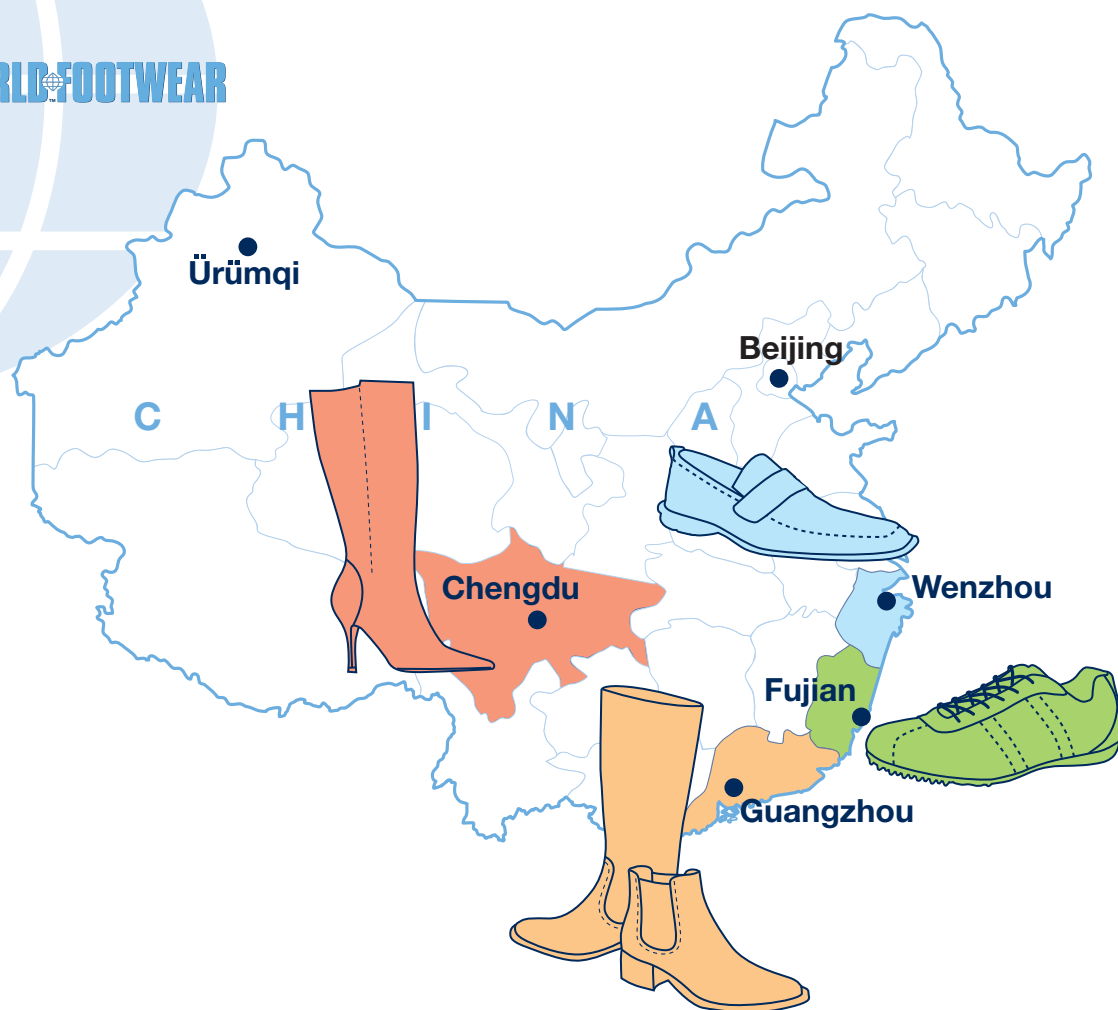


WORLD FOOTWEAR



Obtaining hard data on China's shoe industry is rather like trying to find the end of the rainbow, as the pot of information is just as elusive. But, behind all the numbers, lurk some revealing facts.

China – seeking the truth

There appear to be four main footwear manufacturing centres across China and, in general, each concentrates on a particular type. Chengdu makes ladies' boots, Fujian sports shoes, Wenzhou men's shoes and Guangzhou produces both men's and ladies'.

Despite being 1,000 km from a port, the area around Chengdu, which has an urban population of some 3.2 million, boasts over 2,000 shoe factories employing some 100,000 people. The Kamiedo Company is typical of the extraordinary growth that has taken place. Only starting up in 1995, it now produces 40 million pairs of ladies' boots per year. Half go to its own stores in China and the remainder is split between Russia and the USA. The Robor Company makes 200,000 pairs per month and exports to Bulgaria, Türkiye and the USA, where it has supplied Nine West for about ten years. It even price tags in US dollars for American customers.

Informal trade

But there appears to be another side to the story of apparent

ordered performance. One company manager tells of an 'informal' trade in shoes at Ürümqi, in the extreme north west of China and some three hours flying time from Chengdu. This distant city has developed to the point where local manufacturers have established offices and sample showrooms. Buyers from southern Russia and mid-Asia cross over into China and place orders with a 50% cash deposit in US dollars. The order is subsequently delivered to Ürümqi where the customer pays the balance. Transport to its final destination and customs formalities then become the buyer's responsibility, as local businessmen prefer to avoid any possibly 'irregular' dealings that might take place.

A similar situation exists in Beijing where, at the La Ba Lu market, Russian buyers congregate to place orders with Chinese manufacturers and, once again, the buyer is responsible for forwarding the cargo. Aeroflot carries large quantities of shoes to Moscow but won't reveal the actual tonnage. The Sichuan Chamber of Commerce says the province's shoe exports in 2004 were \$74 million, yet many think this is far too low. One can therefore assume that

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'informal' sales are not included and the revenue therefore not declared to the authorities.

Changing markets and conditions

The USSR was, for a long time, the major market. However, one major trader observed that he had experienced letters of credit being disputed by Russian banks and, whilst he had an initial 20% deposit, there was not much he could do once his shoes were on the high seas. Companies now seek orders from the West at major shoe fairs in Las Vegas and Düsseldorf.

In what might be considered the 'formal' area, companies concentrating on the US and Europe are well-equipped and financed. Working areas are clean, well ventilated and have the necessary safety equipment. Questionnaires on conditions are regularly received from western customers. The manager of one trading company said, "We complete the forms, send them back and have never had a problem. They are welcome to come and look at our suppliers' premises." There are indeed no visible signs of exploitation in these bigger factories but, on asking the owner of one of the smaller factories how often he saw a factory inspector, he replied, "It is the old Chinese way, you close one eye to what you do or don't want to see."

A spokesman for the Sichuan Leather Association, when asked about tanneries, said quite plainly, "Do you want the truth?" Again, it is the one-eyed principle. To give inspectors their due, there are just too many tanneries, so token visits are made with the usual warnings to clean things up. Some tanneries would like to reduce pollution but, rather than pay for new equipment, they close down or go into other businesses.

Flying footwear

Chairwoman of the China Leather Industry Association, Ms Zhang Shu Hua, has stated that the value of all shoe and leather-related products exported in 2004 was \$14.63 billion generated by around 18,000 shoe companies employing some 3.5 million people. The logistics of shipping out production are awe-inspiring. The marketing supervisor for Air China (Southwest) estimates that about 100 metric tons of shoes are moved daily to Beijing.

Amongst the numerous forwarding companies in Chengdu is Golden Trust, which specialises in shipping footwear and averages three metric tons a day by air on domestic routes and another ton and half to ports for sea freight. The business started seven years ago with four employees and now has 60. Asked how many other agents were in this particular area of business, the owner would only say, "Plenty."

CET, another major forwarder with only one employee dedicated to air-cargo, moves six metric tons of shoes every week on Thai Air to London. In the run up to Christmas, this figure will increase to around 15. Air Macau says its average is about 12 metric tons per week to destinations such as Taipei, Japan and the US. And, it is not just out-going cargo. Hides and skins are imported from India, Brazil and Europe as local Chinese sources are not considered good enough to produce the leather required for footwear. In addition, having imported leather adds the foreign touch that Chinese consumers love so much. 

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