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Malawi blues

The *Maravi Post*, a Malawian newspaper, published an article by Lloyd Mbwana on its website on Christmas Day with a headline that shouted 'Malawi losing billions of dollars on export of skins and hides raw products'. The article was based on an exclusive interview with Felix Jumbe, COMESA's Alliance for Common Trade in Eastern and Southern African (ACTESA) board chair upon his arrival from Ethiopia, where he attended the Leather and Leather Products conference. Mr Jumbe disclosed that Malawi was losing billions, yes billions, of dollars in revenue collection through export. The article states that Jumbe is also a Member of Parliament for Salima Central and that he observed that (Malawian) livestock's hides and skins are being underused and wasted in the country while the world market is in dire need of them. Well, if he says so! The political credentials of Mr Jumbe are not the most reassuring as he was, according to the *Times*, another Malawian newspaper, expelled from his party for what the party termed "gross indiscipline".

Anyway Mr Jumbe came back to Malawi from Ethiopia where he attended the conference where he discovered that Malawi was losing billions on selling raw hides and skins rather than adding value to the raw materials. That's actually nothing new, because that is what most African countries struggle with: a badly organised and under-equipped domestic leather industry, making it more cost-efficient to export raw hides and skins to China, process the raw materials there and export finished footwear from the same raw materials back to the country of origin. Domestic tanners are unable to pay the prices that the Chinese pay for the raw materials and footwear manufacturers are unable to make shoes from domestic leather and compete with the Chinese or second-hand imports, in spite of duties being raised (and ducked) on these imports.

According to the FAO Worldwide Compendium, Malawi had a livestock population in 2015 of an estimated 1.3 million head of cattle and 5.5 million goats. It gives no figure for sheep. There are no statistics about the production of cattle hides, whereas

FAO sets the production of goatskins at 3.4 million pieces. Assuming that the cattle take-off is about 12%, Malawi will have availability of some 150,000 pieces per year, or 2.4 million kilos of wet-salted hides, which today would have an estimated value of \$1.4 million. Assuming that a goatskin sells raw roughly for \$2 per piece, the value of the goatskins comes to \$6.4 million. Hence with some optimism the value of the raw hide and skin trade from Malawi is somewhere between \$6 million and \$10 million per year.

If we consider 2.4 million kilos of wet-salted hides, we can assume that these will be good for 4 million square-feet of leather or \$10 million dollars in value. The goat will have a combined surface of 15 million square-feet or, optimistically, \$30 million in finished leather. That is a total of \$40 million of finished leather value. I would be curious to hear how Malawi wants to collect billions of revenue from \$40 million worth of finished leather, even if all the leather is being transformed in Malawi into footwear and leathersgoods. Unless calculations are made in Malawian Kwacha, which quotes about 715 against the dollar, but that's not what the article says.

Therefore I wonder who are the geniuses that briefed participants in Ethiopia during the Leather and Leather Products conference. Or maybe Mr Jumbe was simply distracted and did not pay attention or inadvertently slipped in some zeros. Whatever it is, the article is simply wrong by a factor of 100.

Fact is that UNIDO donated some 15 years ago a complete tannery to Malawi, close to Liwonde, in an area prone to flooding, some 90 minutes drive from Blantyre. The tannery was run by one of the local entrepreneurs, who was also a hide and skin exporter and locally famous as a crocodile hunter. The tannery was equipped to produce fully finished leather, but was hampered in its operations by uncontrolled but official exports of raw hides and skins, which in turn was and still is hampered by continuous smuggling of raw hides and skins to Tanzania.

In short the tannery could not buy raw material at prices that would allow it to produce and sell wet blue, crust or finished



leather competitively, not even to nearby South Africa. Let's keep in mind that Malawi is a landlocked country and that the transport of a container to Beira in Mozambique costs a cool \$1,500. There were no local buyers for the Liwonde tannery's leather, apart from a few artisans, who do not buy industrial quantities. Therefore in the end the tannery closed five or six years ago and the machines were sold to buyers in Tanzania. Nobody in Malawi interfered or attempted to keep the tannery from closing down. A Chinese company came into the picture and re-opened the tannery bringing in the necessary equipment. The whole set-up seems to be geared to create a front to export raw hides and skins, or at least to duck pollution laws in China.

What now? Trading hides and skins in Malawi is extremely challenging. The quality of raw hides in the Lilongwe area, where most of the hides are produced, is rather low, whereas the suppliers in the Blantyre area, where the hide quality is better, cannot be considered reliable. In an interview with *The Nation* in May 2016 the acting president of the Leather Industries Association of Malawi, Mr Crispin Amasi, stated that Malawi needed a modern tannery, but stakeholders lacked the necessary \$1.2 million to buy the necessary equipment. A new tannery? Well that would be the logical next step to revive the sector, but where to get the funds? Sponsors are not easy to find in these years of crisis so the usual hand-outs are not available.

Provided my estimates and the FAO statistics are right, there would be sufficient room for two medium-sized hide tanneries

and two medium-sized goat tanneries. However the success of the tanneries will depend totally on the capability of the Malawian authorities to completely stop the illegal export of raw materials, otherwise whatever money is invested will be wasted. It would need to set up a credible strategy of incentives that discourages the export of raw materials by imposing an export duty, and encourages exports of wet blue without any duty and export of crust with an export incentive, finished leather with attractive benefits.

Imports of machines, chemicals and spare parts should be free of duty. This, for an African country, would be a huge order. Most of all it needs an industrial environment and capable management. It needs the Indian example of 40 years ago. It needs private initiative, private investment and not alms. In Africa, unfortunately, the system is different. Everything is based on politics, on hand-outs, on brainstorming without ever coming to a conclusion. Remember the proposed leather parks in Botswana and Kenya? They are still talking about them! There are too many political mouths to be fed, too many hands to be greased, too many loopholes in the laws and too many opportunities to sabotage any industrial initiative. African economies, in spite of their well-advertised strategies, in spite of all the development aid that is put at their disposal, are hand to mouth. We live today and when tomorrow comes, we will see. In the real world it's the results that count, not the number of participants in a workshop. ☹

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