



African raw materials, including hides and skins, are in demand.

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Ups and downs

Africa's wealth in natural resources is attracting admirers and investors from all parts of the world. Hides and skins are among the raw materials coveted. In the case of Kenya, the government wants to set up new tanneries and create jobs and added value. Chinese investors are making their mark in other parts of the continent.

There is a stark contrast in the mood in the tanning sector in two of the industry's most important countries in Africa.

While Kenya is investing in managing its hide and skin resources better and in training new technicians and establishing new tanneries, observers of Nigeria's leather industry claim the situation there could scarcely be worse, mostly owing to mismanagement of raw materials.

The government of Kenya has announced that it will spend \$300,000 building three new community-managed,

small-sized tanneries in the towns of Wajir and Garissa in the north-west of the country and Bungoma in the west. It expects the tanneries to be ready by August. The project is part of a wider economic stimulus programme and will increase the number of tanneries in the country to 16.

"We will end up with 16 tanneries, which should help us process all hides and skins and increase value addition," said Mwinyikione Mwinyihija, the chief executive of Kenya's Leather Development Council. And he said Kenyan companies

would be able to make good use of much of the leather to create more jobs and add more value on home soil by using it to make shoes for the domestic market. "With a demand of 34 million pairs of shoes annually, we can help the country industrialise," he said.

The ground-breaking ceremony for the new tannery at Bungoma took place on June 14. Kenya's permanent secretary for livestock, Ken Lusaka, took part in the event. In the build-up, he said the new tannery would provide an outlet for hides and skins collected across a wide area in the



west of the country and create job opportunities for hundreds of young people in the local area.

Workers require training, of course, and the permanent secretary announced at the Bungoma event that the ministry of livestock will train two young people from every tannery in Kenya at its Animal Health Training Institute.

He highlighted that by setting up new tanneries, the Kenyan government wants to raise the living standards of the rural people by assisting them to be a part of the leather industry. Mr Lusaka said the leather sector had the potential to double its current contribution to Kenya's GDP (1.5%).

Export incentive backfires

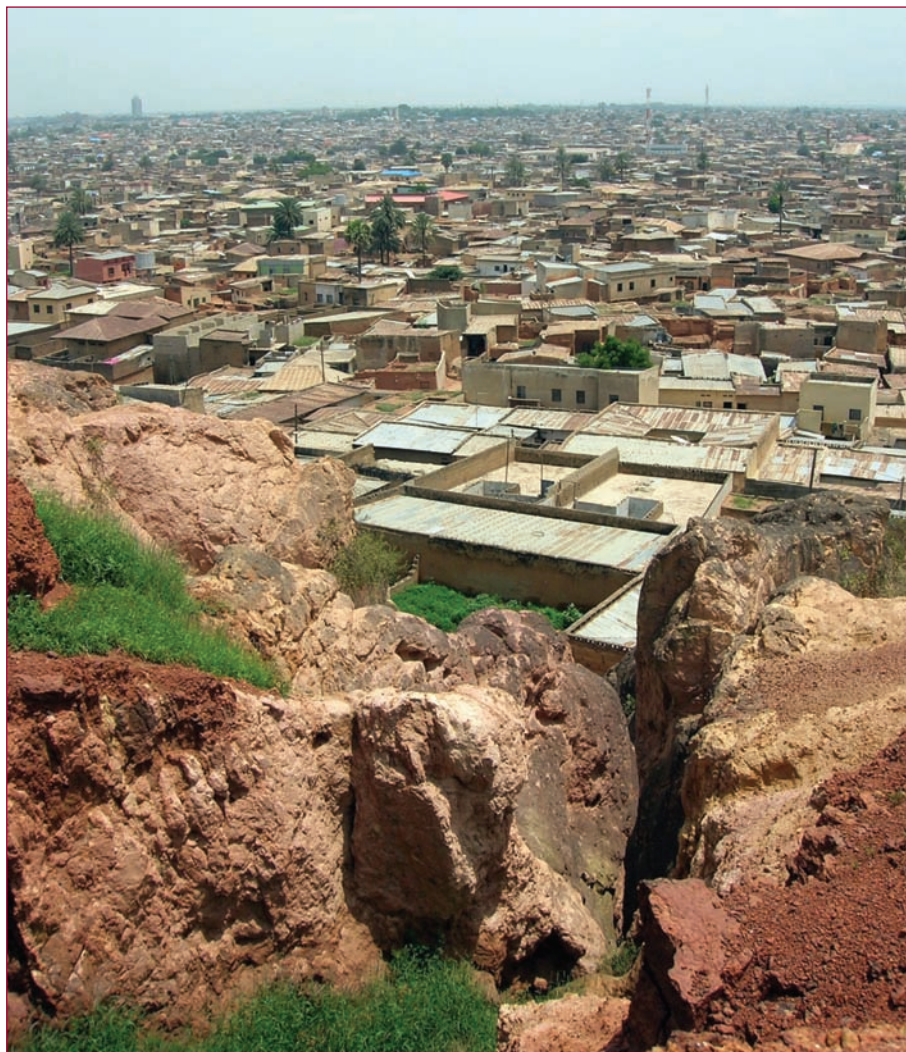
Meanwhile, in Nigeria, reports suggest as many as 20 of 31 locally-owned tanneries in the country have closed or are working at reduced capacity owing to the high price and lack of availability of raw material.

Nigerian tanners have alleged that a government initiative to boost exports has backfired because operators from China, Lebanon and Europe have taken advantage of it to exert control over raw material stocks and avail themselves of funds available from the government in Abuja as part of the initiative, the Export Expansion Grant (EEG).

Nigeria's government says the EEG is "a vital incentive" to export growth, and to generating a greater proportion of export revenue from industries other than oil. Non-oil exports had an annual value of \$200 million at the start of the millennium, but by 2010 this had risen to \$2.3 billion. Qualifying companies have to be registered with the Nigerian Export Promotion Council (NEPC), be a manufacturer producer or merchant of products made in Nigeria for the export market, and have an export turnover of at least \$30,000.

As far as the leather sector is concerned, industry observers in Nigeria have claimed that a small number of companies have been receiving a higher amount of money in grants than they are entitled to under the EEG, and have used the extra money to establish a controlling position with regard to raw material supply.

Muhammad Sagagi, a consultant based in Kano, a centre for leather production in the north of Nigeria, has worked with leather and footwear producers who have had to close their doors because of the problem. He recently told Nigerian media that he thought the government had introduced the EEG with good intentions,



The city of Kano in northern Nigeria has long been a centre of leather production, but locally owned businesses have said manipulation of a government grant scheme by investors from overseas has led to tannery closures.

CREDIT: SHARIZ CHAKERA

but that it was no longer useful.

Mr Sagagi said he thought the scheme should be scrapped, as it was benefiting only a few individuals at the expense of the local economy. In fact, he said the EEG had been hijacked by a corrupt cartel within the industry that was out to milk the nation dry under the pretence of generating export growth.

"As a Nigerian, I am deeply worried by the irregularities in the EEG scheme which, from all indications, are killing the leather industry in the country; contrary to the rosy picture that the NEPC, the central bank, the ministry of finance and others are painting."

China-Africa relations

Trade between Africa and China was valued at almost \$115 billion last year, according to a Chinese government report, entitled China-Africa Economic and Trade

Cooperation. The report states that in the first 11 months of 2010 China-Africa trade volume reached \$114.81 billion, a 43.5% year-on-year increase. The report says growth is likely to gain traction in the coming years as the "economic and trade co-operation is bright" between the two sides.

"As economic globalisation progresses, the economic and trade co-operation between China and Africa will definitely gain momentum to reach a larger scale, broader scope and higher level," it said.

Growing trade relations between China and Africa can be seen in Ethiopia, where prime minister Meles Zenawi has said he foresees continued investment in the country from China, particularly in infrastructure and manufacturing.

China is already a major investor in Ethiopia, Mr Zenawi said, but there is still huge room for growth, particularly as the country has launched its second five-year



plan, set to end in 2015, known as the Growth and Transformation Plan (GTP).

At the core of the GTP, Ethiopia plans to give priority to industrialisation, by focusing on the development of its manufacturing and infrastructure sectors. "We are closely working with Chinese companies in two areas; one is infrastructure and the other is manufacturing. Chinese companies can play a vital role in implementing infrastructure projects," said Mr Zenawi.

China is currently constructing an industrial zone in Ethiopia, one of several similar zones it is building on the African continent. The zone aims to attract more Chinese investment in leather, textiles, garments and chemicals.

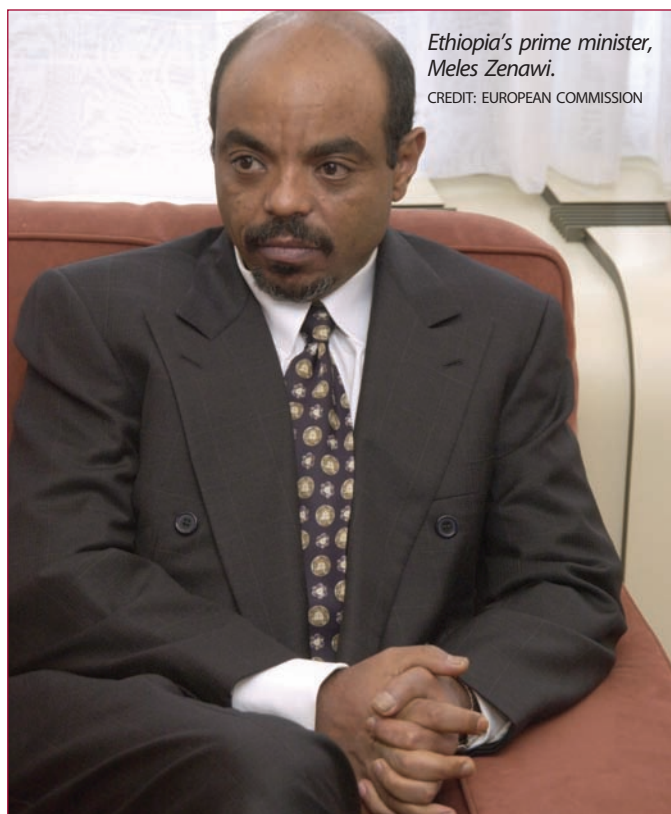
"Improving infrastructure, the establishment of industrial zones, the training of skilled manpower for the manufacturing sector – all of these are part of our plan to attract Chinese investment to Ethiopia," he said.

He Mingliang, chairman of China-Africa Leather Co, said: "We have a long-term strategy [in Ethiopia], thanks to the low cost of labour, rich raw materials and huge market potential."

His company has invested \$24.5 million to manufacture 1.5 million square metres of finished leather and 1 million pairs of leather gloves annually, mainly for export to China and the European Union.

In Malawi, the value of bilateral trade with China doubled between 2007 and 2010, reaching \$100 million, according to the country's ministry of trade. The government in Lilongwe has said it is encouraged by the speed of growth in trade with China since the two countries established diplomatic ties in 2007. Before then, Malawi had trade ties to Taiwan, which it had to relinquish to deal with China instead.

At the time of the initial agreement, China said helping Malawi improve its trade in hides and skins, including processing the raw material on home soil, was one of the areas it would concentrate on. ©



*Ethiopia's prime minister,
Meles Zenawi.*

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