COMESA-LLPI NEWSLETTER

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DEDAN KIMATHI University Officials Visit COMESA-Leather and Leather Products Institute

A high level delegation from the Dedan Kimathi University of Technology, Kenya, represented by Prof. Ndirangu Kioni, Vice Cancellor; Prof. (Eng.) Paul M. Wambua, Deputy Vice Chancellor and Dr. Douglas Onyancha Department Chairman have visited COMESA-Leather and Leather Products Institute (COMESA/LLPI) from October 23 to 26, 2014 to establish collaborative activities and share experience required to effectively and efficiently run leather technology related programs and activities at their University.

Dedan Kimathi University of Technology of Kenya Making Discussion with LLPI's Experts Team and Signing of MoU

Dr Mwinykione Mwinihija, Executive Director of COMESA/LLPI, welcomed the delegates and expressed his absolute delight to institute collaborative activities with the Dedan Kimathi University as COMESA/LLPI is mandated to spearhead leather sector development activities in the region.

As part of the delegation's visit program, COMESA/LLPI also made necessary arrangements for visits to different institutions and enterprises working in the leather sector in Ethiopia. This covered the Ethiopian Leather Industry Development Institute (LIDI), Awash Tannery, Fonatanina Shoe Factory, Ethio-International Footwear Cluster Cooperative Society and the Addis Ababa University-Institute of Technology. The delegates met and discussed with the representatives of the institutions during their visits and agreed to start cooperative activities in the months to come.

At the wrap-up meeting held at the COMESA/LLPI Board Room, Prof. Ndirangu Kioni, indicated that the results of the visits were beyond his expectation and expressed his very gratefulness to COMESA/LLPI for the overall organization of the program and his hope to continue to enjoy close collaboration in the future.

Finally, an MoU was signed between COMESA/LLPI and Dedan Kimathi University of Technology, and both institutions showed keen interest to further strengthen the links and organize visits in both directions.

Director's Message

Dr. Mwinyikione Mwinyihija, Executive Director of COMESA-LLPI

Dear Readers,

Welcome to this fourth quarter issue of the COMESA/Leather and Leather Products Institute Newsletter. We are closing 2014 as a landmark year in terms of collaboration between COMESA/LLPI and member States and different institutions, as well as with respect to activities implemented by COMESA/LLPI. We are also happy at LLPI to have attained a global presence in the course of this year. We are, therefore happy to have met the aspiration set by the founding for-fathers in 1990 providing the Charter which established this Institution. This action and our involvement at national, regional and global level have culminated to major beneficial returns to all strata of the leather value chain.

The 2015 work-plan of the institute also shows tremendous increase in range of activities that will allow maintaining the current momentum and further strengthening the achievements. Operationalizing the Leather Value Chain Strategic Objectives in member countries and the Memorandum of Understandings signed with various regional and international institutions and organizations will be some of the 2015 awaiting tasks.

This fourth quarter Newsletter contains information on some of the events and programs conducted by the COMESA/LLPI from October to December 2014, and other regional and international leather related news that we consider relevant for you information.

I welcome, as usual, your ideas, contributions and feedback on further possibilities to improve our Newsletter's coverage. In tandem with this circulation we at LLPI send you this seasonal greetings and wish you all a prosperous new year 2015!!!

Dr[3] Mwinyikione Mwinyihija
Executive Director

COMESA/LLPI in Conjunction with EIFCCOS Organized Training in Business Record Keeping to SMEs Successfully Completed

In July 2014, COMESA-Leather and Leather Products Institute (COMESA/LLPI) crafted a Strategy for Ethio-International Footwear Cluster Cooperative (EIFCCOS) through a participatory process. The strategy was subsequently validated on 30th September 2014. The Assessment which was undertaken as part of the strategy formulation process identified that the majority of SMEs were setting the price of four of their five footwear models at a loss. This problem was trussed to their limited capacity to keep financial records, under- costing and pricing. To address this gap, COMESA/LLPI organized training on Costing, Pricing and Business Record keeping for SMEs working under EIFCCOS from 17th to 21st November 2014 at the Ethiopian Management Institute, in Addis Ababa, Ethiopia.

Partial View of the Training Workshop

The main objective of the training was to enhance the business management skills of SMEs owners in order to run their footwear manufacturing business in an efficient, effective and profitable way. Specific objectives of this training were as follows:

- To implant an entrepreneurial mindset and understanding in the importance and principles of Business Record Keeping,
- To strengthen their capacity in keeping track of money owed to the business,
- To develop their knowledge how to manage and separate private/family money from that of their businesses,
- To enhance their understanding in the concepts of costing methods and cost allocation,
- To develop their knowledge in the importance of pricing and relevant market structures and
- To make them apply the concepts in their decision making exercises.

The training methodology was consisting of lectures and sharing of experiences followed by discussions and group work. A total of 76 SMEs were trained.

In order to enhance the uptake of the skills learnt,

Group Activity During of the Training Workshop

COMESA/LLPI would visit the SMEs once per month, beginning January 2015, for six months. The visits would focus on review of the SMEs financial records and assessing their costing and pricing practices.

Handing over Certificates After Completion of the Training

Dr Mwinyikione Mwinyihija, Executive Director of the COMESA/LLPI, in his closing speech during the certificate award ceremony, con¬grat¬u¬lated the trainees and mo¬tiv¬ated them to exercise the theoretical and practical knowledge and skill gained through the training.

Group Photo During the Closing Ceremony

COMESA-Leather and Leather Products Institute (COMESA/LLPI) Participated in the 11th Annual Entrepreneurship Conference of Makerere University Business School (MUBS) in Kampala, Uganda

Following the invitation from the Makerere University Business School, COMESA/LLPI participated in the 11th Annual Entrepreneurship Conference held in Kampala from November 10 to 14, 2014. This Conference, organized by Makerere University Business School in partnership with Syracuse University-USA, ILO, and Laval University-Canada, brought together academicians, policy makers, researchers, practitioners from East Africa, South Africa, West Africa, Central and Southern Africa, UK and Canada. The Conference, with the theme "Promoting Employment through Small and Medium Enterprises", encompassed the following Events.

- Symposium for Entrepreneurship Educators at Esella Country Hotel from 9-10 November, 2014,
- Social Entrepreneurship Workshop at Grand Imperial Hotel on Nov. 11, 2014,
- Main Conference held at Imperial Royal Hotel from 12-13 Nov., 2014,
- A showcase of SMEs products in the Main Conference Hall, and
- A gala dinner to welcome participants at Grand Imperial Hotel on Nov. 11, 2014

Prof. Mekonnen Hailemariam, representing COMESA/LLPI, participated in the Conference and presented a paper entitled "A Quantitative Analysis Determining the Performance of Small and Medium Enterprises (SMEs) in Leather Footwear Production in Selected Common Market for Eastern and Southern African (COMESA) Countries.

Papers presented in the Conference, and

Prof. Mekonnen Hailemariam Making Presentation During the Conference

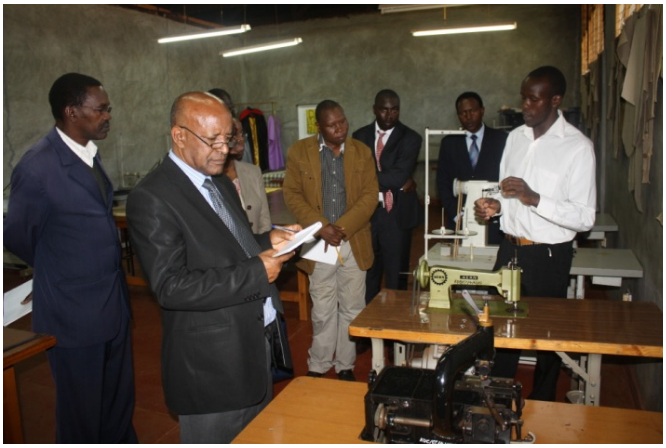
discussions that followed, were very interesting and informative. The Forum also gave ample space for unstructured interaction between participants, including networking and ideas exchange.

During the main Conference Opening Event, a Memorandum of Understanding (MoU) on Cooperation between MUBS and COMESA/LLPI was also signed. MUBS Principal, Prof. Waswa Balunywa and COMESA/LLPI's Leather Value Chain Expert, Prof. Mekonnen Hailemariam signed the Agreement. The MoU will enable linkages and collaborative activities between the two Institutions that will promote and sustain the value adding activities along the leather value chain in the COMESA Region, with focus on SMEs.

During the Signing of the Memorandum of Understanding (MoU)

COMESA-Leather and Leather Products Institute's (COMESA/LLPI) Expert Visits Dedan Kimathi University of Technology, Kenya

Prof. Mekonnen Hailemariam, a Leather Value Chain Expert at COMESA/LLPI visited Dedan Kimathi University of Technology, Kenya from 6 to 9 November 2014. The visit took place within the framework of the MoU signed between the two institutions in furtherance of their mutual interests in leather sector development through technology transfer, training and research, and as a contribution to increased international co-operation between them.



Partial View of Prof. Mekonnen's Visit to Dedan Kimathi University of Technology

As part of the visit program, the University organized a meeting that was attended by the County Government of Nyeri Secretary and Head of County Public Service Ms Wambuyi with her senior staff members, the University Vice Chancellors and other senior staff of the University. Prof. Mekonnen made presentation on COMESA/LLPI-conducted study entitled "Baseline Survey on the Development of the Footwear Clusters Through the Reorganization of Existing Service Centres and the Creation of Incubation Facilities in Kenya". The study dwells on various issues such as socio-economic importance of the SMEs, footwear production performance, comparative analysis of a model against the existing service centre, challenges faced by the SMEs and potential impact of the proposed transformations. The discussion that followed the presentation underlined the importance of having an Incubation Center at Dedan Kimathi University of Technology to strengthen the University's leather technology training program and also to support the SMEs operating in the leather sector in Nyeri and surrounding areas. The County Government expressed its full support for the establishment of Service/Incubation Center.

In another meeting held with the Department of Chemistry COD and staff (a Department that has training programs in leather technology), Prof. Mekonnen presented the COMESA/LLPI prepared curricula of vocational education at various levels (Diploma and Level I to III) for possible use by the Department. He said COMESA/LLPI and Dedan Kimathi University, from both sides, have keen interest of collaboration, and thus the two institutions will work together to further strengthen the training program in the leather sector. Participants expressed their appreciation and gratefulness to COMESA/LLPI. Prof. Mekonnen also visited the different departments and structural units of the University.

Made in Ethiopia: The Leather Gloves Keeping the World Warm and Stylish

The steady hum of sewing machines fills the air inside a large glovemaking factory on the outskirts of Addis Ababa, the bustling Ethiopian capital. Patches of leather move through an array of working stations as busy laborers work feverishly to meet the company's export quota: 5,000 gloves a day.

The operation belongs to Pittards, a UK-based company whose trading partnership with Ethiopia dates back to the early 1900s.

Here, hardy, durable cow hide is made into work gloves. These are ideal for builders and gardeners, and are mainly exported to the U.S.

And then there are the stylish designs -- created from a different type of animal skin, these are made to keep fingers warm in Tokyo, Paris and Rome.

"The fashion glove is made of sheep skin which is unique to Ethiopia," explains Tsedenia Mekbib, general manager at Pittards Products Manufacturing. "The durability, the stretch ability and the strength makes it popular for gloving leather specifically. That has been the one strength of Ethiopia and the leather sector."

Sophisticated designs with decorative touches may be the hallmark of this type of glove, but they must also be practical. Ethiopia's climate makes this animal skin effective at withstanding the winter chill -- an essential selling point.

And this effective material is in abundant supply. Ethiopia's 90-million cattle, sheep and goat population is one of the world's largest, according to the United Nations Industrial Development Organization.

Creative process

What slips onto the customer's hand may be elegant, but the process to create the glove certainly is not.

It all starts in the tannery where workers -- dressed in aprons and thick, elbow-high protective gloves -- convert the raw animal hides and skins into finished leather through a number of processes.

Some of the steps include soaking the skin and fleshing it to remove any unwanted parts. A retanning process where the leather is colored is followed by a stage under a special vacuum dryer where the skin is dried and then stretched to increase its surface area.

Once all this has happened, another machine softens the leather to make it flexible -- an important feature of gloves. The end product, ready for export, is pure sheep skin prepared to be turned into gloves -- labeled with the thickness and the area it covers.

Export ban

In a move to encourage value addition and increase revenues generated by the leather sector, the Ethiopian government banned all exports of raw hides and skins in 1989. Between 2006 and 2012, the total value of Ethiopia's exports of leather and leather products grew from $66 million to $112 million.

And it's not just Pittards that have realized the opportunity to make gloves in Ethiopia. According to the Leather Industry Development Institute, two other factories in the country are focused on creating the hand garments.

Shoes is another major area which uses Ethiopian leather. The country is home to dozens of shoemaking companies, including local names such as Oliberte and international players like the Huajian Group, a Chinese company that has been exporting some 20,000 pairs of shoes a month since it launched its manufacturing facility outside Addis Ababa in 2012.

Business conditions

Despite a major focus to rapidly build its energy and transport infrastructure, Ethiopia is still struggling to provide the best conditions for businesses setting up shop in the country. "The challenges that we encountered when we started business are from power cuts to logistics to foreign currency availability, to lead time in having available raw materials," explains Mekbib. "Having the solutions to these challenges would allow us to be competitive as a country and as a company as a whole."

Beyond these issues, international manufactures also struggle to recruit workers. Ethiopia's population is growing at a rate of 2.89%, placing it among the top 15 fastest growing populations in the world, according to the CIA Factbook.

But a large workforce and a skilled work force is not the same thing. In fact, Mekbib says "bridging the gap between the rest of the world and the skills set in Ethiopia on the ground has been the greatest challenge so far."

Another growth area, is the number of Ethiopians entering the middle class and showing a desire to buy high quality clothes. In a report published this month, the IMF said the country is on track to achieve its goal of reaching middle income status by 2025. The trend is so clear to Pittards that they are now targeting consumers inside the country.

But for Ethiopians, it's not just the top quality of the leather products that makes them take out their wallets, it's also access to a label they can call their own: made in Ethiopia.

Source: http://edition.cnn.com/2014/10/15/business/ethiopia-leather-gloves/

Kenya's Leather Industry Gains Revival Momentum

Kenya is gaining momentum in reviving the leather industry after about 20 years since its productivity shrunk following liberalization of the market.

Kenya Leather Development Council (KLDC) CEO Charles Ndung'u says volumes of raw hides and skins exported have reduced tremendously thereby reviving tanneries which had collapsed in the 1990s due to lack of the raw materials.

Liberalization of the leather market, which came with the abolition of the 22 percent export compensation scheme, resulted in exportation of the 80 percent of the total raw materials causing a major shortfall in the local market.

"However, two years ago since the Kenya Revenue Authority (KRA) began collecting the 80 percent Free on Board(FOB) on the raw materials, the total exported hides and skins has reduced to about 10 percent from 80 percent," Ndung'u told Xinhua on Thursday during an interview in Nakuru, about 180km northwest of Nairobi.

Increase in the export tax from 40 percent to 80 percent is one of the strategies that the government is enforcing to revive the once vibrant industry.

Encouraging value addition in the industry, which has the capacity of employing more than 800,000 people and generating up to 1.6 billion U.S. dollars annually, is the key to promoting its progressive development, according to Ndung'u.

The leather industry in Kenya mainly depends on the livestock sector where the target lies in the cows, goats and sheep. However, there has been a shift in sourcing for the raw materials to fish, especially the Nile Perch, ostriches and the crocodiles.

Goats provide the highest percentage of skins with the least obtained from fish based on the comparative analysis of data provided by the ministry of industrialization and enterprise development.

Annually, the leather industry produces 5.4 million tonnes of goatskin, 2.7 million tonnes of sheepskin, 2.5 million tons of cattle hide, 1000 tonnes of crocodile skins, 500,000 tonnes of camel hides, 500 tonnes of ostrich skins and 400 tonnes of fish skin.

"The leather industry is very vibrant in Kenya in comparison to other countries in East Africa. Ethiopia is now our reference point since it's now producing its own leather products and exporting them to Kenya,"said Ndung'u.

"In each and every village in the country, there is a potential activity in the production of leather products and this is what we want to tap to boost the sector and create jobs for many people," he added.

Already, the government is promoting the culture of buying the locally manufactured shoes with the intention of creating a market for the finished leather products.

Among those prohibitive policies that the government plans to introduce in the next three years include imposing import duty on a pair of second hand shoes, instead on the weight per consignment.

In the current state, estimates from the KDLC show that the leather sector earns Kenya 117.6 thousand dollars annually while employing about 22,000 people, a number that the sector policy makers say can go as high as 800,000 if all stakeholders devote their efforts towards improving its productivity.

Ndung'u said setting up of industries involved in manufacturing shoe laces, chemicals and accessories in the country would further boost productivity of the leather sector.

"We do not need to import shoe laces, chemicals or accessories used in value addition. Having all of them in the country would be a great advantage to our efforts to promoting value addition," he said.

Source: http://www.coastweek.com/3746-latest-news-Kenyas-leather-industry-gains-revival-momentum.htm

Labour Costs: China is Nearly Six Times More Expensive Than Ethiopia

Footwear industry consultant Peter Mangione has said that, during the first half of 2014, Ethiopia was the cheapest source of labour in the global shoe manufacturing industry.

In statistics quoted by the China Leather Industry Association, Mr Mangione said the cost per hour of one footwear factory worker in the African country was $0.36, a figure that he said takes all costs into consideration.

A table he drew up put Bangladesh next, with each worker costing $0.71 per hour, followed by Cambodia ($0.85), India ($0.85), Vietnam ($1.14), Nicaragua ($1.27), Thailand ($1.34), Indonesia ($1.60), the Dominican Republic ($1.88), China ($2.09) and El Salvador ($3.05).

By way of contrast, he said the cost for a footwear factory worker was $18.68 per hour in Italy and $25.66 per hour in Japan.

These figures suggest that it's now nearly six times more expensive to hire a footwear factory worker in China than it is in Ethiopia.

Earlier this year, Peter Mangione told leatherbiz that recent investments from China in footwear factories in Ethiopia are important developments, but said what had convinced him that large footwear manufacturing groups are serious about using Ethiopia as a low-cost centre of manufacture was an announcement of Chinese investment in a major infrastructure project to provide a rail link between the capital of landlocked Ethiopia, Addis Ababa, and the port of Djibouti, 750 kilometres away.

Source: http://leatherbiz.com/fullitem.aspx? d=136783& uid=137018&cid=z

Zambeef Product's Zamleather Division has Embarked on a US$100,000 Investment Expansion Programme to Boost the Leather Industry by the End of 2015

Zamleather general manager Richard Franklin said working with other partners elsewhere in the region could add value to products in Zambia.

Mr Franklin said it was important for the industry to be given much attention and support if it was to expand more and create employment for the benefit of the local people.

He said the industry was intending to add about more than five outlets of Zamleather throughout the country, so that all the people were reached.

Mr Franklin said currently the industry produced about 6,000 tonnes of hides in a month, and that it was expected that it would produce up to 10,000 tonnes on a monthly basis and a further 2,000 per month under contract at Kembe.

He said the tannery was operating at full capacity in Lusaka and was looking to expand facilities to process 10,000 hides per month at the beginning of 2016.

He said the industry was establishing enough market for the export of the crust leather.

"Now that we have the Leathery Industry Association, we will be able to coordinate ourselves to improve the market," Mr. Franklin said.

He said struggling with the availability of raw hides had been a challenge on account that sometimes it was smuggled out, making it difficult for the industry to boost its business.

Mr Franklin explained that in most cases good quality raw hides were smuggled out of the country which had become a challenge and that they depended on low quality hides which were not profitable.

He said he was hopeful that with the new Leathery

Industry Association the smuggling of hides would be curbed.

Currently, Zamleather had a workforce of 167, and were exporting their products to South Africa, China, Turkey, Spain and India.

And Commerce and Industry permanent secretary Siakalenge Siazongo said there was need to support the domestic market to boost the Zamleather industry if more employment was to be created.

Mr Siazongo called on the institutions and companies to support the local suppliers to build the local products so that they could as well feel the benefit.

He said a company such as Zamshu was making more efforts to reach remote areas so that farmers could benefit from such ventures through supplying skins, which were a source of their income.

Mr Siazongo said the Ministry of Commerce would engage and cooperate with other stakeholders in ensuring that everything was in the process, as the Zamshu industry expanded its industry for the benefit of the Zambian people.

"As Government, we will ensure institutions such as the mines, education and many more subscribe to such and ensure they buy local products from such companies that are making effort at improving the livelihood of the local people," he said.

(posted on 19 November 2014.

Zamleather Welcomes Government Support

Ministry of Commerce, Trade and Industry Permanent Secretary Siazongo D. Siakalenge inspects leather, shown by Zamleather General Manager Richard Franklin (left) and Warehouse Supervisor Mike Musukwa

Zambeef Product's Zamleather division has welcomed government support to help grow the domestic leather industry and increase opportunities for value addition.

The pledge to encourage industry growth came as Ministry of Commerce, Trade and Industry Permanent Secretary Siazongo D. Siakalenge toured the Lusaka operations of the company, which makes Zamshu brand footwear.

Among the issues raised during the visit was the erratic supply of electricity to the factory, the need to stimulate greater domestic demand for local products from both private and public sector, improvements in the quality of hides provided by farmers, and the problem of raw hides being smuggled out of the country.

Mr Siakalenge promised to take up these issues with the relevant ministries and agencies, and to engage mining companies in order to understand the reluctance by some to buy locally manufactured safety shoes and equipment.

In praising Zamleather's efforts to buy hides from small-scale farmers in all corners of the country, Mr Siakalenge also called for improved attention to ensure high quality hides are supplied.

"As an industry we need the support of government. It is something that needs to take place at multiple levels, and we are encouraged by the way government has listened to the issues and has offered practical, positive intervention to build the industry, add value and create jobs," said Zamleather General Manager Richard Franklin.

Mr Franklin explained that Zamleather processes 6,000 hides per month at its Lusaka plant and a further 2,000 per month under contract at Kembe. He said the tannery was operating at full capacity in Lusaka and was looking to expand facilities to process 10,000 hides per month at the beginning of 2016. Zamleather makes the Zamshu branded footwear including Little Bwana school shoes, Kaleza Z-12 leather soccer boot as well as safety boots for the mines including KCM and Mopani.

The company, which employs 167 full-time workers, is also keen to start exporting 'crust' leather – which adds greater value to the wet blue hides that are currently exported, and aims to be selling such leather to China within the coming year.

He also praised the launch of the newly formed Zambia Leather Industries Association, which will ensure industry co-ordination to improve hide and leather quality, market access and supply chain support.

Southwest Airlines Donates Leather LUV Seat Products In Nairobi, Kenya

Hundreds of soccer balls and shoes are distributed as part of global initiative to upcycle approximately 43 acres of former airline seat coverings

DALLAS¬¬, Oct. 30, 2014 /PRNewswire/ -- Southwest Airlines (NYSE: LUV) today announced the distribution of products made in Kenya and the U.S. as part of its global upcycling initiative LUV Seat: Repurpose with Purpose. The distribution in Kenya completes the second phase of the multi-year environmental program, which will upcycle approximately 80,000 former airline seat coverings into new leather products to provide valuable training and jobs in several communities in addition to keeping these materials out of a landfill.

"LUV Seat is a program that stays true to the heart of Southwest Airlines," said Bill Tiffany, Southwest Airlines' Vice President of Supply Chain Management. "The tremendous results we are already seeing and the strong commitment of these Phase I organizations excite me for the subsequent efforts to come. LUV Seat has fostered the culture of sustainability at Southwest as we look for new ways to upcycle and grow our commitment to global citizenship."

In Nairobi, nonprofit organizations SOS Children's Villages Kenya, Alive & Kicking, Maasai Treads, and Life Beads Kenya have provided vocational and skills training for young adults and community members by making shoes, soccer balls, backpacks, wallets, and makeup bags from the used leather. This week, Southwest Airlines donated a majority of the products to youth across a number of villages and organizations across Kenya.

Young adults, ranging in age from 17 to 22, from SOS Children's Villages Kenya apprenticed in leather works and produced 2,100 pairs of shoes with the local sustainable shoe company Maasai Treads. The shoes are being donated to SOS villages and Ahadi Trust as part of an anti-jigger campaign, and to Cura Orphanage, a residence for children who have lost their parents to AIDS. In addition to making shoes, the young adults learned how to hand-stitch 1,000 soccer balls with Alive & Kicking, which uses sports education campaigns to raise awareness about HIV/AIDS and Malaria prevention. Kenya-based GoodMakers Films and the Gina Din Foundation are at the helm of managing the project in Kenya and were instrumental in bringing the diverse organizations together. Additionally, Creative Visions Foundation was invaluable in getting the LUV Seat program off the ground.

"This is an exciting moment in our relationship with Southwest Airlines. We are amazed with the quality of products made by many of our youth and are excited to help distribute these products to children and families in need," said Lynn Croneberger, CEO of SOS Children's Villages - USA. "It's great to know this innovative program will continue to benefit the partner organizations and recipients for years to come."

In the U.S., Southwest Airlines joined with LooptWorks, a domestic upcycling company, to create high-quality duffle and tote bags, called LUV Seat bags. Through the LUV Seat bags project, LooptWorks provided skills training and jobs for disabled adults. The bags are currently being gifted by Southwest to celebrate the end of the Wright Amendment and will be available for sale to the public starting this month.

Southwest Airlines has received praise from Customers and Employees for the unique LUV Seat program, which goes beyond sustainable corporate philanthropy to community development. Using the hashtag #LUVSeat, hundreds of ideas for new partnerships have been shared online. Southwest is looking to incorporate social media feedback to source ideas for additional social enterprise phases of the program, solidifying its commitment to its network and to promoting community.

ABOUT SOUTHWEST AIRLINES CO.

In its 44th year of service, Dallas-based Southwest Airlines (NYSE: LUV) continues to differentiate itself from other air carriers with exemplary Customer Service delivered by nearly 46,000 Employees to more than 100 million Customers annually. Southwest and wholly owned subsidiary AirTran Airways operate nearly 3,600 flights a day, serving 93 destinations across the United States and five additional countries. Service to San Jose, Costa Rica, begins in March 2015, subject to government approvals.

SOURCE: http://www.prnewswire.com/news-releases/southwest-airlines-donates-leather-luv-seat-products-in-nairobi-kenya-280957762.html

Taiwan – New Footwear Standard for Leather Shoes

Recently, Taiwan's Bureau of Standards, Metrology and Inspection (BSMI) introduced a number of technical standards concerning the safety of footwear products. Two of these voluntary standards, CNS 10632 and CNS 8634, set out requirements for chemical and quality safety of leather shoes intended for the Taiwan market.

CNS 10632 is applicable to shoes with leather vamp materials and for general purpose leather shoes with a combined sole and heel whereas, CNS 8634 applies to leather casual shoes that have rubber or plastic soles and a leather vamp area.

◊ **Chemical Restrictions**

These include azo dyes (in upper and lining materials), phthalates (in plastic outsoles), Chrome VI (in upper and lining materials) and Dimethylfumarate.

◊ **Physical Requirements**

This includes factors such as hardness, tensile strength, elongation, rub fastness, oil resistance, tear strength and peel strength.

BSMI stated that the publication of these two voluntary standards was due to a raised consumer awareness surrounding the health and safety of daily necessities that they use.

Source: http://www.blcleathertech.com/blog/taiwan-new-footwear-standard-for-leather-shoes/2014/11/14/

Argentina: Tanners to be Encouraged, not Forced, to Supply Local Firms First

Leather good and footwear manufacturers in Argentina have made a formal complaint to the country's federal government, saying jobs in their sectors are at stake because of a lack of local leather.

Representative bodies have told the government their member companies are finding it difficult to secure sufficient supply of leather because local tanners are shipping their finished leather to overseas customers instead.

Some groups have even called on the government to apply a 1970s law that guarantees supply to the domestic market first, but government sources have told media that this law, known as the Ley de Abastecimiento, could only be used as a last resort.

In 2012, the government threatened to close down companies involved in the supply chain of yerba mate, a herb from which Argentineans make a famous tea, because supplies were dwindling and prices soaring too high for ordinary consumers. Footwear and leathergoods manufacturers have said this is now happening with leather.

The government has indicated that, while it does not want to enforce this law, it will seek to take some measures to ensure local finished product manufacturers have access to locally produced leather.

Source: http://leatherbiz.com/fullitem.aspx?id=136826&uid=137018&cid=z

Brazilian Leather: CICB Promotes a Movement to Publicize the Leather Law

In Brazil, it is considered a crime to use terms such as "eco leather" or "synthetic leather", meaning that the word leather can only be used when relating to products truly made from animal skin. The Centre for the Brazilian Tanning Industry (CICB) is promoting a movement of great dimensions and surprising results to publicize the Leather Law (Lei do Couro) in Brazil.

With support from the Union of Leather Tanning Industries from Novo Hamburgo city (RS), CICB is promoting a series of visits to shopping centres and street retailers in order to check the proper use of the word "leather", as well as guiding managers and directors about the law that prohibits the use of expressions such as "eco-leather" and "synthetic leather". The so-called Leather Law blitzes, which initiated in September, have already visited more than 4 thousand businesses across 30 cities in Brazil, looking to make sure law 4.888/65 is being followed.

The team travels in a car identified with the campaign visual identity, carrying along printed promotional material and a group of professionals trained to verify publicity, tags and communication used by retailers. When any irregularity is found, the team gives the necessary instructions for them to learn and adjust to the law. In case of poor response to the information given on the use of expressions such as "synthetic leather", the Department for Consumer Protection (PROCON) and the Civil Police are activated. The objective of the campaign is to inform the retailer and make sure consumers are not harmed. "Leather is a noble article, from animal origin, elaborated through a long process, and this understanding is extremely important so that people are not harmed", says the Union's executive director, Janete Maino, along with president Francisco Assis Stürmer and director Cícero Marchini.

Blitzes have been generating great repercussion in all cities visited, not only towards retailers but also among consumers of all ages, therefore promoting a healthy debate on the differentiation between leather and other materials. Executive president of CICB, José Fernando Bello, says the reception to CICB's team has been highly positive, since actions are strongly connected to information and education, bringing benefits to all.

An Analysis of the Tariff Level on Leather and Synthetic Footwear in the COMESA Member States

Introduction

The objective of this short paper is test the hypothesis that countries in the COMESA region are charging higher duty rates (MFN) on footwear with leather uppers, than footwear with synthetic uppers/pvc etc. The paper is divided into two main sections; context of the footwear subsector in the region and testing of the hypothesis. The first section gives a brief outline of the footwear market in the region and the second section deals with testing the hypothesis.

Footwear Output, Market Size and Trade in the COMESA Region

The COMESA region's market of footwear is estimated at 365 million pairs of shoes with a per capita of 0.85 pairs per annum. Assuming all these pairs of shoes are produced in the COMESA region, approximately 365,000 direct factory level jobs would be created, which would stimulate increased demand in the use of finished leather, soles, glues and other accessories consequently creating more indirect jobs. Total output of leather footwear in the COMESA region was estimated at 80.6 and 92.3 million pairs in 2001 and 2012 respectively. The output figures exclude production from SMEs and other informal enterprises.

In 2012, US$ 646 million worth of shoes were imported into the COMESA region from the rest of the world and this translates to approximately 64 million pairs of shoes. The total market demand is 365 million pairs against a supply of 156 million pairs (imports plus regional production). This gives an estimated deficit of 209 million pairs per annum. This is a market opportunity for SMEs to capitalize on with no or limited competition from locally established firms and also from imports. Figure 1 illustrates the sharp growth in footwear imports from the rest of the world, as opposed to slow or almost stagnant growth in intra trade in the COMESA region.

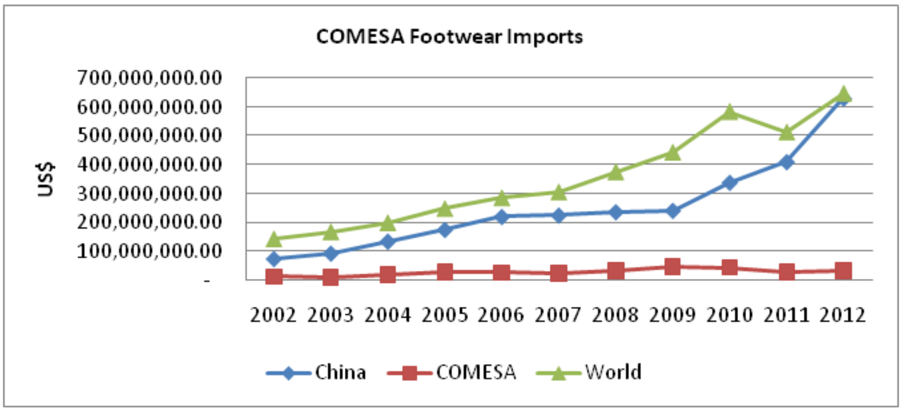


Figure 1: Trends in Footwear Imports

Source: Computed with COMESA/LLPI based on ITC data

COMESA Member States recognize the growth of intra-trade is central in the strengthening of the regional integration agenda, as witnessed by the establishment of the Free Trade Area (FTA) and the launch of the Customs Union. However, intra-regional trade of raw hides and skins, leather, footwear and leather products is still very weak or almost non-existent amongst most of the COMESA countries.

Testing the Hypothesis

Tariff data drawn from 13 COMESA, countries for the footwear tariff headings is presented Table 1. The tariff headings are described as follows:

- 64.01: Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, reverting, nailing, screwing, plugging or similar processes;
- 64.02: Other footwear with outer soles and uppers of rubber or plastics;
- 64.03: Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather;
- 64.05 Other footwear.

Footwear with non leather uppers is classified in 64.01, 64.02 and 64.05, whereas footwear with leather uppers is classified in 64.03.

i. The hypothesis testing is premised on two levels namely; MFN and the absolute terms (implying the absolute amount of money paid per pair).

ii. MFN basis: the decision rule is based on the following: a. If duty rates of 64.03 (shaded in red in table 1 below) are equal or less that of 64.01, 64.02 and 64.05, we reject the hypothesis outlined above.

iii. Absolute terms; the decision rule is based on the total amount of money paid per pair: a. If the amount of money paid as

[1] *Nicholas Mudungwe: Cluster Development Expert COMESA/LLLPI*

[2] *FAO Compendium of Statistics*

[3] *Assuming that the import price of US$10 per pair*

duty for leather footwear is more than that paid for synthetic or plastic shoes, we accept the hypothesis.

iv. At MFN basis, according to the tariff rates presented in Table 1 the null hypothesis is rejected, since tariffs for footwear with leather uppers is equal to tariffs of footwear made of other materials, except for Mauritius, where footwear with leather uppers' duty is lower than of other materials.

v. At Absolute basis, given the fact that the MFN rates applicable to leather and non leather shoes are the same in percentage terms (Ad valorem), this implies that in real terms importers of leather footwear pay more in monetary terms per pair, than of footwear especially of plastic and synthetic uppers because leather shoes are generally more expensive. A hypothetical example for synthetic and leather shoes costing USD4 and USD20 respectively at a duty of 25%; an importer pays USD1 for the non leather pair and USD5 for the leather shoe. Thus whereas at MFN basis, we rejected the null hypothesis, in practical terms with regard to monetary outlay duties for leather footwear are higher than those of synthetic shoes.

vi. This scenario raises question, on the process of setting of tariffs in the Member States, which also was extended to the COMESA CET. The setting of tariffs rates was based on the Economic Categorisation of goods concept into: raw materials; intermediate and finished goods concept, with the industrialisation implication being taken into account. Thus all footwear was considered the same.

vii. Is the equalisation of MFN tariffs for leather and non-leather footwear an issue to COMESA Member States? - For all countries in the COMESA FTA it is not an issue because duty is at zero, for all originating footwear whether leather or synthetic. It is only an issue for non-FTA members as the duty preference they receive is discounted from the prevailing MFN an also for imports from third party countries

Table 1: Decision Analysis Table

Member States	Tariff Heading	MFN (%)	Decision	
			MFN Basis	Absolute basis
Burundi	*64.01*	*25*	*Reject*	*Accept*
	64.02	*25*		
	64.03	*25*		
	64.05	*25*		
Comoros	*64.01*	*15*	*Reject*	*Accept*
	64.02	*15*		
	64.03	*15*		
	64.05	*15*		
Djibouti	64.01	17.3	Reject	Accept
	64.02	13		
	64.03	13		
	64.05	13		
Ethiopia	64.01	35	Reject	Accept
	64.02	36		
	64.03	31.2		
	64.05	35		
Kenya	64.01	25	Reject	Accept
	64.02	25		
	64.03	25		
Madagascar	64.01	20	Reject	Accept
	64.02	18.6		
	64.03	18.7		
	64.05	20		
Malawi	64.01	25	Reject	Accept
	64.02	25		
	64.03	25		
	64.05	25		
Mauritius	64.01	15	Reject	Accept
	64.02	3.7		
	64.03	0		
	64.05	0		
Rwanda	64.01	25	Reject	Accept
	64.02	25		
	64.03	25		
	64.05	25		
Sudan	64.01	40	Reject	Accept
	64.02	40		
	64.03	40		
	64.05	40		
Swaziland	64.01	30	Reject	Accept
	64.02	30		
	64.03	30		
	64.05	17.6		
Uganda	64.01	25	Reject	Accept
	64.02	25		
	64.03	25		
	64.05	25		
Zambia	64.01	25	Reject	Accept
	64.02	25		
	64.03	25		
	64.05	25		

Source: COMTRADE Database (provided by COMESA Statistics Unit)

Conclusion

If MFN tariffs on leather footwear are lowered by Member States in order to reduce the absolute amount of money paid than that paid for synthetic or other materials footwear per pair, this will stimulate imports of leather footwear from the rest of the world as a number of Asian countries produce cheaper finished shoes using split leather and also because of economies of scale. This scenario would not benefit COMESA countries more than third party countries . It is therefore recommended that Member States who have the capacity to export leather footwear and are not Members of the FTA, should expedite the process of becoming FTA members.

ABOUT COMESA-LLPI

The formation of the Leather and Leather Products Institute (LLPI) was approved by the former Preferential Trade Area (PTA) for Eastern and Southern African States (forerunner of COMESA) in 1988 to fulfill its industrial objective to "support and develop the leather industries of the COMESA region". It was then established by the signing of the Charter by member Heads States on 23rd November 1990.

LLPI Vision:

A Competent Leather and Leather Products Centre of Excellence for Regional and Global Competitiveness.

LLPI Mission:

To Promote and Develop the Regional Leather Sector Through Research and Development, Capacity Building, and International Cooperation & Trade for Enhanced Productivity.

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