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EXECUTIVE SUMMARY

The objective of this study is to assess the strategic positioning of the Jordanian Footwear Manufacturing Industry in the international market and to determine a strategy and action plan to enhance the competitiveness of exports from the sector.

Footwear is an active product in international markets. It is being delocalized from developed countries to developing ones. The beneficiaries of this process are Far East nations, in particular China, India, North African countries and the Central and Eastern European countries (CEEC). It is worth noting Jordan's near neighbours; Tunisia and Morocco are quite successful in exporting footwear to the EU.

Jordan has an advantage in international trade in that it has agreements with USA through Qualifying Industrial Zones (QIZ) and a Free Trade Agreement (FTA), it also has an Association Agreement with the EU. These agreements allow duty free access to these markets, for footwear, providing certain stipulations are met (and these are not onerous). These two markets therefore became the targets for Jordanian exports.

The world footwear market is estimated at 12,469 million pairs in 2002. The biggest consumers of conventional footwear (i.e. with leather uppers) are USA and Europe. Between them they consumed 5,823 million pairs in this year, 46.7% of the total.

China produces 6.9 billion pairs per year and rising, it exports more than half of these. Most of these shoes are synthetic (over 60%) and of low quality and price. The average price of exported shoes from China was US$2.46 in 2002. Other factories in the Far East produce more leather shoes, in particular Vietnam and India. These two countries would be direct competitors for Jordanian shoes (China with its product mix and trading practices is impossible to compete with directly).

In Europe and the Mediterranean zone, there are significant exporters of conventional footwear namely; Italy, Spain in EU and Tunisia, Morocco in North Africa. Tunisia and Morocco, in a sense, are "tied" to Italy and Spain as they have many sub-contracting agreements with these two countries. These two blocks are also major competitors for Jordan. Among the CEEC, Romania is the strongest competitor.

The "sleeping giant" for conventional shoes is India. It has a well-developed industrial infrastructure and competitive pricing. It has not yet reached its potential as an exporter of footwear. However, the shoes it does export are competitively priced and of increasing quality levels.

The European market for imports is wide and diverse. The market in each country has different characteristics, some are easier to operate in than others. Of the EU 15, UK as a primary target market and Holland as the secondary, emerged with the best potential for exports from Jordan. In the USA market, because of its large size, niche marketing is the only sensible way forward for the relatively small producers in Jordan.

Although these markets are available and are import friendly, the shoe manufacturing industry in Jordan must be in a position in which to service them. During the survey

of companies, it became obvious that none of them was capable of exporting to sophisticated markets without outside help.

In recent years, shoe manufacturing in Jordan has gone into sharp decline with factories closing or converting to importers. This is due to many factors; the cumulative result of these factors is that the local retail industry is dominated by cheap imports from China (It is alleged that some of them may have entered Jordan by dubious means). Local manufacturers have not been able to fight these imports. As a result, they have a very small market left to them. No doubt management have made mistakes in the past, now there is an opportunity to correct this and re-habilitate the industry into a viable exporter.

With an estimated local market of between 7 and 9 million pairs, it is proposed that this be shared with imports on a 50-50 basis by restricting the imports from China through the WTO Safeguard Mechanism for an initial period of 4 years. Controls should also be exercised on publicising the material content and country of origin for the shoes sold at retail. This will create a market for local factories to sell into, they will be able to make profits once again and rebuild their capital base.

During this time, manufacturers must upgrade their manufacturing plants to international norms by forging links with the Italian machinery, material suppliers and design studios.

They must implement programmes for operator training and workshop management. Senior management and owners must also acquire knowledge of up to date marketing techniques and the need for strategic thinking. An association is necessary to disseminate knowledge around the industry, to look after its interests and to lobby Government.

They have to review the types of shoe they make and tailor these to the international markets of the EU and USA. Help with fact finding trips, marketing studies and the attendance at international shoe fairs as observers and eventually as sellers is required from export development agencies.

Partnerships should be sought out with European manufacturers and marketers to act as sub contractors. Licensee agreements with smaller international brands for the local market are another possibility that will eventually lead to full exporting.

With the development of a sound-manufacturing base, foreign (or local) investors will be attracted to further enhance the industry. Jordan has only one tannery, there will be opportunities for 2 – 3 more.

Providing the above plans materialise, there is no reason why Jordan cannot have 10 –16 viable shoe manufacturing plants within 5 years who are net exporters.

SECTION I: THE GLOBAL FOOTWEAR INDUSTRY

A. Structure of World Footwear Industry

1 Global Consumption

It is axiomatic to say globally, the footwear industry has an expanding market. World population increases, living standards rise, so does the demand for footwear.

The following charts published by SATRA (Shoe and Allied Trades Research Association, UK) show the trends. The largest market for footwear in terms of pairs is Asia including the Indian sub continent.

The figures for global footwear consumption (2002) and forecast to 2008 are as follows:

GLOBAL FOOTWEAR CONSUMPTION (2002)

REGION	MILLIONS OF PAIRS	% OF TOTAL
China	2,768	22.2
Asia (excluding China)	2,706	21.7
Europe (all)	2,544	20.4
North & Central America	2,381	19.1
Middle East, Africa, Oceania	1,172	9.4
South America	898	7.2
TOTAL	**12,469**	**100**

GLOBAL CONSUMPTION OVER 10 YEARS

CONSUMPTION (Millions of Pairs)	1998	2000	2002	2004	2008
Asia (all)	4,744	5,222	5,474	5,840	6,528
Americas	3,011	3,274	3,279	3,433	3,611
Europe (all)	2,239	2,396	2,544	2,717	2,886
Rest of the World	1,086	1,187	1,172	1,317	1,399
TOTAL	**11,080**	**12,079**	**12,469**	**13,307**	**14,424**

GLOBAL CONSUMPTION PER CAPITA OVER 10 YEARS

CONSUMPTION (Pairs/capita/year)	1998	2000	2002	2004	2008
Americas	3.8	3.9	3.9	4.0	4.1
Europe (all)	3.1	3.3	3.5	3.7	4.0
Asia (all)	1.4	1.5	1.5	1.6	1.7
Rest of the World	1.1	1.1	1.1	1.1	1.1
WORLD AVERAGE	**1.9**	**2.0**	**2.0**	**2.1**	**2.2**

In the year 2003 the following was the market in financial terms for exporters of footwear, i.e. the major importing areas

REGION	US$ 000	% OF WORLD
Europe	23,362,091	50.15
North America	15,718,585	33.74
Asia	4,256,841	9.14
Latin America	1,022,423	2.19
Middle East	903,873	1.94
Africa	689,675	1.48
Oceania	629,106	1.35
TOTAL	**46,582,594**	**100.00**

Source: ICON Group Ltd. www.icongrouponline.com

The market in monetary terms shows a different picture with Asia lying a poor third behind Europe and North America, reflecting the degree of sophistication in each market.

China produces and exports more shoes than any other country by far. It is also the biggest consumer of footwear by virtue of the size of its population. On the other hand its per capita consumption is low – on a par with developing countries. A further breakdown of the major consuming countries and areas is as follows:

COUNTRY	CONSUMPTION MILLIONS / PAIRS	POPULATION MILLIONS	PER CAPITA PAIRS /PERSON/YEAR
USA	1,939.7	290.3	6.68
Japan	584.4	127.2	4.60
EU	1,666.5	380.2	4.38
Canada	122.4	32.2	3.80
Taiwan	82.7	22.6	3.66
Australia	72.0	19.7	3.65
Korea	165.4	48.3	3.42
Brazil	483.0	182.0	2.68
Thailand	144.4	64.3	2.25
Mexico	180.4	104.9	1.72
China	2,768.7	1,286.9	1.71
India	1,687.0	1,049.7	1.61
Indonesia	350.0	234.9	1.49
***JORDAN**	**8.4**	**5.4**	**2.25**

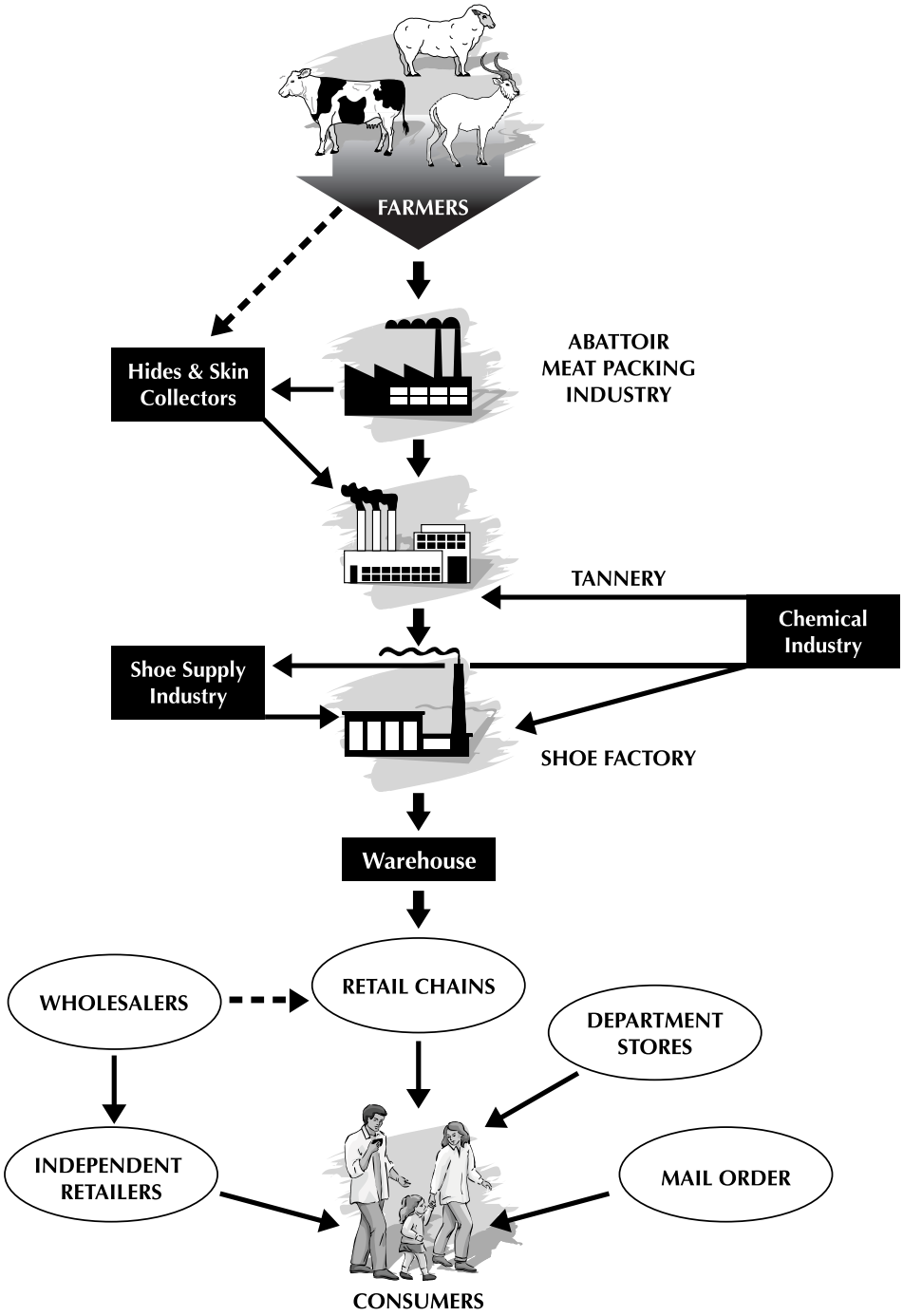
Source FDRA

Footwear production is therefore concentrated in Asia and footwear consumption in the USA and Europe.

** Figures are an estimate based on official statistics. See pages 37 – 38 for more details.*

2 The Supply Chain

The supply chain of the industry starts with Agro Industries and progresses through the chemical industry and tanning to manufacturing. Leather is a by-product of the food industry. It is a commodity and as such is subject to market forces in a similar way to tea, sugar, coffee, etc.



B. International Supply, Export Analysis

1 Shoe export supply, Asia

World footwear manufacturing is notorious for its pursuit of so called "cheap" labour. In the 1960's Japan was the main source of supply of low cost footwear. Japan was the first Far Eastern supplier of Nike Sports shoes. (Nike is the Greek goddess of victory). Low labour costs, supplies of leather and a tradition of shoemaking made Japan the launch pad for the Far East shoe manufacturing industry. The industry then moved to Taiwan as labour costs in Japan grew. It in turn moved to South Korea, then to Indonesia and Thailand. Taiwan and South Korea no longer have any significant shoe manufacturing industries.

The economic problems in the late 1990's had a major negative impact on the footwear industries of Indonesia and Thailand. This created many problems in the supply chain, particularly in USA, with the result the industries in these two countries have never fully recovered because buyers lost confidence in the factories abilities to make timely deliveries at stable prices.

Meanwhile China was liberating its economic policies. Taiwan Chinese entrepreneurs were looking for a new manufacturing base. Hong Kong became a new capitalistic part of China. Operating through Hong Kong for political reasons, the Taiwanese industrialists set up shoe factories directly opposite Taiwan on the Chinese mainland, where there were green field sites and labour was plentiful and cheap. Thus the industry then moved on again to China as the lowest labour cost country in the region.

This left China emerging as the dominant player because of it's high capacities installed (at least for the USA), infrastructure, and component supply industry.

It is difficult for a non Far East country to compete head to head with China. They must find market niches China does not do particularly well. For example leather trumocs, side wall stitch, McKay stitch, St Crispin, safety shoes etc. These shoes are a bit more difficult to make and do not lend themselves to the automated production lines prevalent in China. They are also in constant demand in the market.

It is claimed that Vietnam is an even lower cost producer than China. Vietnam is building up its infrastructure aiming to become a serious player but it has a difficult relationship with USA.

In parallel with these developments India was also targeting its large somewhat informal leather sector to modernise. Through Government legislation the sector has now become one of the dominant leather shoe supplying countries.

Today the main international suppliers of low cost footwear from Asia are China, Indonesia and India; Vietnam and Thailand follow.

According to SATRA (Shoe and Allied Trades Research Association, UK), in 2002, India, China, and Indonesia accounted for about 75.2%, 9.4 billion pairs, of a global production of 12.5 billion pairs of shoes.

In monetary terms footwear exports of the "*big three*" present the following picture:

"BIG THREE" GLOBAL EXPORTS OF FOOTWEAR U.S.$ '000

COUNTRY	2000	2001	2002
China	9,850,226	10,095,769	11,090,084
Indonesia	1,672,110	1,505,580	1,148,052
India	651,382	662,511	622,590
TOTAL	**12,175,718**	**12,265,861**	**12,862,728**
Rest of World (72 countries)	27,760,714	28,136,539	25,858,232
Big 3 % share of world exports	31.3	30.5	33.3
Source ITC, UN Comtrade			

The above figures are in dollar values as opposed to pairs. China has a massive production capability, however its ex factory price averages at $2.50 per pair, in 2003, up from $2.46 in 2002. India is more upmarket and has an ex factory price on average nearer $10-12.00 per pair as 60% of its exports are leather shoes, exactly the reverse of China. Indonesia traditionally makes "white " shoes for the likes of Nike, Reebok and Adidas that have a higher ex factory value.

Buyers looking for shoe supplies, tend to look at these countries. However there are some problems associated with dealing with the Asian region. In today's market, retailers are looking for production flexibility, i.e. the ability to react quickly to market demands. They also look at the total procuration cost to get shoes into their warehouses. This includes a calculation of transportation costs, delivery times (cost of finance) fast turn round of repeats (keeps stocks down), travel to foreign factories, rather than, in the past, just the price. This can put the large volume producers in the Far East at a disadvantage. China and Indonesia are not so flexible, India is more flexible. Far East producers traditionally have demanded large orders (50,000 to 100,000) pairs per style; they are far away from the main markets, USA and Europe.

Large orders are fine for large global distributors. However, there is a market trend today to be more individual, requiring more often smaller orders of different styles. Large Far East factories are presently not geared up to this new trend.

1.1 China

It has taken China 20 years to reach the stage it is at today in the global footwear industry. Production figures in pairs, from ITC and China customs say the following:

BILLIONS OF PAIRS

YEAR	2000	2001	2002
Export pairs	3.9	4.2	4.4
Domestic pairs	2.0	2.4	2.5
Total pairs	5.9	6.6	6.9

China produced 55% of all world footwear in 2002. Its biggest export market is the USA followed by Europe. Exports to USA were 5.1 billion dollars in 2002, representing 45.6% of the total exports. Europe imported 1.2 billion dollars

representing 11.1% of the total (See annex). China production of shoes with non-leather uppers is about 60% of the total, the balance being leather. These non-leather shoes, although cheap are of, at best, indifferent quality. There are over 20,000 shoe factories in China. Of the factories engaged in exports 80% are owned by Taiwanese investors, the others by Hong Kong and local investors. With helpful government policies and Taiwanese know how, the industry has progressed to where it is today.

It is often overlooked that China also has a large domestic market, over 2.0 billion pairs and expanding. It currently consumes less than 2.0 pairs per capita. This stable domestic base gives it a secure platform on which to export.

There are also problems looming in the industry. China is now a signed up member of WTO which will see tariff barriers falling, the reducing or elimination of trade subsidies and the opening up of the domestic market to imports.

There is increased over capacity in the Chinese footwear manufacturing industry leading to intense competition and very fine margins or even no margins at all. (One can understand this when told of the buying prices of shoes imported to Jordan from China). Cost of living increases in the coastal areas, where the industry is established, has driven up wages. Chinese factories, because they rely on large volumes to break even, have a very high break-even point. If the volumes decline the factories quickly fall into operating losses.

Consequently, the foreign owned companies are now looking for higher value items, namely leather footwear, to survive. The cheap synthetic footwear will be left to local factories to make. There is also a reported shortage of skilled operatives in the coastal areas. It is also predicted that there will be a move away from the coastal areas into the interior because of lower operating costs. This however will put pressure on logistics and may not be as attractive to US buyers.

One of the major weaknesses of the Chinese industry is that it is not an innovator, it makes to order, or copies European styling. This is being recognised and moves are being implemented to train indigenous Chinese designers and create Chinese global brand names. Whether they will succeed in this is a moot point. The demand for high volume orders is also being addressed with factories now accepting orders for a full container as a minimum, of an existing design.

No matter what happens, China will remain the dominant force in footwear supply for the foreseeable future. However, costs and consequently prices will increase from China. As living standards increase around the world there will be more emphasis on leather footwear. This will provide more competition to the Chinese industry from other countries, especially from quality brand names that are not widely available in China.

1.2 Indonesia / Vietnam

Indonesia has had for some time an unstable economic and political climate, causing great concern for international shoe sourcing companies, particularly those from the USA. The shoe manufacturing companies in Indonesia, many of which are foreign owned, realise this and are actively considering moving to Vietnam, India and China.

Already 5 toy and 10 textile factories have recently moved out of Indonesia. The Taiwan Footwear Manufacturers Association (TFMA) says that up to 12 shoe companies are likely to leave Indonesia. It will be interesting to see where these factories eventually relocate. Mainland China is certainly one option but maybe savvy Taiwanese investors may look at Vietnam or even further afield (Jordan?) as China is becoming "crowded" with shoe companies.

Indonesia's shoe exports have been on the decline for the last few years (See annex). In 2000 they were US$ 1.7 billion, 1.5 billion in 2001, and in 2002 1.1 billion. Their biggest markets are the same as China, USA and Europe. Both these areas are showing declines due mainly to Chinese competition.

Indonesia, in common with many other exporting countries, has to import up to 80% of the raw materials needed for shoemaking. The rapid decline in the value of the Indonesian dollar has made these materials much more expensive. Indonesia has been for many years a major supplier to Nike, Reebok, Adidas, Converse, Fila, etc; all "white" sports shoes. With ex factory prices escalating, these companies are drifting away from the country. The main beneficiary of this is Vietnam. However, Indonesia is doing its best to re-group and re-establish its industry. It is aggressively cutting prices to get market share, pushing up the number of pairs sold but leading to a decline in export revenue.

It is also interesting to note that the Indonesian Shoe Manufacturing Association claims that, illegal imports of Chinese shoes are "flooding the Indonesian market and is seriously hurting shoe manufacturers".

Indonesia therefore, because of its internal problems, is becoming less of a player in the global footwear market.

Vietnam in contrast, in 2003, exported in dollar value terms, more than Indonesia. Most of these exports (63%) going to the EU, 13% to USA and 3% to Japan. Exports rose from US$ 1.5 billion in 2000 to 2.2 billion in 2003 (See annex).

Vietnam has aggressive plans to modernise its industry with new equipment and technologies, training and trade promotion activities. It is organising leather clusters and encouraging the investment in primary materials, namely leather tanning.

Currently it imports 75-80% of all raw materials required for shoe production. From this, it is obvious that the cost structure is based on imported materials, which makes setting a competitive price difficult. Hence, the plan to develop indigenous materials.

Much of the export business, (80% according to the Vietnam Leather Footwear Corporation) is on the CMT principle, leaving very small profits for the producers. Government and industry policy is to move away from this and sell direct.

In 2000, Vietnam had a problem with the EU. A special method of monitoring footwear originating in Vietnam was introduced to prevent shoes originating from a third country leaving Vietnam and entering the European market fraudulently.

It has also concluded a bilateral trade pact with the USA allowing tariff rates to fall to between 0 and 20%. It exported over US$851 million worth of footwear in the first six months of 2002 to USA alone.

There are 233 footwear producers with a capacity of 380 million pairs per year,

making mostly sports shoes, 48.5%. Others are canvas 18% and a small leather footwear production of 1.5%. 76 of these companies are state owned, and 77 are foreign investors, the majority being Taiwanese and South Korean.

In the future, Vietnam will emerge as a significant supplier in the global market place especially when it develops its capacity to make leather shoes. It will never be as big as China or India but could become the number three supplier in the region.

1.3 India

India has emerged in recent years as a relatively sophisticated low to medium cost supplier to world markets –The leather industry in India has been targeted by the Central Government as an engine for economic growth. Progressively, the Government has prodded and legislated a reluctant industry to modernise. India was noted as a supplier of rawhides and skins semi processed leather and some shoes. In the 1970's, the Government initially banned the export of raw hides and skins, followed this by limiting, then stopping the export of semi processed leather and encouraging local tanneries to manufacture finished leather themselves. Despite protestations from the industrialists, this has resulted in a marked improvement in the shoe manufacturing industry. India is now a major supplier of leather footwear to world markets and has the potential to rival China in the future (60% of Chinese exports are synthetic shoes).

India is often referred to as the sleeping giant in footwear terms. It has an installed capacity of 1,800 million pairs, second only to China. The bulk of production is in men's leather shoes and leather uppers for both men and ladies. It has over 100 fully mechanised, modern shoe making plants, as good as anywhere in the world (including Europe). It makes for some upmarket brands including Florsheim (US), Lloyd (Germany), Clarks (UK), Marks and Spencer (UK).

India has had mixed fortunes in its recent export performance. In 2000, exports of shoes were US$ 651 million, in 2001 these increased to 663 million but declined in 2002 to 623 million dollars (See annex).

The main markets for Indian leather shoes are UK and USA, which between them take about 55% of total exports.

India has not yet reached its full potential in terms of a world supplier. This is due mainly to local cow leather that although plentiful, has a maximum thickness of 1.4 – 1.6mm, and the socio / political / infrastructure of the country. However, India is an excellent supplier of leather uppers, a fact that Jordanian shoe manufacturers could take advantage of. Importation of uppers from India does not infringe FTA with Europe or the USA (It might be a problem in the QIZ system because of the stipulation of value added).

The potential is set to change albeit slowly, but with a population rivalling China for size, there is no doubt the tussle for world domination in footwear supply will be between these two countries.

1.4 Others

Other countries that operate in the region are Malaysia, Thailand, Philippines and Hong Kong.

Malaysia traditionally made shoes based on the rubber industry. This has largely been replaced with newer easy processing synthetic polymers, which has led to the decline of the shoe manufacturing industry in the country. It is now a supplier of low volume speciality products that require rubber for technical reasons.

Thailand does export footwear. However, it has a very well developed tanning industry. There are over 130 tanneries in the country that export largely to the region. Footwear exports are not as significant as they once were due to the increase in labour costs. The industry that survives is moving up market to higher quality niche market products with better quality leather, produced by local tanneries. Thailand also exports a significant amount of leather goods.

The Philippines are really no longer a player in the global market. They suffered the same fate as Taiwan and South Korea. Chinese imports are penetrating the market. Since 1997, the domestic industry has lost an estimated US$ 142,000,000 in revenue.

Hong Kong is a major factor in the region although not a producer of shoes. It provides marketing, banking and logistical services. It is a stabilising influence in some of the difficult political problems in the region. It acts as a facilitator for producers and buyers. The APLF is held there (Asia Pacific Leather Fair), a major meeting place for buyers and sellers for the region.

2 Shoe export supply, Europe (EU15)

It is arguable that the *"heart"* of the shoe industry still lies in Europe and not Asia (China/India), many shoe making countries in Europe are major exporters of shoes. The creative processes of fashion and technology are certainly centred here, Asia does not create fashion or decide colours for a coming season. Shoe machines have been developed in Europe. The machines made in Asia are in the main copied from European ideas. Europe developed the CAD systems now used in many shoe companies around the world.

Possibly the development of "white" shoes has been developed in parallel in USA, with brands like Nike and New Balance. However, it should be remembered that Reebok and Hitec started in UK, Adidas and Puma, in Germany, Lotto and Fila in Italy, Le Coq Sportif, in France. These brands still have major ties with their originating countries.

Italy is the world leader in terms of fashion and design. It also has a vibrant shoe machinery making industry based on progressive technology. It is a major supplier of shoe components to the world. Other countries in Europe, particularly France and Spain also contribute to this concentration of knowledge and development. In Europe, there is a vast supply industry supporting local manufacturers (as well as exporting to Asia).

Because of this accumulation of experience over many years, Europe is still a significant exporter of shoes. This is concentrated on the medium to high end of the leather shoe market, it supplies the demands of more sophisticated consumers, intra Europe as well as the rest of the world. You can see upmarket Italian shoes in juxtaposition with cheap Chinese footwear in most international cities, including Amman. Even British made expensive ($350 per pair) goodyear welted shoes are in high demand in Italy and France as well as USA and the Gulf States.

However, although the European footwear industry is fighting hard to survive, it is still loosing market share in exports. From 1999 to 2002, exports declined by 5.5% with a further decline in 2003 (Over the same period imports rose by 20.5%).

Footwear exports from Europe presents the following picture:

FOOTWEAR EXPORT '000 PAIRS

EXPORTS (EXTRA EU-15)	2000	2001	2002	2003
Source Eurostat, CEC	245,897	241,198	223,245	190,773

The largest market for EU produced footwear is North America, followed by Switzerland, Russia and Japan. Apart from Russia, market share is declining in these areas. Penetration declined from 1999 to 2003 by 34.2% in USA, (exchange rate problem), 7.9% in Switzerland, 30.5% in Japan and increased by 28.9% in Russia.

The biggest exporter and the most significant is Italy, followed by Spain and to a lesser extent the other countries.

2.1 Italy

Italy is the driving force of the EU footwear industry, as the leading exporter and producer. Its main export markets (extra EU) are USA, Romania, Switzerland, Russia and Japan. The industry is geared towards leather footwear of medium to high quality with many international, though smaller, brand names. Average ex factory price is US$ 22 – 25. Exports have been holding steady for the last few years at around US$ 7.5 billion per annum (See annex for details). Exports in 2003 were 320 million pairs.

Italian flair and styling is well known, it is the innovator in the market place. Consequently, is usually the first to offer new products, ensuring at least the bulk of initial orders. In this manner, it manages to hang on to market share. In a sense, the fact that its exports have declined only by 6% since 1999, is quite a creditable performance. Much of this decline must be a result of currency fluctuations, which in turn distorts export prices. However, with the intense competition now prevalent, it is difficult to keep ahead of the followers who manage to bring similar products to market not so far behind the Italians at lower prices and acceptable quality.

Part of the strength of the Italian industry is its structure, which is the exact opposite of China. The Italian industry is composed mostly of small firms employing 12 – 20 people (Of course there are some larger companies, Filanto, Effi etc). There are more than 7,000 firms in the sector 900 of which are shoe producers. They co-operate together, sharing manufacturing processes, and marketing plans. They are very flexible, have quick reaction times, low minimum ordering quantities, elastic production capacities and an image of good quality. They can easily act as subcontractors for the bigger companies, this satisfies the needs of the more upmarket retailers and distributors. In this way they keep overheads and costs to a minimum and manage to compete internationally in their market segment. It is a unique Italian structure that works well in Italy due mainly to the culture and tradition of shoemaking in the country. It is an ongoing question and debate whether this system can be replicated in other countries.

2.2 Spain / Portugal

Spain is very similar to Italy in export profile. The industry is much smaller, about 50% in size, of the Italian industry. Generally its products are a bit cheaper for very comparable quality. Its main markets outside of EU are USA, Mexico and Japan. Because of this competitive edge, Spanish exports have increased in recent years from US$ 1.9 billion in 2000 to 2.1 billion in 2002.

Spain is trying hard to capture export markets and is proving a very fast follower to Italy. It is exploiting its Spanish connection with Mexico and to some extent in the USA.

Portugal is even smaller than Spain, its main markets tend to be intra Europe. Its only significant outside market is USA. According to the Footwear Association, in 2002 Portugal had 1,350 small companies making 99,000,000 pairs of shoes of which 87,000,000 were exported to neighbouring countries.

The fact that Portugal still supplies large marketers of footwear, Clarks, UK and Ecco, Denmark, with shoes, is an indication of its competitiveness.

2.3 France

France tends to have export markets that are francophone in nature or in close proximity. Its biggest export market is Germany followed by Belgium (Benelux), after this the USA comes third. It also exports to North African countries (Tunisia, Morocco, Algeria) where it has close relationships. Exports rose in monetary terms from US$ 0.9 billion to 1.0 billion in 2002 reflecting an increase in inflation rather than pairs (See annex).

There are 173 small and medium sized companies producing shoes. France is particularly strong in safety footwear and children's shoes. It tends to produce in the top end for all its market segments. It has strong brands such as Mephisto, Charles Jourdan, Kickers and Babybotte. Jallate and Lemaitre are well known in safety footwear.

Manufacturing in France generally is going through a difficult time caused by new EU legislation, which France has enthusiastically adopted, namely the 35-hour working week. Other European countries have opted out of this. In 1992 there were 278 shoe companies in France. In 2002, this had reduced to 175, a decline of 37%. Many companies relocating offshore to North Africa (Tunisia and Morocco).

With the difficult manufacturing environment, the decline in manufacturing in France is inevitable.

2.4 Benelux

The Benelux countries of Netherlands, Belgium and Luxembourg produce virtually no shoes between them. However, they have a great tradition in trading. Holland and Belgium act as re-exporters and supply many countries in EU (15) and the CEEC countries plus Russia. They manage to introduce good quality medium to low end shoes to the market sourced from international suppliers at competitive prices. They have a permanent international salon set up not far from Amsterdam where buyers are offered "one stop shopping". Exports were up by 23.8%from US$ 2.1 billion in 2000 to 2.6 billion in 2002

2.5 UK/Germany

These two countries have suffered the most in a decline in manufacturing. The companies that are still active, produce shoes for niche markets. These they successfully export usually at the top end in terms of pricing. The UK has a long established mens goodyear welt tradition and produces high quality footwear such as Church, Barker, Grenson, which are exported to USA and the EU (15). Germany has a reputation of producing comfort shoes for men and ladies with such brands as Josef Seibel, Gabor, Romika, Salamander etc. mostly exported intra Europe.

Germany's main export markets are Austria, followed by Holland (for re-export) and France. The secondary markets are France, Switzerland and UK. There were 127 shoe factories in Germany at the end of 2002, and by the end of 2003 this number had declined to 109.

UK markets are USA, the biggest, followed by France, Italy and Germany, with a small proportion going to Holland for re-export. Exports have declined by 14.3% in the recent year.

These two counties, by virtue of the types of shoes they make, would not really be international competitors for the types of shoes Jordan would be capable of producing and would not feature in any strategic marketing plans in terms of competing with the producers for market share.

2.6 Other European Countries

Many of the countries applying to join or have joined the EU are significant producers of footwear and have a distinct, short term, advantage in wage rates over the rest of the EU. These countries do export shoes to the EU, usually under sub contract manufacturing for Italian and German companies, although Turkey tends to be more independent.

PRODUCTION MILLION PAIRS

COUNTRY	1998	2002	EXPORTS 2001
Turkey	241	215	52
Poland	58	52	31
Czech Republic	15	8	N/A
Hungary	14	14	N/A
Slovakia	10	10	N/A

Source Eurostat

Production in these countries however, has declined or stagnated over a 4-year period to 2002. This reflects more on the transformation of the industry from a planned economy to an open market one. In recent years, production has been increasing as companies re-organise and comes to terms with the new market environment.

The manufacturing plants make leather shoes in the medium quality level, but are having difficulty meeting the price points demanded by the market in Europe due mainly to organisational difficulties. These however, are being solved by their European counterparts.

Romania has a significant footwear manufacturing industry supported by Italian investment. It is not far from Northern Italy, the hub of the shoe industry. As it is (currently) outside the EU, it can maintain a low cost base in terms of wages. It produces medium to medium low quality shoes at competitive prices and obviously sub contracts for the Italians, Italy takes 75% of its exports.

FOOTWEAR EXPORT U.S.$ '000

ROMANIA SOURCE ITC	2000	2001	2002
World	784,974	975,599	1,157,931
Italy	599,276	737,958	864,612
Rest	185,698	237,641	293,319

3 Other exporters

3.1 Brazil

Brazil has a large shoe industry and is an aggressive exporter. There are over 6,000 shoe factories producing almost 650 million pairs per year. 70% of the shoes made are for local consumption. The balance for export, mostly goes to the USA, again about 70%. UK ranks second with other South American countries taking the rest. Exports are about US$ 1.5 billion. The main product exported is high quality affordable ladies shoes of all types.

3.2 Mexico

Mexico is a large producer of shoes, mainly for the domestic market. For exports it tends to look North / South, especially as it has the NAFTA to trade in. However, this is a double-edged sword. Any unwanted stock left in USA is very promptly shipped to Mexico at low prices, which disrupts the local market. It has also been noticed that cheap Chinese shoes also come in this way somehow, which puts an even bigger strain on local manufacturers. Mexico ships very little to Europe with the exception of to Spain. The shoes are aimed at the middle market.

Exports are declining from US$ 400 million in 2000 to 328 million in 2002. But the industry has a programme of re-generation assisted by strong local associations and help from the Federal Government (The president of Mexico comes from a shoe making area).

The country is suffering from low cost shoes from China. The Mexican Government has recently (2004) extended its anti dumping duties for another 4 years. These range from 165% to 1,105% depending on the type of footwear (Nike however is exempt from this measure). This has not completely solved the problem, Mexico is suffering from "Triangulation" i.e. shoes from China entering the USA and then being shipped to Mexico free of duties due to the North America Free Trade Agreement (NAFTA).

3.3 Tunisia / Morocco

Tunisia is a success story as far as shoe exporting is concerned. A combination of industry friendly Government policies, aggressive promotion by export promotion

agencies, a tradition of shoemaking, a developed support industry in terms of training schemes and a technical centre, have created a leather industry worth US$ 770.2 million. There are 423 companies in the sector employing over 25,000 people, 20,000 of which work in export oriented factories (2002 figures from CEPEX). It is also close to the most important footwear market in the world – Europe. It takes a truck 4-5 days door to door to Milan.

Exports have tripled in 10 years from US$ 138.7 million in 1993 to $439.6 million in 2003. Companies that export 100% of their production due to their special status as individual exporting zones manufacture 77% of exports. Shoes and uppers represent close to 84% of these exports in monetary terms.

Over 90% of exports go to Europe, Italy being the biggest market (52%), France (30%) and Germany (9%). Obviously shoes going to these countries are of a high standard.

One of the problems coming to light after ten years of development, for companies that are not 100% foreign owned, is profitability. Much of the work done in Tunisia is sub contract for European brands. These partners dictate the terms of business (because they supply the orders), and consequently, the profit allowed to the local producer. Local companies find themselves trapped in this system and find it almost commercially impossible to get out of it. The system works well in the beginning but as local companies gain more experience through technology transfer and marketing and become more confident, there comes a time they would like to be "masters of their own destiny".

The only real way out of this dilemma is to start a new facility elsewhere either in Tunisia (might be difficult, conflict of interests) or another "user friendly" country – Jordan.

Morocco is a somewhat smaller player than Tunisia but structured in a very similar way. There are about 220 smaller to medium sized companies employing 13,000 people producing about 70 million pairs per annum. They have the same customers as Tunisia.

4 Conclusion – international supply

The Far East is a formidable producer of cheap, low quality synthetic shoes and high quality sports shoes, dominated by China. It is developing its leather shoe making capability, the ratio of 60% synthetic shoes will swing more and more to leather.

It is geared up to high volumes and tends to deal with large buyers who are usually located in the USA – where mass marketing is the norm. In other areas, particularly Europe there is a trend to target marketing, creating niches, requiring fast reaction times from suppliers. The Far East is not so successful in this type of operation. This provides opportunities for smaller flexible, specialised, production units that are closer to the market.

This goes a long way to explaining the reasons for the success of the Tunisian, Moroccan, Italian and Spanish shoe industries. There is an opportunity for Jordan to emulate them.

Romania is emerging as a formidable supplier, helped to a large extent by Italian know how, both technical and marketing.

India has a great potential but not yet fully realised.

C. International Import Market Analysis

1 EU(15) market for imports

For serious shoe manufacturers who wish to enter export markets Europe provides the most potential. If "Greater Europe" is taken into consideration, it is the biggest import market in the world, it is also the most diversified. Europe imports cheap quality low-end shoes, and also the highest quality available, plus everything in between. There are differences in market characteristics between member states and differences in distribution methods. Some countries are easier to export to than others. The size of the markets in individual countries also varies due to population and consumption trends. There is a move away from the cheaper shoes to more comfortable leather footwear. Fashion plays a big part in the mass market. There is a substantial trade among the EU partners, especially from Italy, who exports to every other country in the EU.

Three countries are not part of the monetary union, UK, Denmark and Sweden. With the Jordanian Dinar pegged to the US dollar this should make exports to these countries competitive, especially to the UK (Denmark and Sweden are relatively small markets).

The biggest consumers of footwear in the EU are Germany and UK followed by Italy, France and Spain. Germany in particular, and Italy to some extent, have had depressed economic climates and are showing limited growth potential. UK is probably the most buoyant market in the EU at present.

Consumption figures are as follows:

EU (15) FOOTWEAR CONSUMPTION U.S.$ '000

COUNTRY	2000	2001	2002	CONSUMP-TION PER CAPITA	ESTIMATED ANNUALGROWTH% 2003 – 2007
Germany	11,026	11,021	10,763	132	1.5
UK	7,693	8,147	8,595	143	3.0
Italy	8,457	8,639	8,293	146	-1.0
France	7,934	8,037	8,198	139	2.2
Spain	5,183	5,485	5,777	144	1.8
Benelux	3,553	3,702	3,693	142	1.0
Others	6,355	6,526	6,676	129	1.5

Source CBI Survey

The leading 6 countries represent 87% of the total consumption of the 15 states.

The difference in consumption in member states is more related to climatic and cultural differences rather than market forces.

As far as imports of shoes made in Jordan are concerned the biggest competitors would be:

- Italy
- Spain
- Portugal
- Tunisia
- Morocco
- India
- Central & Eastern European Countries (CEEC)

The Far East is still a factor in certain EU countries (Vietnam with its leather industry development). Its product mix tends to be more in "white" shoes, it is not possible to compete with them directly. Niche marketing is the key to market entry in the so-called "brown" shoe market.

IMPORTS TO EU (15) FROM COUNTRIES

COUNTRY	1999		2000		2001	
	'000 prs	'000US$	'000 prs	'000US$	'000 prs	'000US$
Italy	244	3,291	240	3,215	201	3,323
Spain	103	1,145	93	1,108	92	1,166
Portugal	81	1,357	76	1,336	76	1,390
Tunisia	11	263	14	320	16	355
Morocco	12	161	13	175	15	199
India	29	428	30	481	33	585
CEEC (excl Rom.)	92	1,422	98	1,543	110	1,793
Romania	45	661	53	862	63	1,155

It can be seen from the above, imports from intra Europe countries are declining, while imports from North Africa and India are increasing. The CEEC are making inroads with Romania (not yet a member of EU) making the biggest penetration. Of the exporting countries therefore Tunisia, India Romania would be the major direct competitors.

1.1 UK

The UK market is somewhat unique in Europe in that it imports footwear from the very low end (all synthetic), to expensive (all leather) designer brands. The market segments range from very low to very high price points. According to the British Footwear Association, UK imported 338 million pairs in 2003.

About 240 million pairs were sold through retail chains, with less than 10% sold through independent retailers. These retail chains can be of 20-30 shops up to 300 – 450 shops specialising in footwear. Other retailers include department stores that traditionally sold only clothing, now they are starting to sell the total ensemble including shoes. Other outlets, non-specialist, are supermarkets, mail order and market stalls.

Women's shoes account for about 50% of the market, men's 34% and the balance 16% children's in monetary terms. In pairage terms women buy 49% men 26% and the children's market is 25%. Imports of leather footwear account for almost 60%

of the UK market.

Distributors, wholesalers and agents introduce shoes to the market. There is no major buying group, which means there are many customers to sell to. There are also many popular brand names on the market, either as supplied footwear or branded shops.

The main suppliers for leather footwear in 2001 in '000 pairs were as follows:

COUNTRY	'000 PAIRS
Italy	24,303
Portugal	16,333
India	3,787
Far East	31,845

This sector imported 130,852 million pairs in total for the period.

1.2 Benelux

The tradition of trade dominates the footwear sector here, Holland and Belgium are big re-exporters of imported shoes. They supply the rest of EU (15) plus the CEEC as well as their local market. The market segment tends to be medium or medium low end and the traders demand keen prices. However, if the merchandising is correct, good business relationships can develop. The attraction of Benelux is more for the re-exporting rather than just the local market.

The main suppliers for leather footwear in 2001 in '000 pairs were as follows:

COUNTRY	'000 PAIRS
Italy	6,053
Portugal	4,948
Spain	276
Germany	184
India	122
Far East	18,828

This sector imported 80,960million pairs in total for the period.

1.3 Germany

The retail market in Germany has been depressed for some time due to prevailing economic conditions in the country. There does not seem to be any great change in these conditions for the foreseeable future.

Two large buying groups (Garant and ANWR) control over 25% of the purchases in the country and dominate the market. They have between them 3,500 members, the Diechmann group is the biggest retail chain operating with 1,113 shops.

There are few other large groups who are also players. This makes it difficult for exporters to sell into the market because of the limited number of customers. Also, Germany has a high quality threshold, with rigid specifications, making life difficult for overseas manufacturers.

The main suppliers for leather footwear in 2001 in '000 pairs were as follows:

COUNTRY	'000 PAIRS
Italy	34,03
Portugal	14,325
Spain	10,660
Austria	439
India	351
Far East	15,371

This sector imported 148,522 million pairs in total for the period.

1.4 France

The French market has a very similar structure to UK with the large divergence of market segments. It has a retail sector, which is very similar as well. There are about 6,700 shoe retail shops in France, which includes 42 chains. The big chains are Vivarte (formally Andre) with 143 shops and LaHalle aux Chaussures with 495 shops.

The main suppliers for leather footwear in 2001 in '000 pairs were as follows:

COUNTRY	'000 PAIRS
Italy	22,340
Portugal	15,779
Spain	12,756
Netherlands	8,922
Far East	6,488

This sector imported 95,850 million pairs in total for the period.

1.5 Spain/Portugal

Spain has about 16,000 retailers supplying shoes. Independent specialised retailers sell about 55% and multiple chains about 7% of the market. The rest is in department stores, mail order and clothing shops. Developments in the distribution of footwear in Spain have lagged behind other European countries.

Portugal is similar but smaller.

The main suppliers for leather footwear to Spain in 2001 were Benelux, Italy Portugal and the Far East. Imports were 13,959 million pairs in total for the period.

1.6 Italy

Although a major producer of shoes and is export oriented, the Italian shoe market for imports is growing. Imports were 196 million pairs in 2000 and estimated at 294 million pairs in 2003. 80% of these shoes come from outside the EU. In 2002, Romania was the biggest supplier in value terms (28%) as the shoes it sells are nearly all leather. The majority of supplies from Romania are sub contracts with Italian manufacturers or distributors, so little marketing is done by Romanian

producers. China is the biggest supplier in pairage terms (27.4%), mostly sports, textile and plastic shoes.

Leather footwear is the biggest market segment at about 70% of total consumption. Distribution in Italy is somewhat fragmented with no major chains unlike UK, Germany and France. There are many independents and of course department stores. Shopping malls have not yet developed in a major way. Because of this fragmentation there are, in theory, many customers to go at. These customers tend to be served by wholesalers, import agents, and distributors.

The main suppliers for leather footwear in 2001 in '000 pairs were as follows:

COUNTRY	'000 PAIRS
Romania	32,876
CEEC	9,544
Vietnam	6,020
China	976
Others	35,332

This sector imported 84,748 million pairs in total for the period.

2 Conclusions – EU market for imports

The EU market is large and diversified, it is also very competitive, with all aspiring exporting countries trying to penetrate it. The market is full and occupied, the only way to enter the market is by conquest marketing i.e. beating out a competitor.

The EU is not proactive when looking for new suppliers, it is up to them to present their offering to the buyers for consideration. For buyers to take note a competitive advantage must be established and a value proposition made.

The current intra Europe suppliers, Italy, Spain and Benelux are well established and are at leading edge of the market in terms of product development. They operate in the medium to high end of the market. The extra Europe suppliers, Tunisia, India, Romania have governmental support, have strong domestic manufacturing industries, are well supported by component suppliers and others. Consequently, they are very competitive, they operate at the medium to medium low end of the market.

Operating in the European market has other advantages. Inevitably, companies are exposed to the latest fashions, technology and market trends; this is a big help when exporting to other less developed markets.

The Far East is a factor, it always is, it dominates the white shoe market supply in Europe. Far East countries compete among themselves for this market, European suppliers have more or less abandoned it. However, as this market is becoming saturated, Far East suppliers are turning more and more to "brown shoes" from leather and pose a threat for the future.

3 USA market for imports

USA has the biggest individual market in the world for shoes. Like a magnet it attracts almost all shoe manufacturers. However, the realities of operating in the

American market are harsh – it is very competitive, very big, and very unforgiving if mistakes are made.

The majority of consumer goods sold in the USA, the mass market, are sold through large chains of shops, with thousands of stores per chain. Footwear is no exception to this fact, this type of operation needs like sized suppliers to feed the large volumes involved. This is why main stream USA looks to the Far East for its suppliers who are compatible in size. However, there are other channels of distribution that in American terms are relatively small, but for small and medium size exporters offer opportunities.

Imports of footwear into the USA are as follows:

FOOTWEAR IMPORTS TO USA US. $ '000

USA SOURCE ITC	2000	2001	2002
WORLD	**15,662,620**	**16,009,439**	**16,159,259**
China	9,741,866	10,283,988	10,763,137
Other Far East	1,603,698	1,549,544	1,548,637
Italy	1,317,198	1,311,242	1,229,370
Brazil	1,205,938	1,202,939	1,134,595
Mexico	356,225	315,290	283,188
Spain	341,779	286,042	281,269
UK	203,214	156,039	109,105
Rest	2,078,182	904,355	809,958

Sports shoes, predominantly white shoes, take up the majority of the retail market. According to the National Sporting Goods Association over $14,400 million worth of shoes were sold each year for the past 3 years. The actual production of shoes in the USA is about 75 million pairs per year (many of them industrial footwear) versus imports of 1.9 billion pairs (2002 figures).

Although the market is huge and can be intimidating for small and medium sized manufacturers, it still has its segments. There are still opportunities for good quality leather uppered shoes, correctly priced, likewise safety footwear. Fully injection moulded safety wellington boots is another area.

For small and medium sized shoe manufacturers this has implications which mean developing strategies to enter the market.

Jordan has the FTA and QIZ agreements with USA. The FTA allows conventional leather and safety shoes to enter USA at 0% duty. For other countries the duties range from 8.5% to 20%. The QIZ allows fully moulded industrial footwear to be imported free of duty. Outside the QIZ it would be subject to 22.5% from Jordan and 37.5% from other countries (The FTA and QIZ systems have certain rules to allow this to happen but these are manageable. The objective is to encourage trade between the two countries).

For Jordanian manufacturers, it would seem to make sense to aim at these two segments which offer a competitive advantage.

Recently (August 2004) the NSRA (the National Shoe Retailers Association of

America) launched their buying alliance. The NSRA represents independent retailers who generally operate small chains of shops that are family owned. The buying alliance is looking to purchase for its members, private brands that are not available in other shops in USA. They aim to buy direct from producers and import directly to their member's stores, in this way they cut out the middleman. The manufacturer and the shops should share this saving. The shops are hoping for up to 70% margins. Although new and as yet untried, it could turn out to be an excellent way for a small producer to enter the USA market.

The alliance will be showing at the WSA (World Shoe Association) shoe show in Las Vegas twice per year. Contact should be made with them.

Industrial footwear is technical in nature and needs to be carefully developed, with a 37.5% duty advantage it would seem another segment to be investigated. The companies currently making this product for the local and regional market should consider the USA market through the QIZ. The possibility of making under licence in Jordan should also be borne in mind.

3.1 Types of shoes with market potential

There is no reason that shoes aimed at the EU market cannot also be sold in USA. Therefore to avoid duplication, these same types of shoes listed under the European market would be suitable for the USA.

3.2 Conclusions – USA market for imports

There are no great secrets or special techniques about operating in the USA market. To be successful, the following should be remembered:

- Producers and distributors should be of compatible size.
- The product must be of consistently good quality.
- Pricing must be keen.
- Excellent service must be given.

SECTION II:
ANALYSIS OF JORDAN FOOTWEAR SECTOR

1 Methodology

In order to get a proper picture of the shoe manufacturing industry in Jordan, a series of visits were made to the larger enterprises in Amman. This comprised 13 companies (1 company declined a visit) ranging from shoe manufacturers, component manufacturers and raw material suppliers. The original aim of the visits was to do a benchmarking exercise on each company to compare it with industry norms. A benchmarking form was designed. In the event, the parlous state of the industry rendered the form redundant. Much of the information therefore was empirical in nature, obtained from entrepreneurs themselves through discussion and interview and by objective experience. The owners/managers of the companies were forthright in their views. Where information could be verified, it was accepted as fact, where it could not be verified, it was accepted as opinion only. After initial hesitation, (the visit coming from "government"), entrepreneurs welcomed the visits, recognising that the main objective was to help the industry out of its present difficulties.

A survey was also conducted of the retail shops in Amman to see the various market segments that the industry served.

In order to complete the study, information was obtained from official sources (Department of Statistics, EJADA, The Competitiveness Team at the Ministry of Planning, plus other recognised shoe information centres).

2 Manufacturing

From an assessment of these visits, it is clear that the state of shoe manufacturing in Jordan is in a very bad way.

With the exception of Jordan Tanning Company and possibly Al-Manara Shoes Company (who both have niche markets in the service segment) there is no shoe factory in operation. All have been reduced to mere workshops, making, by traditional hand methods, between 20 and 120 pairs of shoes per day, mostly from synthetic materials. Even a Company, which is known as one of the best managed shoe enterprises in the world, has reduced its operation to only importing, having previously made 1,500,000 pairs of shoes per year in Jordan 50% of the shoe enterprises visited are also importing shoes for resell in order to create an income. This is an obvious conflict of interests.

Because of the massive impact of Chinese (synthetic shoes) and to some extent Syrian (leather) footwear imports, local manufacturers now have a very limited market for their products. It is worth noting, Syrian shoe manufacturers are protected domestically against imports. Companies have also suffered from capital erosion. Management and owners are completely demoralised, thinking only of survival rather than planning for the future.

The domestic market has been more or less lost to local manufacturers. The only

people doing well are shoe repairers! The mass market, retail prices between JD5.00 to JD15.00, has been taken over by imports from China. These shoes are 90 - 95% synthetic i.e. with PU or PVC uppers and linings and soles of PVC, thermoplastic rubber, resin rubber or PU. *These shoes are not leather, they do not breath,* (unlike leather), they are similar to putting a plastic bag on your foot, which can produce foot health problems, especially during the hot season. They are uncomfortable to wear, *but people still buy them for themselves and even for their children!*

Local shoe manufacturers who are still active, are trying desperately hard to compete with the Chinese imports. However, they continue to replicate the Chinese product in terms of cheap materials, last shapes, heel heights, colours. They have seen the Chinese shoes in the shops and therefore believe this is what consumers want. They are fighting the Chinese head to head. This is not a good strategy and clearly lacks vision. They need to find other niche products if they are to survive, but niche marketing has to be done early on in the cycle. Many manufacturers now find it is too late, they realise this strategy is not working and succumb to being importers themselves.

Only one company visited changed its production from Chinese type imports to safety shoes in order to survive, this was mainly due to correct strategic thinking.

FOB prices for the types of shoes in question have been quoted at between US$ 1.40 and $4.00. Some of the prices quoted, compared to the cost of making the shoe look far too low, which gives rise to the suspicion of dumping. However, this is difficult to prove. It also seems that smuggling is an issue. Even official spokespersons for the Chinese industry say the average ex factory price is $2.50 per pair in 2003. It is also suspected that the Chinese industry has hidden subsidies and export incentives (13 - 14%) which are in effect the profit of the factories rather than a percentage of the true production cost, (importers themselves mentioned this). These facts make manufacturers even less willing to produce and turns them into reluctant importers.

Faced with this structure, it is extremely difficult for local manufacturers to compete. They have duties, up to 30%, they have to pay for raw material imports. The main raw material, leather, is only available from 1 local tannery who is more geared to service footwear than fashion. Many critical raw materials needed for shoe manufacturing in Jordan have to be imported and duty paid. Government has recently announced that imported industrial inputs will be reduced to zero rate of duty. However, the situation on this is still unclear.

A trial costing was done (see annexes) on a ladies dress shoe similar to Chinese imports but using locally available synthetic materials. This showed a raw material cost of US$ 4.15, add on labour, $2.96, giving a production cost of $ 7.11. This is probably about $ 4.11to $4.61 more than the FOB price of the equivalent Chinese shoe.

Say the Chinese shoe is $3.00 FOB, $3.50 CIF, duty, clearing and forwarding, local transportation etc, would be 35% = $4.73 into warehouse cost, still less than production cost (without overheads and profit) of $ 7.11 for the locally made equivalent.

Reduce the local raw material costs by 30% (duty, handling charges, local wholesalers profit etc) gives a raw material cost of $2.90 add labour of $ 2.96 =

production cost of $ 5.86.

This is still $ 1.13 more than the Chinese CIF price. This scenario still makes it extremely difficult for the local manufacturer to fight the imports and re-establish the local manufacturing base, even if it would give the consumers a better quality product.

No doubt with a factory making upwards of 450 pairs per day, every day, efficiencies in manufacturing would be achieved and costs would decrease to get to accepted norms. This cost saving would allow the shoes to be marketed at sensible prices.

However even if local manufacturers had a market and access to duty free inputs they still have some major obstacles to overcome if they are to survive. These are technical in nature.

- Shoe engineering has to be improved. Grading of patterns should be done by mechanical or computerised means, it is not possible to make excellent quality shoes grading patterns by hand. This is time consuming, inaccurate and most importantly wastes material, (leather, the most expensive commodity in the shoe).

- Lasts, soles and heels must be in the correct combination. The shoe must tread correctly, otherwise it will be uncomfortable in wear. No foreign buyer would buy a shoe that does not tread correctly.

- Cutting of leather must be done properly according to the lines of stretch and position of the part on the leather hide to preserve the integrity and quality of the shoe. Waste has to be controlled.

- There needs to an investment in the stitching of uppers. Most machines used are simple flat bed, very few post bed sewing machines were in evidence. Post bed machines give the flexibility and efficiency in producing designs that the market wants.

- Workshop management is at best rudimentary. There was little control over the production processes. Shoes were treated like potatoes due to lack of equipment for transporting semi-processed goods through the factory. To be efficient and reduce costs, a proper labour loading of operators is required, linked to incentive payment.

- Proper costing systems are required. Most factories *estimate* costs rather than *calculate* them giving inflated figures leading to too high prices. Costing can be done manually by the parallelogram system or better still by computer.

- Companies need to decide their market niches and build a range of shoes accordingly, then go out and solicit orders for them. This should be done at least twice per year.

- Companies should practice proactive, sound marketing techniques. There needs to be product differential, (not “me too” shoes), key customer values, a competitive advantage(s), brand names that are promoted to the consumer etc. It is possible that part of the reason the imports have been successful, in the short term at least, is the fact that the look of the shoe or fashion is what the market

wants. Successful shoe manufacturers make what they can sell rather than sell what they can make.

The above are manageable situations which can be solved by technology transfer and training. The structure of the market, however, requires Government intervention.

3 Local market

The survey of the retail shops, from shopping malls to the downtown area, reveals that the market is saturated with low quality, though cheap, Chinese made footwear. They are all very similar in styling and pricing in almost all shops, there is little product differentiation. They are not value for money. However, the shoes look good, are fashionable, in terms of last shapes and heel heights. This is the reason they sell, if they did not look good no matter what the price, consumers would not buy. Add to this an attractive price and you have a winning retail combination.

There seems to be too many shoes chasing too few customers. Hopefully, the fact that this type of Chinese shoe that lasts from 3 days to 3 months before it breaks, and has to be replaced, will have an effect on the market and increase the demand for better quality footwear, albeit at higher retail prices *(Better to buy 3 pairs per year for 45JD than 5 pairs for 50JD)*. The lack of implementation of consumer protection laws does not help the situation. However, it seems that consumers have not yet reacted to this fact, but sooner or later the quality problem becomes a factor and sales inevitably decline (One local manufacturer gives an unconditional guarantee for 6 months on its shoes).

In other countries this influx of cheap, inferior, Chinese footwear disrupts the local market for a period of 3 to 5 years before consumers become disillusioned with the products and reject them. Chinese footwear, initially, gains an entry into a market not really on price, (although this is a factor) but because they look good and are fashionable (Possibly in the past local manufacturers were not supplying what consumers wanted).

The first importers make good profits (buy low, sell high), then others realise this and also start to import. Competition between importers becomes fierce, retail prices and margins fall, the market cannot absorb all the shoes in stock, eventually there is a fall out and the market should return to some normality.

Some manufacturers, even importers, claim there are up to 5 million pairs of shoes in warehouses waiting to be put on the market. There was no way to verify these claims but evidence in all the retail shops where there is heavy discounting going on, may point to stock elimination rather than traditional summer sales. If there are large inventories, this has the effect of stagnation in the market. Retailers have no *open to buy* because of capital tied up in stock. In this case, manufacturers with the best product in the world could not sell.

The statistics on imports of shoes into Jordan are confusing. The DOS has one set of figures, the ITC, which publishes figures from the UN Comtrade Statistics, obtained from reporting countries (in this case China) has another. The figures are as follows:

IMPORTS OF SHOES IN JORDAN (US$)

YEAR	2000	2001	2002
DOS, all shoes	11,940,261	11,169,963	14,650,480
ITC, CHINA only	20,044,000	19,894,000	20,240,000
Difference	8,103,739	8,724,037	5,589,520
Diff. In pairs @ $3.00 per pair	3,980,087	2,908,012	1,863,173

There is a huge discrepancy in the figures. An average of 3 million pairs per year unaccounted for (and this is taking an average price of $3.00 per pair, which is probably higher than the true average). This lends credence to the claims that there are millions of pairs sitting in warehouses waiting to be marketed.

During this period, the local shoe manufacturing industry has a very difficult time and is in danger of going into terminal decline. If nothing is done, it is almost impossible for it to recover. The industry is an easy creator of jobs, both in tanning and manufacturing. A component and raw material supply industry also depends on it.

A further irritant in the market is the selling of imported second hand or used footwear. This commodity is imported by the kilo and is subject to a duty rate of 30% under the 640590 classification. It has been known for the category to be changed to "charitable status" which is zero rate. The shoes are of poor quality, no two people have the same feet. It is therefore guaranteed that previously worn footwear will be uncomfortable to wear. Furthermore, these shoes can prove to be a health hazard as their origins are unknown and they are certainly not sterilised. They do not seem to be a major factor in the local market at present due, in the main, to the low prices of regular imported shoes and lack of consumer awareness. However, if the Chinese shoe imports were to be curbed, there is a danger that this item could take their place, which would be even worse scenario for local manufacturers. They really have no place in a developing market and should be banned.

3.1 Market size

An effort was made to try and determine the real size of the local market for shoes. In the event this turned out to be more difficult than anticipated due to conflicting information, and the lack of statistics in pairage terms. Industrialists' opinions were that the market ranged from 8 million to 20 million pairs. When asked to justify these figures they prevaricated leading to the conclusion they did not really have any concrete information as to the size of the market.

However, using statistics from DOS, industry sources, and experience, the following extrapolation was done:

ESTIMATION OF THE FOOTWEAR MARKET IN JORDAN

The following is an estimation of the size of the footwear market in Jordan. It assumes that every shoe that is manufactured or imported (minus exports) is sold in the country during the year in question. It takes no account of change in inventory.

	1998	1999	2000	2001	2002	2003
TOTAL POPULATION						
Age Group						
0-14	1,764,383	1,817,900	1,869,469	1,922,522	1,987,076	2,033,080
15-19	603,980	622,300	639,953	658,114	680,212	695,960
20-65	2,206,668	2,273,600	2,338,096	2,404,448	2,485,184	2,542,720
65+	180,719	186,200	191,482	196,916	203,528	208,240
TOTAL	**4,755,750**	**4,900,000**	**5,039,000**	**5,182,000**	**5,356,000**	**5,480,000**
INCOME EARNERS (I.E)						
Employed						
Male	1,372,966	1,414,610	1,454,739	1,496,023	1,538,569	1,585,079
Female	217,775	224,381	230,746	237,294	246,599	249,888
TOTAL	1,590,741	1,638,991	1,685,485	1,733,317	1,785,168	1,834,967
Infomal (33.3% employed)	529,717	545,784	561,267	577,195	594,461	611,044
TOTAL INCOME EARNERS	**2,120,458**	**2,184,775**	**2,246,752**	**2,310,512**	**2,379,629**	**2,446,011**
FOOTWEAR MARKET (JD)						
Imports	6,547,554	7,564,210	8,528,758	7,978,545	10,464,629	12,899,502
Local	13,865,000	14,364,000	20,486,000	16,666,000	15,942,000	*12,275,340**
Exports	10,603,708	4,084,463	4,467,418	2,654,520	1,962,246	1,669,926
TOTAL	**9,808,846**	**17,843,747**	**24,547,340**	**21,990,025**	**24,444,383**	**23,504,916**
PURCHASE PER CAPITA (JD)	2.06	3.64	4.87	4.24	4.56	4.29
PURCHASE PER I.E (JD)	4.63	8.17	10.93	9.52	10.27	9.61

The above gives an indication of market activity in financial terms. However, a better indication of the size of the market is the number of pairs consumed i.e. bought during the course of 1 year. There are no available statistics on the number of pairs of shoes made, imported or exported. The following is an attempt to determine the market size in terms of pairage consumed.

MARKET BREAKDOWN								
	RETAIL SELLING				EST MARKET	EST MARKET	EST MARKET
	PRICE		EST CIF US$	EST CIF JD	SHARE % (A)	SHARE % (B)	SHARE % (C)
I	Up to	5.00 JD	3.00	2.14	25	35	65
II		6-10 JD	5.00	3.57	65	60	30
III		10.00+ JD	8.00	5.71	10	5	5
		EST PRS	EST PRS	EST PRS	EST PRS	EST PRS	EST PRS
AI+AII+AIII		3,103,601	5,645,911	7,766,984	6,957,828	7,734,408	7,437,153
BI+BII+BIII		3,338,688	6,073,569	8,355,306	7,484,859	8,320,262	8,000,490
CI+CII+CIII		3,889,487	7,075,554	9,733,720	8,719,672	9,692,894	9,320,369
EST. PAIRS PER CAPITA	**(A)**	0.65	1.15	1.54	1.34	1.44	1.36
	(B)	0.70	1.24	1.66	1.68	1.55	1.46
	(C)	0.82	1.44	1.93	1.68	1.81	1.70
AVERAGE		**0.72**	**1.28**	**1.71**	**1.57**	**1.60**	**1.51**
EST PAIRS PER CAPITA, I.E	**(A)**	1.46	2.58	3.46	3.01	3.25	3.04
	(B)	1.57	2.78	3.72	3.24	3.50	3.27
	(C)	1.83	3.24	4.33	3.77	4.07	3.81
AVERAGE		**1.62**	**2.87**	**3.84**	**3.34**	**3.61**	**3.37**

AVERAGE CONSUMPTION OVER THE 6 YEAR PERIOD IS ESTIMATED AS:

Per capita 1.40 pairs per year **Per I.E. 3.11 pairs per year**

** estimate*

TOTAL SHOE MARKET ACCORDING TO THE ABOVE DATA IS:
7,437,153 TO 9,320,369 PAIRS PER YEAR. OR 8,378,761 PAIRS AVERAGE

The official statistics of household expenditure on footwear in 2002 shows a purchase of JD 1.36 – 9.02 per annum. At an average selling price of JD 7.00, this would give a per capita of 0.20 to 1.30 pairs per year.

If these figures are anywhere near correct then, the question remains how many modern shoe manufacturing plants can the market support?

Imports are never going to go away, they are there to a greater or lesser extent in any market. Government intervention and/or market forces can control the size of the import market. We have seen the result of so called market forces – the deluge of imports from China.

If imports were pegged at 4 million pairs (50% of the market) this would leave 4 million pairs available for local manufacture. At 260 working days per year this represents a local production of about 15,000 pairs per day. This level of production could support 12 to 18 modern SME's making between 800 and 1,200 pairs per day each. At this level of production, shoe factories become viable enterprises. They would directly create 1,500 to 2,000 direct labour jobs, with many more being added in supporting industries.

This also assumes that not a single pair of locally made shoes is exported, which is unrealistic. Exports are a bit of an unknown quantity. Nevertheless, it is safe to assume some exporting will take place either regionally or internationally, especially when the QIZ system and FTA with Europe are taken into consideration. This would create an even bigger manufacturing base than indicated above.

It should be noted, for this to happen, some sort of market regulation is necessary in the short term to allow the local manufacturing base to regroup.

4 Benchmarking of industry

As discussed, the local manufacturers have retreated from mechanised production. Of the visits made, 7 companies were more or less equipped with the basic machinery (lying idle) required for this type of manufacture. This represents a considerable investment on the part of the owners (A modern lasting plant from Italy would cost in the region of US$ 325,000).

It was not possible therefore to do an actual benchmark for each individual company. However, if and when, the industry has the correct environment to rebuild, it must aspire to international norms in order to survive in the world market. It must also present a modern, viable face to potential buyers and investors. Serious buyers tend to visit their suppliers and see their facilities. They want to see a clean, tidy, well organised manufacturing operation (not offices) that gives them confidence.

The following benchmarks were developed for the footwear industry by the leather unit of UNIDO, Vienna. They are designed to evaluate a company's competitiveness in the global market. Management should use these to assess whether they will be able to meet the challenges of the market, in other words are they as good as or better than their global competitors. Can they beat other suppliers of the same types of footwear?

The study lists the most important areas (controls, management, processes) and aspects of footwear manufacturing, provides benchmarks and indicates good manufacturing practices. It is understood that the quoted quantitative criteria

are fairly general (i.e. they characterise production of everyday leather shoes or street shoes) or may be applicable only to specific segments of an entire range of footwear. Further, these parameters are based on the current achieved results and will certainly change as technology develops, consumer needs change and/or external conditions of industrial operations change. Therefore, it is obvious that benchmarks and GMP (Good Manufacturing Practice) are not static. They need to be periodically reviewed, updated and supplemented according to actual economic, market, technical and social conditions.

Company (Business) Management

Benchmark	Unit	Value	Good Manufacturing Practice
Minimum company size – production	Pairs/day	450 - 1000	■ *Unutilised* premises and equipment reduce efficiency ■ *Marketing is the key function:* product development should be controlled by marketing ■ Only design and shoemaking skills are specific to shoemaking technology. *Specialists* should be employed in other areas e.g. unit soles making, purchasing, accounts, marketing. ■ *Training* of labour and management is essential
Optimal company size – no. of employees	People	~600	
Optimal company size – production	Pairs /day	5,000 – 8,000	
Location from major market by truck transport time	Day	< 3	

Very large shoemaking companies, have gradually declined in the past 40 years (Notwithstanding the situation in China). In the 1950-60's, factories operated in multi-story buildings, today most factories are single story rectangular shaped buildings. The use of premises of inadequate and/or inappropriate layout can add 15% to the total employment bill.

Production: Cutting

Benchmark	Unit	Value	Good Manufacturing Practice
Die cutting (for making cutting dies)	Pairs/style	< 2,000	■ Workplace organisation: 1,500 Lx even artificial lighting, proper die labelling & storage system, organised cut piece removal & storage waste collection at each machine / workspace
Cutter productivity	Stroke/8hr	200 – 220	
Genuine leather beam cutting			
Manual soft leather cutting	Pairs/8hr	80 – 100	

Despite relatively high investment costs, the use of computer controlled leather-cutting machines in the production of samples and small orders can have a surprisingly short payback period.

Shoe component - prefabrication of unit soles, insoles, stiffeners, heels has become a business in itself and are produced by specialist manufacturers.

Production: Material Utilisation

Benchmark	Unit	Value	Good Manufacturing Practice
Use of leather measuring machine	%	+2	■ *Incentives* to be paid to cutters for material economy
Pattern measurement, material costing & cutter control system	%	+5 – 15	
Usable leather area	%	75 – 92	
Use of cutting optimisation system	%	5 –7	

Production: Closing (Stitching)

Benchmark	Unit	Value	Good Manufacturing Practice
			Performance can be increased by 30 – 70% through: ■ Better & regular training (skill development) ■ Workplace organisation & motion studies ■ Better work measurement ■ Use of optimal working conditions (lighting space etc.) ■ Better operator control **Performance can be increased by 30% through:** ■ Quick stop & variable speed motors ■ Needle stop & positioning devices ■ Thread cutters ■ Programme facilities ■ Even smaller companies can justify automated, computer controlled sewing machines

Shoe uppers are the most variable parts of a shoe. Their labour content depends on the number of components, complexity of construction, contours, decorations etc. It is not possible to set benchmarks for actual production. If more than 10% of closing room workers are idle (moving, waiting, inspecting, thinking, talking, etc), then there must be some problems that must be solved.

Production: Shoe Assembling

Benchmark	Unit	Value	Good Manufacturing Practice
Productivity			**Principles for high productivity:**
Conventionally mechanised	*Pair/w/hr	16	
Highly automated		26-28	■ Well balance production line
Best known today		32	
Finishing: number of operators in relation to those in assembling	%	< 50	■ Combination of operations ■ No shoes should be touched if no physical changes are made

* pairs per worker per hour

If a critical mass of production (minimum 400 pairs/8 hour shift) is not ensured, the lasting machines are too expensive, then hand lasting should be used. Equipment, production line balancing and incentives define productivity.

Production: Overheads

Benchmark	Unit	Value	Good Manufacturing Practice
Share of indirect workers in normal shoe production	%	<15	**Open plan office:** ■ Easier communication ■ Higher efficiency & discipline ■ Eliminates "half jobs"
Production supervision	Worker		
Supervision only		~ 25	
Supervise with support staff		~ 40	

Production: Quality Assurance

Benchmark	Unit	Value	Good Manufacturing Practice
Defect rate: Rejects + customer returns	%	< 3	■ Sole bond tests ■ ISO 9000 ■ Final inspection

Product Development

Benchmark	Unit	Value	Good Manufacturing Practice
Designs and pattern engineering from idea/sketch to graded patterns			**Efficiency criteria:** ■ Productivity ■ Punctuality & speed ■ Accuracy
Manual	Day/style	~1	
CAD		~2	

Purchasing

Benchmark	Unit	Value	Good Manufacturing Practice
Material content (in costs)			■ Negotiate with suppliers ■ Do not depend on a single supplier ■ Pay accurately (poor payment may add 12%) ■ Use suppliers of matching size (to yourself) ■ Use a leather assessment system ■ Measure and check quality of supplies
Sandals	%	~ 45	
Standard shoes	%	~ 50	
Boots	%	~ 60	
Mark down by end of season	%	< 2	

Marketing

Benchmark	Unit	Value	Good Manufacturing Practice
Margins (of profit on selling price)	%		**Company reputation:** ■ Quality, consistency, reliability ■ Health & safety (at work), environmental protection, labour policy **Branded footwear:** ■ Good product is pre-requisite ■ Long term strategy
Wholesalers		~30	
Retailers		45-60	
Agents		~7	
Bonuses offered			
Quick repeat orders	%	~10	
Special seller (e.g. mail order)	%	10-25	
Brand advertisement costs	%	3.5-4.0	

The number of shoe manufacturers and the supply to the world market exceeds the actual demand. Companies, who do not have marketing and selling policies/ strategies, leave a high rate of profit to traders. Manufacturers should be aware where they make profit. Type of product, customer, market, distribution channel etc. A brand is not created only by advertising, *good reputation (image)* is an important factor in getting business and also staying in business. The following factors, in order of priority, define market competitiveness and success in shoe manufacturing:

- Speciality product
- Compliance with order specification (delivering what was ordered by customers)
- Delivering on time, reliability and consistency of supply
- Service, accepting small and repeat orders
- Price and payment terms

Finance and Asset Utilisation

Benchmark	Unit	Value	Good Manufacturing Practice
Turn of capital:			■ Medium and large scale operations best combine private and bank capital ■ Smaller companies – shareholders funds ■ Loans should be taken only for highly profitable growth opportunities ■ Alternatives to normal bank financing should be explored (suppliers credit, government schemes, international funds) ■ If production needs to be increased then a proper investment decision to be made rather than adding more labour ■ The *production level* should be maintained evenly through the year.
Shoe manufacturer	times/year	> 2.5	
Shoe retailer		2.5 – 3.5	
Return on sales:			
Basic shoemaking	%	6 – 8	
Branded	%	8 – 12	
Niche/special	%	12 – 16	
Working capital:			
■ Basic materials	w. day	< 30	
■ Work in progress	w. day	4 – 10	
Finished goods:			
■ Direct supply to retailers	w. day	< 10	
■ Wholesale	w. day	< 60	
Capacity utilisation:			
Ladies	%	~ 87	
Men and children	%	~ 92	

Profit made on footwear production is essential to keep the company in business. Generally, it is not easy to borrow funds for the shoe industry. Loans usually have high borrowing costs. Profitability of less than 5% creates high-risk conditions and makes the company quite vulnerable.

The above guidelines should be used by Jordanian shoe manufacturing companies when they are going through a re-organisation process. Benchmarking is a useful tool, measuring performance is necessary in order to become globally competitive. No improvement will be achieved without the determination of management to find out how things can be done better.

Those who think they are "different" and that benchmarking and good management practices do not apply to them, will likely disappear from the market.

5 SWOT analysis

The results of the analysis are as follows:

SWOT ANALYSIS

STRENGTHS	WEAKNESSES
■ QIZ agreement with USA ■ FTA with EU (and USA) ■ Proximity to the EU market, 11 days door to door. ■ 0% duty rates on necessary imported raw materials (in process) ■ Smaller flexible factories ■ Labour is available ■ Wage rates are relatively low ■ Proximity to Italy for raw materials and styling ■ Efficient infrastructure and communications	■ Low marketing skills ■ Lack of experience in International (as opposed to regional) markets ■ No local market ■ No sector association ■ Poor factory management ■ Shoe machine inventory poor and old ■ No CAD systems in place ■ Poor pattern engineering ■ Lack of experienced shop floor management ■ Poor sourcing of raw materials ■ No local leather ■ Lack of working capital ■ Poor communication skills

OPPORTUNITIES	THREATS
■ Marketing of safety shoes to USA ■ Marketing of leather shoes to EU ■ Can re-organise factories to a higher level of technology ■ Export promotion schemes available ■ Reclaim local market ■ Upgrade working conditions (job security, benefits, incentives)	■ Imports take over the local market ■ Management cannot cope with the commercial problems that will appear ■ Labour does not reach international standards of productivity ■ Smuggling of shoes ■ No trained labour to international standards

6 Conclusions on Jordan Footwear Sector

6.1 Human Resources

In any industry or business, the levels of skill available with which to operate predicate its success (or failure). The most sophisticated technology or marketing techniques are useless, unless they are understood and implemented properly. This particularly applies when entering international markets (Nike are superb marketers and excellent technicians, Microsoft are superb technicians and excellent marketers).

The level of skill available in the shoe industry in Jordan needs to be augmented.

From the evidence, there does not seem to be enough skilled (up to international standards) machine operators available. This can be corrected by the VTC system through moving the courses available up a level. The critical operations of clicking (cutting up leather), closing (stitching parts together) and to some extent lasting by machine need to be addressed.

Any operator cannot work efficiently, unless he has good organisation in the workshop. It was difficult to judge the plants, simply because they were not working under normal conditions. However, from experience it could be seen that workshop management was poor. The flow of work, the balancing of operations, material handling, cost control, the control of parts, is rudimentary at best. This reflects a lack of knowledge and or training on the part of workshop supervisors. In shoemaking, the control of the two critical areas of cost of materials and wages can lead to success or failure (The industry is not capital intensive).

Apart from having skilled operators and knowledgeable workshop supervisors, the most important area of all is Senior Management. The lead must come from the top. The owners and managers of the industry need more exposure to international business dealings. They **must** understand international marketing, they **must** move away from being producers to marketers. All Management in the industry has had a difficult time of late and has lost a lot of confidence in the future. This is understandable given the situation in the local retail market. Whatever the reasons for the influx of imported shoes, management has not been able to cope with them. They have lost a battle, hopefully not the war.

Assuming that a viable local market can be created for the industry to use as a base for future exports, Management must be up to the challenge ahead. Mechanisms need to be available for Management to gain the knowledge necessary to operate in International markets and, perhaps more importantly, the confidence with which to do it.

There is strength in numbers, owners and entrepreneurs have to come together and share knowledge and experiences. There has to be a forum for this, an association is required. The industry in many successful exporting countries operates as an integrated unit. In other words, each member of the supply chain works in harmony with the others to create a “team” with the common goal to get export orders. This in turn, will benefit all members of the team. It works on an “Olympic Ring” system. The principle members of the team are tanners, component suppliers, the shoe factory, marketing unit, banks, accountants.

6.2 Technology levels

In certain plants, the lasting machinery available was good. This is the "glamour" end of the shoe manufacturing process. However, to feed these machines, good quality uppers are required. This means proper shoe engineering, today computers using CAD systems does this best. None are in use in the industry, clicking is available by machine. However, the area of closing needs a lot of improvement, sewing machines are old and of restricted types (mostly flat bed). Today, sewing machines are more reliable. They have many automatic features available to improve productivity, which can pay back in a short period of time even for a small company.

With two exceptions, the companies were operating in multi floor buildings. This is inefficient. Factories should be single floor buildings for ease of control and cost reduction.

6.3 The local market

There has to be a re-alignment of the local market for companies to survive and grow. No investment will take place in manufacturing unless this is so, all exporters need a base from which to operate. This is usually the local market, mechanisms are necessary for this to happen.

6.4 Options for Export Market Penetration

The industry has an excellent starting point in the export process through the FTA, with EU and USA, and the QIZ with USA. This effectively, at present, allows, under certain conditions the export of footwear to these markets at 0% duty.

The mechanism for market penetration revolves around two methods viz:

- Direct selling
- Sub contracting

Both have advantages and disadvantages. Direct selling allows companies to control the whole operation, they can decide which markets to sell in to, and they can create their own brands. There is the potential for higher profits. The disadvantages are more international competition, continued product development. Market entry takes a longer time.

Sub contracting, in other words forming partnerships and / or joint ventures with third parties, allows for easier market access. In these partnerships in many cases, the local manufacture is the junior member. However, it allows for the transfer of technology, and it creates credible sales in the local market. There is also a "comfort zone" with the system. The main disadvantage is that, the senior partner effectively controls profit levels. The local company is usually locked into an agreement and has no international marketing exposure. However, this system works well in many countries, particularly those that are potential competitors of the Jordan industry, Tunisia and Romania. None the less, there comes a time when companies feel stronger and feel they can manage on their own. At this point, it is difficult to become independent.

A step along the way for exporting under this system, is to become the local licensee for an international brand, this usually involves an up front license fee and

/or a percentage of sales. In the agreement there should be a clause that states, at a point in the future, that the principle will purchase shoes for export.

Which method to use for international marketing is really up to the companies to decide for themselves.

6.5 Types of Shoes for Export

This is a critical decision for companies to make. The principle is to have something different or at least in relatively short supply. There is not much point in following the Tunisian, Romanian or Italian main stream footwear, making "me too" shoes. Shoes that are a bit more difficult to make or slightly unusual have more chance of success.

Items in this category are as follows:

- Industrial footwear, boots and shoes with leather uppers and two component soles. Soles of PU/vulcanised rubber or two component PU, injection moulded on. With and without steel toecaps, steel insole and metatarsal guard.
- Fully moulded PVC and/or TR wellington boots, with or without the components above.
- Hand sewn uppers onto PU soles known as Clarks type or St. Crispin.
- Side wall stitched shoes
- McKay stitched genuine moccasins
- Caterpillar type construction
- Stitch outs
- Goodyear welted

Industrial and moulded footwear lends itself well to the US market under QIZ rules. These shoes attract a 37.5% duty from other countries. Men's goodyear welted shoes also have a high demand in USA, current suppliers are UK and Mexico.

The other types are suitable for both markets EU and USA.

6.6 Target Countries

Normally, exporters should start with 1 target country and a secondary market. In the case of Jordan to the EU this is acceptable but because of the QIZ/FTA the USA should also be included. As far as Europe is concerned, the question is which market to target. Some are easier to penetrate than others.

Depending on the market entry method chosen, there are different criteria to be assessed to try and make an objective decision on which countries to target.

Therefore, a method was devised to try and make this judgement possible. A list of attributes was drawn up according to the entry method. These were given a weighting in their order of importance, each attribute was then assessed by country with a score out of 10. A total points score was therefore obtained, the country with the highest score was judged to be the optimum target market

TARGET MARKETS – DIRECT SELLING

KEY ATTRIBUTE	Weight-ing	GERMANY		UK		ITALY		FRANCE		SPAIN		BENELUX	
		Score	Points	Score	Points	Score	Points	Score	Points	Score	Points	Score	Points
Acceptance of Imports	2.0	5	10.0	9	18.0	6	12.0	6	12.0	6	12.0	8	16.0
Size of Market	1.6	10	16.0	9	14.4	8	12.8	7	11.2	6	9.6	5	8.0
Import friendly - Rules, regulations, distribution channels	1.5	5	7.5	8	12.0	6	9.0	6	9.0	6	9.0	8	12.0
Market dynamics – Expanding, contracting, same	1.4	6	8.4	9	11.8	4	5.6	7	9.8	6	8.4	5	7.0
Price points	1.2	8	9.6	6	7.2	7	8.4	7	8.4	7	8.4	5	6.0
Quality levels – the higher the level the more difficult	1.0	5	5.0	8	8.0	6	6.0	6	6.0	7	7.0	8	8.0
Communications	0.8	6	4.8	7	5.6	5	4.0	5	4.0	5	4.0	7	5.6
Availability of Agents	0.5	6	3.0	6	3.0	6	3.0	6	3.0	6	3.0	6	3.0
TOTAL	**10.0**		**64.3**		**80.0**		**60.8**		**63.4**		**61.4**		**73.6**
RELATIVE POSITON			**3**		**1**		**6**		**4**		**5**		**2**

From the above, it can be seen that the best market for direct selling is UK followed by Benelux, then France and Germany both fairly equal.

TARGET MARKETS – SUB CONTRACTING

KEY ATTRIBUTE	Weighting	GERMANY		UK		ITALY		FRANCE		SPAIN		BENELUX	
		Score	Points	Score	Points	Score	Points	Score	Points	Score	Points	Score	Points
Structure of Agreements*	2.5	7	17.5	6	15.0	6	15.0	6	15.0	5	12.5	5	12.5
Willingness to sub contract	2.0	6	12.0	6	12.0	8	16.0	7	14.0	7	14.0	5	10.0
Technology support	1.8	8	14.4	8	14.4	8	14.4	7	12.6	6	10.8	5	9
Financial support	1.5	8	12.0	7	10.5	6	9.0	6	9.0	5	7.5	5	7.5
Availability of brands (Quality)	1.2	5	6.0	4	4.8	8	9.6	6	7.2	5	6.0	4	4.8
Willingness to allow local sales	1.0	6	6.0	7	7.0	7	7.0	6	6.0	7	7.0	6	6.0
TOTAL			**67.9**		**63.7**		**71.0**		**63.8**		**57.8**		**49.8**
RELATIVE POSITION			**2**		**4**		**1**		**3**		**5**		**6**

** The higher the score the less onerous the agreement*

From the above, it can be seen that the best market for sub contracting is Italy followed by Germany. France and UK are both fairly equal.

SECTION III: RECOMMENDATIONS

1 Strategy for Jordanian shoe manufacturing industry

1.1 Create a viable domestic market for shoe manufacturing companies by the reduction of imports especially from China. All imports should be limited to a 50% share of the local market in terms of pairs.

1.2 Create a viable local manufacturing environment to allow the rehabilitation of existing factories and encourage the formation of new producers either local, joint venture or FDI, (The Minister for Trade and Commerce from Indonesia visited Jordan recently to explore JV possibilities. With the exodus of footwear factories from Indonesia, Jordan could become a beneficiary).

1.3 Implement industry specific knowledge transfer courses to strengthen the management skills of senior managers, especially in the areas of marketing and factory workshop management.

1.4 Establish regional linkages between VTC and counterparts in Tunisia and Egypt, with a view to providing modern training in skilled shoe machine operation, shoe technology and design.

1.5 Attract investment in the tanning sector to establish 2 – 3 new tanneries in Jordan to support local shoe manufacturing.

1.6 Establish linkages with Assomac (Italian Association for Shoe Machinery Manufacturers), and the leather unit of UNIDO for technology transfer to establish best manufacturing practices appropriate to the local industry.

1.7 In the next 4 years target 2 EU (15) markets through FTA and selected market segments in USA through QIZ for export promotion and/or inward investment.

1.8 Have in place in 5 years time 10 – 16 viable Jordanian shoe manufacturing companies capable of exporting globally.

1.9 Concentrate and focus existing export promotion schemes, specifically to assist the export process for footwear.

2 Action plan for Jordanian shoe manufacturing industry

		ACTION BY:
2.1	**For the domestic market**	
2.1.1	To give local manufacturers a chance to rebuild by investing further capital, they need the local market for support and to reduce risk. Imported footwear should be legislated downwards to a level of 50% of the total domestic market.	MOIT CUSTOMS
2.1.2	This means instigating a Safeguard Mechanism with China. Their share of imports of synthetic shoes should be reduced to 40% of the total market. The remaining 10% of imports would be from other countries. These shoes should be of a more upmarket nature.	MOIT CUSTOMS
2.1.2	To ensure the above market mix, tariffs should be levied on a per pair basis and a percentage of the CIF price similar to the USA regulations. Using HTS 6402 (synthetic shoes and sandals) as an example this would mean a tariff structure as follows: value not over $3.00 per pair 84% value over $3.00 but not over $6.50, $1.58 per pair + 66% value over $6.50 but not over $12.00, $1.58 per pair + 35% value over $12.00 per pair 35% These figures may have to be amended for the Jordanian model. It is worth noting Poland levied an anti dumping tax on Chinese shoes in 1999. Imports of Chinese footwear declined from 79.8 million pairs in 1998 to 2.2 million pairs in 2000.	MOIT CUSTOMS
2.1.3	All shoes made in Jordan or imported should have the EU "pictogram" attached to at least half a pair. This tells consumers what the shoe is made of i.e. the upper material, lining material, and soling material (It is mandatory in the EU).	JISM
2.1.4	All shoes sold in Jordan should also have a label clearly showing the country of origin. This is aimed primarily to try and stop "triangulation" i.e. shoes being made in one country and shipped to a second for import into the third to evade duties.	JISM
2.1.5	Revive (if they exist) consumer protection laws so that customers are sure of goods of "merchantable quality" and are not exploited by unscrupulous retailers.	JISM CONSUMER PROTECTION SOCIETY
2.1.6	The Jordan Institute of Standards & Metrology should have a watching brief over the quality of shoes that enter the country.	JISM
2.1.7	Have an outright ban on second hand or used shoes. These are a health risk.	JISM
2.1.8	Statistics should be collected in pairs as well as monetary value.	DOS

2.2 For domestic manufacturing	ACTION BY:
2.2.1 The Industry **must** form an association to further its interests. (This has been tried in the past with mixed results. However with the support and guidance of Government and the Chamber of Industry it should be made to work).	EJADA CHAMBER OF INDUSTRY COMPANIES
2.2.2 Reduction to zero rate of all raw materials required to be imported for shoe manufacture (This is in process).	MOIT
2.2.3 Reduction to zero rate for industrial leather sewing machines. These are critical machines in shoe manufacture.	MOIT
2.2.4 The industry must develop leather shoe making rather than synthetics or full plastic (with the exception of industrial footwear).	EJADA COMPANIES
2.2.5 Industrialists must gain the knowledge of how to manage a shoe production unit efficiently, especially in the areas of costing, workshop management, pattern engineering by CAD and mechanically. Courses should be organised through SATRA and/or UNIDO.	EJADA UNIDO SATRA
2.2.6 With the help of the Association form a buying group in order to import necessary basic materials, insole board, toepuff and counter sheets, rubber soling sheets, grinderies etc.	COMPANIES
2.2.7 Establish linkages with ASSOMAC (Italian Association of Shoe Machinery Manufacturers) with a view to group visits to Linea Pelle (shoe component and design fair) and SIMAC, (shoe machinery fair). The objective is to be aware of the latest in styling and technology.	EJADA EJEP JIB
2.2.8 Companies must take it upon themselves to upgrade their machinery inventories (particularly in closing) depending on the type of shoe they decide to make. They have an opportunity now to "leapfrog" technologies. They should investigate CAD systems and automatic machines.	JUMP COMPANIES
2.2.9 Companies to consider importing leather uppers from India (or others) to kick-start the rehabilitation process. These are permissible under FTA and the QIZ systems.	COMPANIES
2.2.10 Government to actively encourage outside investment (or local) in two (or three) new tanneries in Jordan. These can be finishing tanneries to start with (processing wet blue leather) to minimise risk and investment. This would be preferable than having to import leather. The finished leather can also be an export item. It will also allow fast reaction times to customers requests.	JIB
2.2.11 Companies should achieve productivity gains to become a player in the international market. Examples of international productivity in pairs per operator per day in shoe factories is:	COMPANIES
■ France 18.5	

ACTION BY:

- Spain 18.0
- Italy 13.0
- UK 13.0
- Germany 9.0

Within 1 year should target the level of 15 pairs per day per operator and strive for 20 pairs per day per operator.

2.2.12 Where necessary and this will be a judgement on an individual basis, companies must ensure design inputs that are up to date. This can be done by establishing linkages with international (particularly Italian) design studios. — COMPANIES

2.2.13 Companies, with the assistance to the Association, the Chamber of Industry and relevant Ministry, should seek out licensing agreements with established brands. This will enable them to make for the local market and export in the future. The FTA with EU and QIZ with USA will be a big advantage in this regard. It is better to approach "lesser known" brands than the majors, some suggestions: — JIB EJADA JEDCO CHAMBER COMPANIES

- Geox (Italy) men's comfort dress shoes. Currently imported into Jordan
- Stonefly (Italy) Men's comfort/dress shoes
- Clarks (UK men's, ladies and children, a major Brand, but susceptible to licensing), currently imported into Jordan
- Hush Puppies (USA) men's and ladies comfort street shoes
- Hotters / Padders (both UK) ladies comfort Street shoes, soles PU injection moulded on (This technology exists in Jordan).
- Initial approaches should be made through ANCI (Italian National Association of Shoe Manufacturers), ASSOMAC, and BFA (British Footwear Association). (Hush Puppies - direct).

1.2.14 One of the biggest advantages to the footwear industry in Jordan, through the QIZ is the manufacture of safety shoes for export to the USA. These currently attract 37.5% duty from all other countries (with the exception of shoes made in Mexico and Canada). Local investors and manufacturers should investigate this exceptional opportunity. The advantages of the QIZ should be disseminated more widely through the industry (Through an Association) — ASSOCIATION COMPANIES

		ACTION BY:
2.3	**Marketing to EU**	
2.3.1	Financial help should be given to a select group of shoe companies, on a cost-sharing basis, to become export development pathfinders.	JEDCO EJADA
2.3.2	Group visits should be made to European shoe shows as observers viz. GDS, Dusseldorf, Expo Riva Schu (Italy). This should be combined with window shopping trips to Milan, Frankfurt, Paris, Amsterdam, London. This should be done over one year i.e. two times, Spring/summer and Autumn/winter.	JEDCO EJADA COMPANIES
2.3.3	Group visit Linea Pelle (Italy) 2 times (according to the seasons) to get range building information.	ditto
2.3.4	Build shoe ranges based on the market research and types of shoes.	COMPANIES
2.3.5	Test market shoes on the local market	COMPANIES
2.3.6	Decide which countries to market into. The suggestion is UK and Benelux (Holland).	COMPANIES
2.3.7	Contact potential licensing partners (See above)	JEDCO EJADA
2.3.8	Search for agents in the relevant countries where representation is required.	COMPANIES
2.3.9	Have a three year programme to show as a Jordan Group at the GDS two times per year (This will need financial assistance).	JEDCO EJADA
2.4	**Marketing to USA**	
	Industrial Footwear	
2.4.1	Utilising the QIZ system and FTA, offers a major opportunity for Jordan shoe manufacturers in the safety footwear market. Fully injection moulded footwear attracts a 37.5% duty for the rest of the world (except Canada and Mexico), 0% from Jordan. Leather upper shoes with injection moulded soles have a MFN rate of 8.5% and 20% from other countries. From Jordan under the FTA this is 0% The shoes are highly technical in nature, so making under licence would be the way forward for Jordanian manufacturers.	JUSBP
2.4.2	Two companies are currently making safety footwear with leather uppers in Jordan. They should be encouraged to consider having licence agreements with US companies after they have upgraded their manufacturing facilities. Nobody is making fully injection moulded boots. This process calls for a large capital investment in terms of machinery and moulds. A market needs to be secured for this first, consequently this process lends itself to FDI or a	JUSBP

		ACTION BY:
	well connected local investor.	
2.4.3	The following companies make safety shoes in the USA ■ Weinbrenner Shoe Co ■ Lehigh Safety Shoe Co ■ Altama Footwear (military & service) ■ H.H. Brown The following distribute safety footwear ■ Nautilus Safety Footwear ■ Wolverine (previously were manufacturers, also market Caterpillar Boots, which are sold in Jordan)	
2.4.4	The interested companies should review the product range on offer from USA market leaders (this can be done on the internet).	COMPANIES
2.4.5	Re-engineer and/or re-design current footwear range to these standards and features. Get certification under ISO (for Europe) and ASTM (for USA).	COMPANIES JISM
2.4.6	Establish the correct selling price, then cost shoes to ensure they can be made at this price. (If the price is too low then costs have to be cut, not prices increased. If this is not possible then the project should be abandoned). Travel to a major US and attend a major safety industry show to ascertain marketing information, especially the possibility of exporting to US from Jordan.	COMPANIES
2.4.8	Approach USA manufacturers for possible licensing agreements for Jordan and the regional markets.	JEDCO JUSBP COMPANIES
2.4.7	Have an agreement in principle with licensor that footwear can eventually be exported to USA. [Safety shoes can also be marketed in Europe. It is a competitive market and less inclined to imports. Also the distribution methods are different from those outlined above for conventional shoes].	JEDCO JUSBP COMPANIES
	Conventional Shoes	
2.4.8	The shoe line can be the same as for Europe. Check the dollar price applicable to the US market. Aim at smaller retail chains. Arrange a group visit to WSA shoe show in Las Vegas as observers to get marketing information and possible representation. At the show contact the NSRA.	JEDCO JUSBP COMPANIES
2.4.9	In parallel run “advertorials” in Footwear News magazine.	JEDCO
2.4.10	Return to the show as an exhibiting group. Continue the	JEDCO

		ACTION BY:
	shoe show programme for 3 years.	
2.5	**Training**	
2.5.1	There is a need to upgrade the marketing skills of senior managers and owners in marketing techniques. The critical areas are ■ segmentation ■ positioning ■ targeting ■ promotion ■ distribution	EJADA VTC
	Courses for senior management should be organised.	
2.5.2	Training should also be conducted in shoe factory workshop management: ■ work flow ■ loading of operators (balancing a production line)	EJADA VTC
2.5.3	Training in costing techniques: ■ material allowances ■ labour rates	EJADA VTC
2.5.4	Training in pattern engineering: ■ pattern making ■ grading by machine and CAD	EJADA VTC UNIDO
2.5.5	Training of operators. This should be upgraded from the current machine control level to full speed operation. (Modern sewing machines operate at ~ 2,300 stitches per minute).	EJADA VTC UNIDO SATRA

Annex

CHINA FOOTWEAR EXPORT U.S.$ '000

China *Source ITC*	**2000**	**2001**	**2002**
World	**9,850,226**	**10,095,769**	**11,090,084**
USA	4,886,500	5,044,340	5,055,068
Europe	1,059,104	1,068,367	1,230,180
Regional	1,831,606	1,793,782	2,053,272
Rest	2,073,016	2,189,280	2,751,564

INDONESIA FOOTWEAR EXPORT U.S.$ '000

Indonesia *Source ITC*	**2000**	**2001**	**2002**
World	**1,672,110**	**1,505,580**	**1,148,052**
USA	692,340	611,881	475,494
UK	151,571	124,597	103,002
Germany	80,175	79,314	68,764
France	64,705	60,547	39,583
Italy	49,412	40,608	26,350
Spain	27,864	25,415	16,942
Belgium Lux/Netherlands	185,689	179,789	123,912
East Asia	126,621	155,756	140,707
Rest	293,733	227,673	153,298

VIETNAM FOOTWEAR EXPORTS U.S.$ '000

Vietnam *Source ITC*	**2000**	**2001**	**2002**	**2003**	**2004** *(projection)*
World	**1,471,667**	**1,630,193**	**1,900,000**	**2,200,000**	**2,500,000**
UK	219,972	256,854	-	-	-
Germany	210,605	214,070	-	-	-
Belgium Lux/ Netherlands	288,417	318,607	-	-	-
France	140,270	168,154	-	-	-
USA	87,393	114,889	-	-	-
Italy	86,503	102,677	-	-	-
Spain	39,162	45,100	-	-	-
Sweden	22,501	21,990	-	-	-
Asia	148,780	114,891	-	-	-
Rest	228,064	272,961	-	-	-

INDIA FOOTWEAR EXPORT U.S.$ '000

India *Source ITC*	**2000**	**2001**	**2002**
World	**651,382**	**662,511**	**622,590**
UK	159,614	159,101	145,199
Germany	100,684	116,601	105,155
USA	113,387	89,487	89,457
Italy	77,532	97,388	78,779
France	30,722	32,429	36,579
Spain	11,619	12,830	20,019
Belgium Lux/ Netherlands	20,698	27,708	24,413
Portugal	20,038	17,319	16,756
East Asia	12,170	9,671	8,087
Middle East	19,525	22,531	23,044
Rest	85,393	77,446	75,102

MALAYSIA FOOTWEAR EXPORT U.S.$ '000

Malaysia *Source ITC*	**2000**	**2001**	**2002**
World	**92,966**	**85,918**	**90,475**
Italy	9,808	5,008	5,827
Germany	1,790	3,782	4,463
France	3,892	4,432	3,908
Turkey	179	355	3,893
Belgium/ Netherlands	4,022	2,410	3,631
UK	2,239	3,458	3,278
Greece	904	1,644	3,148
Spain	498	1,201	2,788
East Asia	42,183	37,278	34,805
Rest	27,451	26,350	24,734

THAILAND FOOTWEAR EXPORT U.S.$ '000

Thailand *Source ITC*	**2000**	**2001**	**2002**
World	**832,951**	**839,255**	**-**
USA	330,906	308,121	-
UK	92,769	101,832	-
Belgium Lux/Netherlands	79,642	108,102	-
Denmark	33,379	36,358	-
France	26,113	25,231	-
Italy	18,038	12,260	-
Spain	10,177	10,895	-
East Asia	57,537	59,119	-
Middle East	46,793	48,768	-
Rest	137,597	128,569	-

PHILIPINES FOOTWEAR EXPORT U.S.$ '000

Philippines *Source ITC*	**2000**	**2001**	**2002**
World	**76,454**	**72,953**	**35,547**
Belgium Lux/ Netherlands	12,335	18,876	13,243
UK	3,815	6,619	5,107
Mexico	664	4,261	3,014
USA	17,338	14,293	1,372
Germany	7,470	3,435	1,294
Spain	848	2,078	595
France	2,999	2,174	568
Switzerland	485	490	566
Italy	2,199	885	533
East Asia	15,363	8,480	6,257
Rest	12,938	11,362	2,998

ITALY FOOTWEAR EXPORT U.S.$ '000

COUNTRY	**2000**	**2001**	**2002**
Italy *Source ITC*	7,153,304	7,570,254	7,587,729
USA	1,249,524	1,250,176	1,136,593
Germany	1,196,238	1,235,723	1,089,391
France	723,024	740,243	849,374
UK	561,651	543,814	600,816
Romania	266,051	343,216	413,421
Switzerland	297,589	362,675	315,049
Russian Fed	210,714	254,969	271,838
Belgium Lux/ Netherlands	448,109	479,703	476,754
East Asia	354,205	390,311	378,824
Middle East	257,507	273,527	277,228
Rest	1,588,692	1,695,897	1,778,441

SPAIN FOOTWEAR EXPORT U.S.$ '000

Spain *Source ITC*	**2000**	**2001**	**2002**
World	**1,885,249**	**1,985,784**	**2,124,644**
France	344,340	385,271	415,436
USA	319,736	273,171	272,473
UK	211,736	235,776	272,262
Germany	287,174	263,596	266,113
Portugal	106,781	127,971	144,936
Italy	77,767	86,423	111,984
Belgium Lux/ Netherlands	121,534	131,776	133,621
Greece	35,070	35,109	46,191
Mexico	16,300	26,298	42,439
East Asia	50,487	54,492	55,418
Middle East	63,392	68,881	68,092
Rest	250,932	297,020	295,679

PORTUGAL FOOTWEAR EXPORT U.S.$ '000

Portugal *Source ITC*	**2000**	**2001**	**2002**
World	**1,479,109**	**1,515,059**	**1,497,448**
Germany	414,620	429,701	405,723
France	277,868	313,437	320,351
UK	301,772	288,431	280,941
Belgium Lux/ Netherlands	151,613	171,382	164,421
USA	43,553	55,526	60,356
Denmark	76,818	51,853	52,514
Spain	47,220	45,032	49,068
Sweden	40,390	35,808	35,740
Norway	18,660	17,730	16,072
East Asia	10,440	6,603	7,493
Rest	96,155	99,556	104,769

FRANCE FOOTWEAR EXPORT U.S.$ '000

France *Source ITC*	**2000**	**2001**	**2002**
World	**944,220**	**956,120**	**1,070,762**
Germany	133,200	123,077	133,575
Belgium Lux/ Netherlands	145,485	148,204	170,095
USA	99,949	94,662	105,111
UK	63,582	62,939	80,244
Italy	61,098	63,373	76,251
Spain	58,563	56,194	63,075
Switzerland	48,823	47,024	48,862
Portugal	26,079	30,168	31,108
East Asia	56,536	58,094	70,388
Middle East	79,527	88,763	100,292
Rest	171,378	183,622	191,761

BENELUX FOOTWEAR EXPORT U.S.$ '000

Benelux *Source ITC*	**2000**	**2001**	**2002**
World	**2,141,108**	**2,545,470**	**2,620,026**
France	313,384	380,372	457,053
UK	292,120	356,507	374,654
Italy	195,407	210,092	216,905
Spain	116,498	143,487	167,094
Germany	114,984	136,099	162,519
Middle East	151,600	219,280	199,900
Rest	805,515	1,199,633	1,041,901

TUNISIA FOOTWEAR EXPORTS US$'000

Tunisia *Source ITC*	**2000**	**2001**	**2002**
World	**265,279**	**328,319**	**343,555**
Italy	125,766	170,645	180,198
France	91,139	106,896	101,541
Germany	31,724	28,694	30,382
Rest	16,650	22,084	31,434

MOROCCO FOOTWEAR EXPORTS US$'000

Morocco *Source ITC*	**2000**	**2001**	**2002**
World	**148,692**	**163,417**	**178,639**
France	85,758	94,967	117,119
Spain	9,724	23,310	21,025
Germany	14,224	15,102	17,509
Italy	24,929	23,715	16,081
Rest	14,057	6,323	6,905

SHOE COSTING

Name	**China type**	**Last**	N/A	Pattern no.	N/A		Date: 08/21/2004	
Customer		Shoe Type	**ladies high heel closed dress shoe**				Currency	**JD**
Item		Description			Allowance	U.O.M.	Price	Cost
Upper 1						Ft2		0.00
Upper 2	Chinese imported PVC				0.23	m2	2.50	0.58
Upper 3								0.00
Lining 1						Ft2		0.00
Lining 2	Chinese imported PVC				0.18	m2	1.60	0.29
Sock	Chinese imported fabric based				0.05	m2	1.50	0.08
Foam	Local				0.005	m2	1.00	0.01
Eyelets								0.00
Thread	Allowance							0.05
Binding								0.00
Trims	Allowance							0.10
Elastic								0.00
Toepuff	Solvent activated				0.008	m2	1.25	0.01
Counter	Solvent activated				0.042	m2	1.65	0.07
Insole	Chinese cellulous board 2mm				0.05	m2	2.20	0.11
Shank	Imported steel				1	pair	0.05	0.05
Shank board	Genuine leather grade I				0.03	m2	5.25	0.16
Sole	Chinese resin rubber 2.00mm				0.06	m2	3.90	0.23
Heel	Imported 90mm				1	pair	0.50	0.50
Lace								0.00
Label	local printed				2	piece	0.02	0.04
Box	Local				1	piece	0.50	0.50
Carton						piece	0.50	0.03
Grinderies	Allowance				18			0.15
TOTAL RAW MATERIAL								2.94

LABOUR	Prs per day	JD	No. ops				
Bottom preparation	1	0.40	1				0.40
Upper preparation	1	0.40	1				0.40
Closing	1	0.70	1				0.70
Making finishing	1	0.60	1				0.60
TOTAL DIRECT LABOUR							2.10
DIRECT OVERHEADS		120% of direct labour					2.52
INDIRECT OVERHEADS		Raw materials + direct labour +direct overheads x 10%					0.76
TOTAL MANUFACTURING COST							8.32
PROFIT MARK UP%	**20**						1.66
TOTAL COSTS							9.98
REMARKS							
	0.83	to the US$, total costs=				**$**	12.03
Recommended selling price JD FOB.							**10.00**
Note the selling prices for raw materials were obtained from a local wholesaler in Amman							
The labour costs were quoted by manufacturers. These are the prices they pay to outworkers							
Overheads are based on a formula for a western type factory and are probably overstated in Jordanian terms.							