

# ICMA POLICY NOTE

JUNE 2026

Brief analysis of specific economic issues for providing useful input to policymakers

**Pakistan's Leather Sector  
at a Crossroads:**

**ICMA'S ROADMAP  
FOR STRUCTURAL  
REFORM AND  
EXPORT RESILIENCE**



Research and Publications Department

Institute of Cost and Management Accountants of Pakistan

# CHAIRMAN MESSAGE



I am pleased to present the latest Policy Note from the Research and Publications Department of ICMA. This edition examines Pakistan's leather industry, a sector that has long been central to our export economy but now faces serious challenges.

The analysis shows that while the industry employs nearly half a million workers and earns over USD 800 million annually, its competitiveness has weakened. Global disruptions such as rising freight and energy costs, shifting trade routes, and stricter compliance rules are combining with domestic inefficiencies in hide collection, financing, and environmental standards. The result is a widening gap between the sector's potential and its actual performance.

The Policy Note highlights how seasonal surges in raw hides during Eid ul Adha illustrate both opportunity and weakness. Millions of hides enter the market, yet poor preservation and traceability practices lead to significant losses before they reach formal tanneries. This is not a problem of resources but of execution.

Our roadmap calls for reforms that strengthen compliance, improve traceability, reduce input costs, and expand value addition. By addressing these structural gaps, Pakistan can reposition its leather industry as a resilient and competitive sector capable of contributing more strongly to national growth.

I commend the Research and Publications team for producing this timely and insightful Policy Note. It provides policymakers and industry stakeholders with clear evidence and practical directions to help the leather sector move from stagnation to renewal.

**Muhammad Yasin, FCMA**

Vice President ICMA and  
Chairman, Research and Publications Committee

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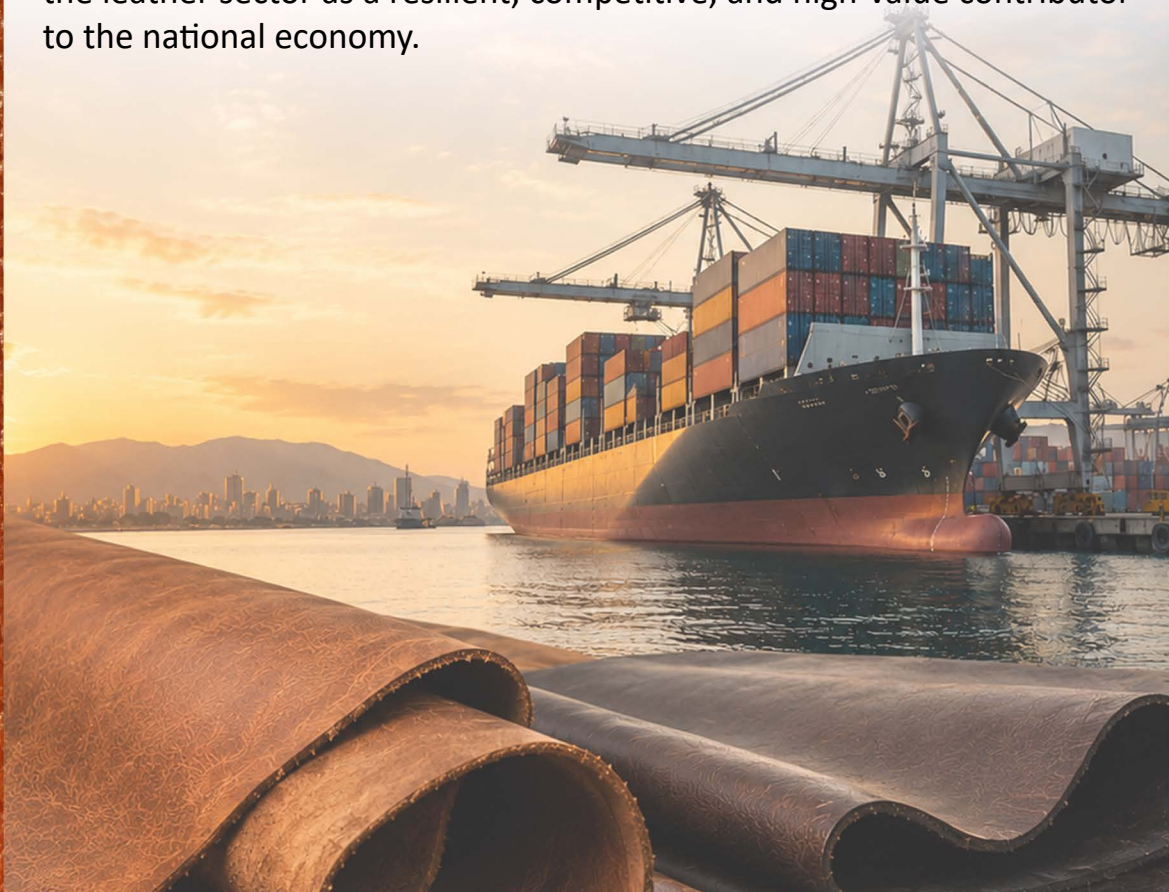
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# Preamble

Pakistan's leather industry stands at a decisive juncture. Once a flagship export sector employing nearly half a million workers and earning over USD 800 million annually, it now faces a widening gap between potential and performance. Global disruptions—geopolitical tensions, volatile energy and freight costs, shifting trade routes, and stricter sustainability standards—are colliding with domestic inefficiencies in hide collection, compliance, financing, and value addition. The annual surge of raw hides during Eid-ul-Adha illustrates both opportunity and failure: abundant supply is undermined by poor preservation and traceability, eroding export value.

This policy note argues that Pakistan's challenge is not resource scarcity but execution weakness. Closing this gap through coordinated reforms, stronger compliance, and higher value addition is essential to reposition the leather sector as a resilient, competitive, and high-value contributor to the national economy.



## Pakistan’s Leather Industry: Challenges, Opportunities, and Domestic Vulnerabilities

Pakistan’s leather industry faces significant pressures from both external and domestic factors. Geopolitical tensions, volatile energy prices, rising freight costs, shifting trade routes, and declining global demand are straining exporters, while SBP data shows that leather exports dropped to USD 68 million in February 2026 from USD 73.8 million in January 2026, highlighting seasonal fluctuations and structural weaknesses. Domestic inefficiencies in raw material handling, environmental compliance, taxation, refunds, and value chain coordination continue to undermine competitiveness. Although the domestic leather market expanded from PKR 1,003.8 billion in FY2023 to PKR 1,365.7 billion in FY2025, this growth primarily reflects increasing input costs rather than productivity improvements. The industry’s future hinges on developing traceable, compliant, and higher-value leather products that can satisfy evolving international standards.

### Pakistan’s Leather Industry: Trends and Challenges

#### Leather Articles Exports

USD 742 M  
in 2014

USD 668.1 M  
2025 (-10%)



#### Export Decline

USD 547.5 M  
Raw Hides Exports 2014

USD 135.9 M  
2025

#### Eid ul Adha 26 Impact

7.47 M (Sacrificial Animals)

Rs. 8.67 B (Hides & Skins Market)

25% Hides Lost  
Rs. 6.05 B (Generated Cow & Bull Hides)



#### Monthly Exports

USD 73.8 M (Jan 2026)

USD 68 M (Feb 2026)

7.8%

Rising Costs & Compliance Issues



#### Total Supply of Hides & Skins

PKR 87.4 M (2025)  
Raw Hides Exports 2014

Increased 9.8%  
Since FY21

#### Future Focus Areas

- ▶ Traceability
- ▶ Value addition
- ▶ Growth in South Africa: +4.8%
- ▶ Market diversification



#### Market Direction

- ▶ Gulf Region
- ▶ East Asia
- ▶ New EU Markets

Source: SBP, PTA, 2026 Reports

## Market Share of Pakistan’s Leather Industry

**2005-2025**

2005	2007	2014	2025 Decline
<b>USD 999.4 M</b> (Leather Exports including HS42&41)	<b>USD 1083.5 M</b> (Leather Exports including HS42&41)	<b>USD 1289.5 M</b> (Leather Exports including HS42&41)	<b>USD 804.1 M</b> (Leather Exports including HS42&41)
<b>6.23%</b> of Total Exports	<b>6.07%</b> of Total Exports	<b>5.22%</b> of Total Exports	<b>2.62%</b> of Total Exports

### Major Pressures Undermining Pakistan’s Leather Sector

- Geopolitical tensions and global trade disruptions are increasing pressure on leather exporters through rising freight costs, disrupted shipping routes, volatile energy prices, weak external demand, and stricter EU/OECD compliance requirements.
- Weak hide management during Eid-ul-Adha are causing major raw-material losses, as poor collection, delayed salting, weak preservation, improper grading, and limited traceability reduce the quality of hides before they reach formal tanneries.
- High input and operational costs are weakening competitiveness, especially due to expensive energy, rising transport costs, imported chemicals and machinery parts, inflationary pressure, and higher financing costs for SMEs.
- Policy, compliance and liquidity gaps continue to constrain the sector, as delayed tax refunds, duty drawback issues, weak environmental compliance, fragmented regulation, and limited documentation make it harder for exporters to meet global buyer standards.

## Historical Flow of Pakistan’s Leather Industry

Pakistan’s leather sector has deep industrial roots, but what matters most for policy today is what has happened since 2005. That is when environmental compliance, trade policy, taxation and labor standards became directly tied to the sector’s competitiveness challenges. This policy issue treats the pre-2005 period as foundational context and focuses its analysis from 2005 onward.



The changing policy and trade environment since 2005 has also reshaped Pakistan’s leather export profile. A review of the sector’s export structure provides important insights into how value addition, market demand, and competitiveness have evolved over time.

## Pakistan’s Leather Export Structure at a Glance

The figure highlights a clear shift in Pakistan’s leather export structure toward value-added products. While raw hides and skin exports declined from USD 317.72 million in 2006 to USD 135.92 million in 2025, leather articles remained comparatively resilient at USD 668.14 million, accounting for 2.18% of total exports. This trend underscores that Pakistan’s competitive advantage lies in finished leather products rather than raw materials. Strengthening hide preservation, improving traceability, enforcing quality standards, and enhancing value addition will therefore be critical to enhancing export earnings and industry competitiveness.

## Pakistan's Leather Export Structure

### The Shift Toward Value-Added Products

#### Leather Articles (Value-Added Products)

**USD 668.14 Million**  
in 2025

**2.18%**  
of Pakistan's  
Total Exports

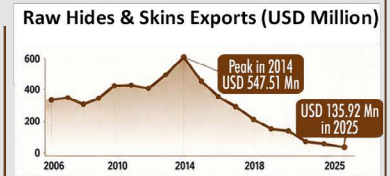


Remained mostly above USD 600 million after 2010, reflecting stable global demand for finished leather products.

#### Raw Hides & Skins (Raw Material)

**USD 135.92 Million**  
in 2025

**0.44**  
of Pakistan's Total Exports



Declined sharply after 2014 due to weaknesses in hide preservation, tanning quality, traceability and raw material processing.

### Export Comparison: 2006 vs 2025

Category	2006 (USD Million)	2025 (USD Million)	Change (2006-2025)
Leather Articles (Value-Added Products)	680.37	668.14	-1.8%
Raw Hides & Skins (Raw Material)	317.72	135.92	-57.2%

Source: Trade Map - ITC

#### Key Takeaway

Pakistan's export future lies in value-added, traceable and high-quality leather products, not in raw hides.

#### Major Challenges

- Poor hide preservation
- Weak traceability systems
- Quality and grading issues
- Limited certification & branding
- Environmental compliance gaps

#### Strategic Priority

Strengthen raw material handling, tanning standards, design support, certification, branding and market diversification to build a more competitive, value-driven leather sector.



In an economy like Pakistan, where raw hides account for less than half a percent of national exports, hide quality, preservation and traceability cannot be secondary. Every hide lost to spoilage or poor grading is a missed opportunity to feed a supply chain that Pakistan has already built and that buyers are already purchasing from.

### Major Products and Markets of Raw Hides and Leather

Pakistan's raw hides and leather exports in 2025 show that processed leather continues to dominate the sector's profile, with bovine, buffalo, and equine leather remaining the leading category. Among key destinations, Viet Nam, Italy, China, Indonesia, and Bangladesh accounted for the major export markets, with Viet Nam and Italy receiving the highest export values in 2025. However, the growth trajectories reveal divergence: Viet Nam recorded a positive CAGR of 5.8%, reflecting steady expansion, while Indonesia stood out with the strongest momentum at 13.7%. In contrast, Italy (-1.7%), China (-4.8%), and Bangladesh (-4.5%) experienced sustained declines, signaling structural competitiveness and compliance challenges in those markets. This pattern indicates that Pakistan has made progress in leather processing, but sustaining and expanding these markets will require stronger quality standards, traceability, compliance systems, and more consistent value-chain performance to counter shrinking demand in traditional destinations.

## Pakistan Raw Hides Exports 2025

### Export Breakdown (USD Million)

HS Code: 4107 	<b>Prepared Bovine, Buffalo &amp; Equine Leather:</b>	<b>USD 66.47 M</b>
HS Code: 4113 	<b>Goat &amp; Kid Leather:</b>	<b>USD 48.51 M</b>
HS Code: 4112 	<b>Sheep &amp; Lamb Leather:</b>	<b>USD 16.58 M</b>
HS Code: 4101 	<b>Raw Hides:</b>	<b>USD 0.18 M</b>

### Top Destinations in 2025 (USD Million)

	<b>Vietnam</b>	<b>USD 28.15 M</b>
	<b>Italy</b>	<b>USD 25.45 M</b>
	<b>China</b>	<b>USD 14.35 M</b>
	<b>Indonesia</b>	<b>USD 13.26 M</b>
	<b>Bangladesh</b>	<b>USD 7.71 M</b>

## Pakistan’s Export Destinations for Raw Hides and Leather Articles (USD Million)

Countries	2020	2021	2022	2023	2024	2025	CAGR
Viet Nam	21.28	26.12	33.41	29.11	26.61	28.15	5.76%
Italy	27.74	38.82	37.80	29.19	24.89	25.45	-1.71%
China	18.41	26.93	27.89	25.82	18.94	14.35	-4.86%
Indonesia	6.98	11.44	12.81	7.85	8.46	13.26	13.69%
Bangladesh	9.76	9.86	13.32	8.29	8.67	7.71	-4.61%

Source: Trade Map - ITC






### Major Products and Markets for Leather Articles

Leather articles remain Pakistan’s strongest export segment, though exports are still concentrated in a few major markets. In 2025, the United States remained the leading destination with USD 173.35 million, followed by the United Kingdom, Canada, Spain and Italy. Among these markets, the United States and Italy showed relatively stronger growth momentum over the review period, while the United Kingdom and Spain also recorded positive performance. This pattern shows that Pakistan’s leather articles have maintained demand in key developed markets, but the sector still needs wider market diversification, stronger compliance, improved product quality and deeper access to Gulf economies, East Asia and non-traditional EU markets to ensure long-term resilience.

## Pakistan Leather Articles Exports 2025

Total Leather Articles Exports	HS Code: 4203 Leather Apparel & Accessories	HS Code: 4202 Trunks, Bags & Travel Goods	HS Code: 4201 Saddlery & Harnesses
<b>\$668.14 Million</b>	<b>\$608.77 Million</b>	<b>\$48.67 Million</b>	<b>\$9.70 Million</b>

## Top Export Destinations (USD Million)

Countries	2020	2021	2022	2023	2024	2025	CAGR
 United States of America	120.43	170.57	191.97	158.83	171.08	173.35	7.56%
 United Kingdom	32.74	36.74	35.36	30.81	33.38	38.08	3.07%
 Canada	35.79	37.86	49.57	38.50	41.74	36.15	0.20%
 Spain	25.75	24.84	29.69	29.91	26.56	27.59	1.39%
 Italy	18.44	20.67	22.22	17.17	22.76	24.75	6.06%





Source: Trade Map - ITC


**Analysis: US leads growth, Germany declines. Diversification needed.**

### Geopolitical Pressures on Pakistan’s Leather Sector

Pakistan’s leather industry earned about USD 660 million in exports during 2025–26, but remains highly vulnerable to global disruptions. Brent crude oil prices rose significantly during 2026, reaching US\$124.24 per barrel in April, compared to US\$72.25 per barrel in January 2026. At the same time, Pakistan’s trade deficit widened to USD 3.34 billion in April 2026, and compliance rules in the EU and OECD are tightening. With over 80% of leather exports concentrated in developed markets, these shocks directly threaten competitiveness.

**Table 1: Geopolitical Transmission Channels Affecting Pakistan’s Leather Sector**

	Data / Evidence	Implication For Pakistan’s Leather Sector
<b>Shipping Route Disruption</b> 	By mid-2024, ship capacity crossing the Gulf of Aden fell by 76%, Suez Canal tonnage fell by 70%, and Cape of Good Hope arrivals increased by 89%.	Longer routes increase delivery time, freight costs and working-capital pressure for exports to Europe and North America.
<b>Freight And Logistics Volatility</b> 	UNCTAD notes that freight rates remained high and volatile, while supply-chain reliability came under pressure.	Leather garments, gloves, footwear and fashion-linked products face higher risk of late delivery and buyer dissatisfaction.
<b>Oil And Energy Price Shock</b> 	Brent crude oil prices rose significantly during 2026, reaching US\$124.24 per barrel in April, compared to US\$72.25 per barrel in January 2026, reflecting heightened volatility in global energy markets.	Higher energy prices raise tannery, transport, chemical processing, finishing and export-shipment costs.
<b>Weak External Demand</b> 	UNCTAD projected global growth at around 2.6% in 2026, with the US, China and Europe losing momentum.	Demand risk is important because Pakistan’s leather articles are concentrated in developed markets.

<p><b>Pakistan's Trade Pressure</b></p> 	<p>PBS-based reporting shows the trade deficit widened to around USD 4.28 billion in April 2026 as imports rose faster than exports.</p>	<p>Higher import cost of energy, chemicals and industrial inputs can reduce exporter margins.</p>
<p><b>Buyer Compliance Pressure</b></p> 	<p>OECD due-diligence guidance and EU chemical safety rules are raising expectations on traceability, labor, environment and chemical compliance.</p>	<p>Exporters need stronger documentation, certification, chemical control and traceability to retain high-value buyers.</p>

### Seasonal Raw Material Availability and Cost Pressures

Eid-ul-Adha is a critical season for Pakistan’s leather industry, generating a substantial supply of hides and skins within a short period. Slaughter numbers have increased from 5.86 million animals in 2020 to approximately 7.2 million in 2025 and around 7.47 million animals were sacrificed across Pakistan on Eid-ul-Adha, generating hides and skins worth Rs. 8.67 billion. An estimated 2.75 million hides were collected from cows and bulls, generating Rs. 6.05 billion, or nearly 70% of the total Rs. 8.67 billion market, reflecting the growing value of the livestock economy, in 2026.

Despite the abundance of raw materials, the industry continues to face difficulties in converting this seasonal supply into export-quality products. Poor post-slaughter handling, including knife cuts, delayed salting, inadequate storage, and weak transportation systems, significantly reduces hide quality. Furthermore, informal collection channels limit proper grading, traceability, and value documentation, preventing the sector from fully capitalizing on this seasonal opportunity.

At the same time, rising input and operational costs are eroding the industry’s competitiveness and profit margins. Major cost pressures include:

### Eid-ul-Adha Slaughtering and Raw Material Trends in Pakistan (2019-2026)

Total Slaughtering	
2019	8.1 Million
2020	5.86 Million
2021	6.45 Million
2023	6.3 Million
2026	7.47 Million

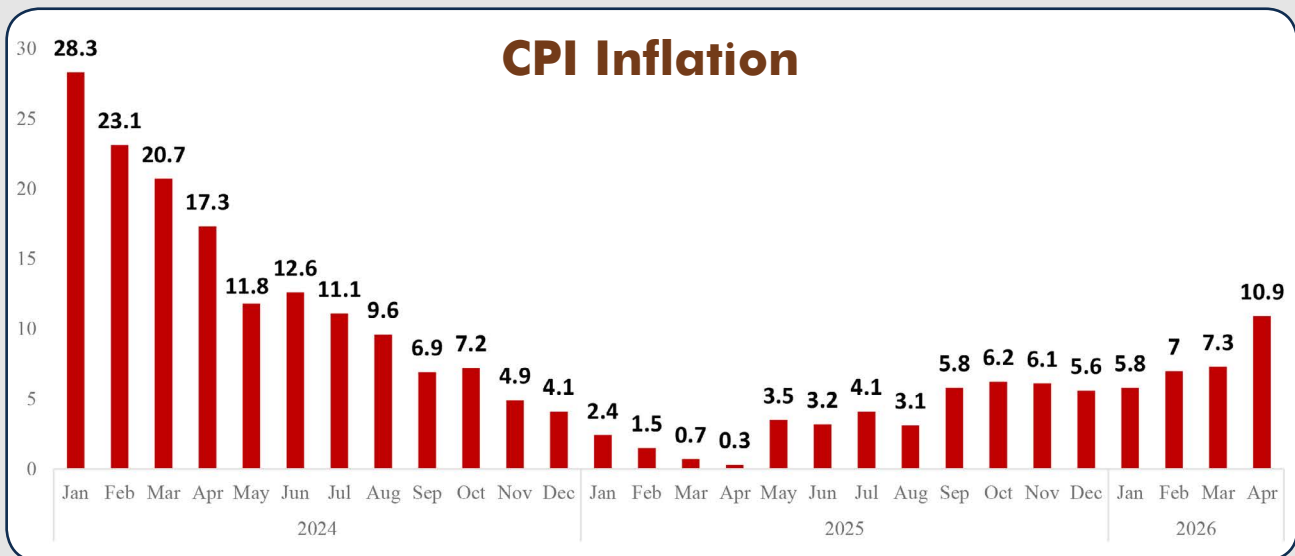
Eid Economic Activity	
2020	Rs. 174 Billion
2021	Rs. 450 Billion
2023	Rs. 500 Billion
2024	Rs. 550 Billion
2025	Rs. 899–950 Billion
2026	Rs. 950 Billion

Major Animal Composition	
Cows / Buffaloes	3.0 – 3.25 Million
Goats / Sheep	4.0 – 8.12 Million
Camels	60 – 99 Thousand

Availability and Demand (2026)	
Availability	3.25 Million (Animals)
Demand	2.36 Million (Animals)

**Key Note**  
Eid-ul-Adha generates billion-rupee economy activity, yet Pakistan’s leather industry fails to convert abundant hides into export growth.

- **Higher Collection and Logistics Costs:** Rising transportation and handling expenses increase the cost of hide procurement and shipment.
- **Energy Price Volatility:** Although industrial electricity tariffs were reduced by Rs 4.04 per unit in February 2026, monthly fuel price adjustments continue to create uncertainty.
- **Inflationary Pressures:** CPI inflation reached 10.89% in April 2026, while fuel prices and HSD levies increased substantially, raising transport and production costs.
- **Dependence on Imported Inputs:** Reliance on imported chemicals and machinery parts, coupled with unrecovered import duties, adds to production expenses.
- **Financing Constraints:** The State Bank’s policy rate of 11.50% has increased borrowing costs, particularly affecting small and medium-sized enterprises (SMEs).
- **Liquidity Challenges:** Delays in sales tax refunds and duty drawback payments restrict working capital and hinder business operations.



The industry’s primary challenge is not export tariffs but the burden of high input costs, delayed refunds, and regulatory compliance expenses. Addressing these structural issues through targeted policy reforms is essential to improve the sector’s competitiveness, resilience, and export performance.

## Highlights of Key Policy and Compliance Gaps

Pakistan’s leather sector is not facing a shortage of potential. It is facing a gap between potential and policy execution. The sector has a strong livestock base, around 500,000 direct jobs, established tanning clusters and value-added production capacity in leather garments, gloves, footwear and finished leather. By 2025, leather articles stood at USD 668.14 million and raw hides had fallen sharply to USD 135.92 million. The sector has not recovered to its peak, and the structural gaps driving this underperformance remain unresolved.

**Table 2: Key Policy Gaps Affecting Pakistan’s Leather Sector Competitiveness**




Current Issue	Impact on Leather Sector
<b>Sector-Specific Competitiveness Framework</b>	
Policy support remains fragmented across taxation, trade facilitation, energy, finance, environment and compliance.	Leather exporters face high costs and weak coordination during geopolitical shocks including the US-Iran-Israel war.
<b>Input Cost and Tariff Burden</b>	
High duties on tanning chemicals, additional customs duties, expensive imported inputs and weak access to working capital continue to raise production costs.	Export margins fall and Pakistani leather products become less competitive against regional suppliers.
<b>Eid-ul-Adha Hide Management</b>	
Hides and skins are not properly collected, graded, salted, timely preserved or traced during peak Eid supply, which results in spoilage.	A large seasonal raw material opportunity is lost before it reaches formal tanneries.
<b>Tax Refunds and Liquidity</b>	
Delays in duty drawback, sales tax refunds and other receivables reduce exporter cash flow.	Firms cannot easily invest in technology, compliance, working capital or export expansion.
<b>Environmental Compliance</b>	
Wastewater treatment, chrome recovery, sludge handling, solid waste management and CETP coverage remain uneven across clusters.	Pakistan risks losing access to high-value buyers that require sustainability and pollution-control compliance.
<b>Labor and Occupational Safety</b>	
Sector still faces risks linked to hazardous chemicals, machinery, working conditions, child labor concerns and weak public data on compliance.	Buyer confidence and international social-compliance standing remain vulnerable.
<b>Traceability and Documentation</b>	
Raw hides, animal by-products, chemical use and factory-level compliance are not fully traceable or publicly verifiable.	Exporters face higher difficulty meeting EU/US due diligence and buyer documentation requirements.
<b>Market Diversification and Value Addition</b>	
Pakistan has value-added capacity but remains below its export potential and lacks stronger FTA-led market expansion.	The sector remains exposed to demand shocks in traditional markets and misses higher-value opportunities.
<b>Industrial Contraction Risk</b>	
Verified evidence shows financial stress, including downsizing by Pak Leather Crafts Limited in October 2024 and industry warnings that some units have closed, but no official registry confirms a wider exodus.	The sector faces closure and downsizing risk if liquidity, cost and compliance issues remain unresolved.


The policy gaps in Table 2 are already showing up in firm-level behavior. Firms signal stress not through immediate closure but through downsizing, outsourcing or delayed investment. Pak Leather Crafts Limited disposed of its plant and machinery in 2025, continuing only through domestic toll manufacturing. Without reliable firm-level monitoring, policymakers cannot assess whether units are reducing capacity, relocating or closing permanently.

### Comparative Review: Emerging and Developed Economies

Pakistan’s leather sector can draw useful lessons from both emerging and developed economies. Emerging economies highlight the importance of industrial policy, export facilitation, tannery modernization, trade access and value addition, while developed economies show how traceability, sustainability compliance, formal slaughter systems, branding and premium processing can convert raw hides into higher-value products. Bangladesh’s incomplete CETP reforms show that value addition fails without environmental follow-through; Vietnam’s FTA-led export growth highlights the role of market access; and Türkiye’s treatment of Eid hides as industrial raw material offers a direct lesson for Pakistan. Similarly, Italy, the EU and the United States show that formalized, traceable and compliance-driven supply chains are now essential for retaining access to high-value markets under geopolitical uncertainty.





**Table 3: Leather Sector Policy Responses & Value-Chain Lessons from Emerging & Developed Economies**

Economy	Key Policy / Practice	Impact on Leather Industry	Lesson for Pakistan
EMERGING ECONOMIES			
<p>01</p>  <p><b>Bangladesh</b></p>	<ul style="list-style-type: none"> <li>Used wet-blue leather export restrictions and introduced Leather and Leather Goods Development Policy 2019.</li> <li>Hazaribagh tanneries relocated to Savar Leather Industrial Estate for environmental compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Encouraged shift from raw/semi-processed leather toward goods and footwear.</li> <li>However, incomplete CETP compliance at Savar hurt export performance.</li> </ul>	<ul style="list-style-type: none"> <li>Value addition is key, but environmental reforms must be fully implemented.</li> <li>Half-complete CETPs and weak tannery compliance reduce competitiveness.</li> </ul>
<p>02</p>  <p><b>Vietnam</b></p>	<ul style="list-style-type: none"> <li>Built exports through FTAs, especially EVFTA and CPTPP, attracting foreign investment and integrating the sector into global supply chains.</li> </ul>	<ul style="list-style-type: none"> <li>Leather, footwear and handbag exports targeted USD 27bn in 2024 and USD 29bn in 2025, reflecting strong growth and competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan needs stronger trade access, export diversification and deeper integration into global value chains across footwear, gloves, garments and finished leather.</li> </ul>
<p>03</p>  <p><b>Türkiye</b></p>	<ul style="list-style-type: none"> <li>Focuses on promotion of export, branding and trade fairs.</li> <li>Also focuses on fashion-led value addition supported by İDMİB and leather export bodies.</li> <li>Eid hides treated as industrial raw material.</li> </ul>	<ul style="list-style-type: none"> <li>Leather positioned as a higher-value fashion export.</li> <li>Raw Eid hides worth 500mn TL can yield up to 5bn TL after processing.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan should treat Eid hides as industrial input.</li> <li>Proper collection, salting, grading and tannery transfer can multiply their value.</li> </ul>

Economy	Key Policy / Practice	Impact on Leather Industry	Lesson for Pakistan
<p>04</p>  <p><b>Indonesia</b></p>	<ul style="list-style-type: none"> <li>Links Eid slaughter with formal halal practices.</li> <li>Leather and footwear sector connected with by-product handling, traceability and sustainability compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrates importance of linking religious slaughter with formal hide handling and sector standards to improve raw material use.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan can improve Eid-period hide handling by connecting it with formal halal slaughter systems.</li> <li>Strengthening the traceability run from slaughter to tannery.</li> </ul>

Economy	Key Policy / Practice	Impact on Leather Industry	Lesson for Pakistan
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## DEVELOPED ECONOMIES

<p>05</p>  <p><b>Italy</b></p>	<ul style="list-style-type: none"> <li>Competes through luxury and premium leather with high-quality tanning, finishing and branding.</li> <li>Traceability and sustainability are central to its model.</li> </ul>	<ul style="list-style-type: none"> <li>Industry remains high-value and premium-positioned, though facing demand slowdown, rising compliance costs and sustainability pressure.</li> </ul>	<ul style="list-style-type: none"> <li>Investing in finishing quality, certification, traceability, wastewater treatment and branding.</li> </ul>
<p>06</p>  <p><b>United Kingdom</b></p>	<ul style="list-style-type: none"> <li>Eid-ul-Adha/Qurbani takes place through licensed slaughterhouses. Religious slaughter is managed under food-safety and hygiene rules.</li> </ul>	<ul style="list-style-type: none"> <li>Animal by-products move through controlled, regulated channels with no informal collector interference.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan should formalize Eid slaughter and hide collection through registered points with hygiene controls, traceability and regulated by-product handling.</li> </ul>
<p>07</p>  <p><b>United States</b></p>	<ul style="list-style-type: none"> <li>Leather raw material linked with the formal beef and meat industry; hides treated as commercial slaughter by-products entering formal grading, preservation and export channels.</li> </ul>	<ul style="list-style-type: none"> <li>Benefits from a large, formal hides and skins supply chain serving automotive, furniture, fashion and industrial uses.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan should integrate hides and skins into the formal livestock and meat value chain, especially during Eid when supply increases sharply.</li> </ul>
<p>07</p>  <p><b>France / Germany / Wider EU</b></p>	<ul style="list-style-type: none"> <li>Religious slaughter governed by animal welfare, hygiene and food-safety rules.</li> <li>Leather markets focused on traceability, chemical management, sustainability and animal-welfare documentation.</li> </ul>	<ul style="list-style-type: none"> <li>EU leather supply chains are formal and compliance-driven.</li> <li>Market access increasingly tied to environmental standards and traceability.</li> </ul>	<ul style="list-style-type: none"> <li>Pakistan must strengthen traceability, chemical management and wastewater treatment.</li> <li>Animal-welfare documentation and compliance certification are needed for EU market access.</li> </ul>

**Source:** Compiled from official policy documents, industry reports and newspaper sources for India, Bangladesh, Vietnam, Türkiye, Indonesia, Italy, the United Kingdom, the United States and the wider EU.

# Strategic Roadmap

## Proposed by ICMA

The gaps identified in this note are not new observations. They are long-standing structural weaknesses that geopolitical pressure has made harder to ignore. The following measures translate these gaps into transitional and future-oriented actions. Transitional Phase measures focus on immediate cost relief, raw-material preservation, liquidity support, compliance facilitation and export resilience. Future-Oriented measures aim to build a formal, traceable, environmentally compliant and higher-value leather industry that can compete under changing global conditions.

**Table 4: Transitional and Future-Oriented Policy Measures for Strengthening Pakistan’s Leather Sector**

### Transitional Phase Policy (1–5 Years)

### Future-Oriented Policy (5–20 Years)

#### Weak Conversion of Hides and Skins into Exportable Value

Launch a National Hide Preservation Drive before every Eid-ul-Adha in major leather clusters. District administrations, livestock departments and industry associations should arrange salt availability, temporary collection points, trained flaying teams, grading counters and quick transport to tanneries.

Develop a formal livestock-to-leather value chain system where slaughterhouses, hide collectors, tanneries and exporters are linked through documented supply channels. Over time, hides and skins should be treated as formal industrial raw material, not seasonal informal waste.

#### Informal Hide Collection and Weak Traceability

Introduce a pilot hide documentation system in Karachi, Lahore, Kasur and Sialkot. Each hide lot should record source area, collection point, preservation status, grade and receiving tannery. This can begin with simple digital receipts or QR-based tracking.

Build a national leather traceability framework covering animal source, slaughter point, hide movement, tannery processing, chemical use and final export product. This will help exporters meet EU/US buyer requirements and improve formal value recording.

## Transitional Phase Policy (1–5 Years)

## Future-Oriented Policy (5–20 Years)

### High Energy, Fuel and Input Costs

Provide targeted relief on essential leather-sector inputs such as tanning chemicals, dyes, finishing agents, machinery parts and compliance equipment. Any duty relief should be limited to registered exporters and linked with production/export records.

Move toward a competitive industrial energy and input-cost framework for export sectors. Leather clusters should receive predictable power tariffs, energy-efficiency support and access to cleaner production technology to reduce long-term dependence on costly utilities.

### Expensive Credit and Refund-Related Liquidity Pressure

Establish a time-bound refund clearance mechanism for verified leather exporters. Sales tax refunds, duty drawback and deferred claims should be cleared within a fixed period, or made adjustable against future tax liabilities.

Create a Leather Export Finance and Resilience Facility through SBP, EXIM Bank and commercial banks. It should offer long-term concessional financing for working capital, technology upgrading, compliance investment and export expansion.

### Fragmented Regulation and Overlapping Compliance Requirements

Create a Leather Export Facilitation Desk under the Ministry of Commerce, supported by PSW, NCC, FBR, Customs and relevant provincial departments.

Develop a single integrated compliance architecture for the leather sector, where environmental, labor, chemical safety, traceability and export documentation requirements are harmonized and digitally accessible to firms.

### Product Concentration in Leather Apparel and Limited Diversification

Support firms to expand from leather apparel into handbags, wallets, travel goods, branded accessories, safety products and technical leather articles through product design, sampling, testing and buyer matchmaking.

Develop Pakistan's premium leather goods and design ecosystem by upgrading existing institutions, linking them with industry and promoting branded, design-led and higher-margin leather products in global markets.

**Transitional Phase Policy (1–5 Years)**

**Future-Oriented Policy (5–20 Years)**

**Environmental Compliance Gaps in Tanning Clusters**

Conduct immediate performance audits of existing CETPs, chrome recovery units, sludge disposal systems and wastewater treatment facilities in major clusters such as Korangi, Kasur and Sialkot. Support should be linked with clear compliance timelines.

Establish fully functional green leather clusters with common effluent treatment, water recycling, chrome recovery, solid waste handling and public compliance disclosure. Environmental compliance should become part of export competitiveness, not only enforcement.

**Labor, Occupational Safety and Buyer Due-Diligence Pressure**

Start a Leather Workplace Safety and Compliance Program covering PPE, chemical handling, machine safety, fire safety, wage documentation, social security registration and accident reporting. Priority should be given to export-oriented tanneries, gloves and garment units.

Build a sector-wide social compliance system aligned with OECD due-diligence expectations and major buyer standards. Over time, Pakistan should be able to provide credible labor, safety and remediation documentation to international buyers.

**Market Concentration in a Few Developed Countries**

The Ministry of Commerce, with industry associations and export bodies, should prepare market-specific leather export plans for Gulf, Central Asian, East Asian, African and non-traditional EU markets.

Pursue deeper trade access and value-chain integration through FTAs, preferential arrangements and B2B supply-chain partnerships. Pakistan should position leather goods, gloves, garments and footwear as priority value-added exports in trade negotiations.

**Geopolitical Freight, Insurance and Shipment Risks**

During major shipping disruptions, provide temporary logistics support through export refinance for delayed shipments, advisory alerts on alternative routes and partial support for verified freight or insurance cost spikes.

Build a permanent export logistics resilience mechanism for vulnerable export sectors, including leather. This should include route-risk monitoring, freight data tracking, port facilitation, insurance coordination and buyer communication support.

**Transitional Phase Policy (1–5 Years)**

**Future-Oriented Policy (5–20 Years)**

**Industrial Contraction and Weak Firm-Level Monitoring**

Create a leather-sector stress monitoring dashboard to track closures, downsizing, outsourcing, capacity reduction, delayed refunds, compliance status and relocation signals. This should avoid unsupported claims but improve policy visibility.

Establish a Leather Sector Observatory under the Ministry of Commerce with industry, provincial departments, customs, research bodies and financial institutions.

**Weak Implementation of Existing Leather Strategy**

Review the Leather and Leather Goods Export Strategy 2023–2027 and identify which actions have been implemented, delayed or unfunded. Immediate focus should be on traceability, compliance, input costs, market support and technology upgrading.

Convert the strategy into a Future-Oriented Leather Sector Competitiveness Plan 2040 with clear targets for export value, product diversification, environmental compliance, value addition, employment, traceability and market expansion.

**Conclusion**

Pakistan’s leather sector has the raw material, the workforce and the manufacturing base to compete more effectively in global markets. What it lacks is coordinated policy action to convert that potential into consistent, traceable and compliant export value. The hide losses, input cost burdens, refund delays, environmental compliance gaps and market concentration that constrain the sector today are largely domestic in origin and domestic in solution. Geopolitical shocks have made these gaps more visible and more costly, but they have not created them. Going forward, the priority is a leather-sector resilience framework that connects immediate relief with long-term competitiveness: input-cost rationalization, timely refund clearance, formal hide preservation and compliance facilitation in the short term, and a traceable livestock-to-leather value chain, green leather clusters, stronger labor and environmental standards, product diversification and new market development over the longer term. The goal is not to defend the sector’s current position. It is to move Pakistan from a raw-material advantage toward a resilient, compliant and higher-value leather export industry.

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