

New UN studies



CREDIT: THOUGHT CATALOGUE / UNSPLASH

It is so good to see that Ethiopian tanners at long last are speaking their minds and declaring themselves against the catastrophic value-addition policy put into the minds of government officials by various institutions, among them those I call the geniuses of ALLPI and the LLPTI. In particular, UNIDO with Italian collaboration have pumped millions into projects, studies and workshops in Ethiopia and the results have always been zero. Sure, they report great success stories but that's only on paper, whereas if you look at the export figures of the Ethiopian leather industry you only see misery.

The huge exports that the geniuses have predicted with pride in the multiple academic titles on their business cards and email signatures to show off what they think is their value, are just baseless predictions and have never materialised. On the contrary. The exports have gone from bad to worse. I congratulate the tanners on seeing the light at long last and speaking their minds. I have been waging this battle for the last couple of years. I hope that the tanners realise that they have been played to feed the accounts of NGOs, COMESA-ALLPI and UN institutions, as well as their country's unrealistic value-addition policy. Their real priorities have never been taken into consideration. Foreign-owned tanneries have flourished but at the cost of the local tanneries, many of which have closed. The Ethiopian tanners until now have gone along erroneously with the value-addition hype out of national pride and obedience. Now, apparently, they understand that they have been working against their own interests and, most importantly, they have collected enough courage to say so. Better late than never. They need foreign currency, the foreign currency they earn by exporting their products, in order to buy products and machines, but which they are forced to convert into birr, the local currency. They know perfectly well how to tan leather and don't need the stupid workshops and training sessions.

To be honest, I must say I am grateful to the various UN agencies and NGOs, and yes (why not?), also the geniuses in COMESA-ALLPI for providing me at regular intervals with material to expose the huge amounts of money that is being wasted in projects, reports, research and workshops, all geared towards keeping the machine oiled with cash rather than actually getting the African leather industry on its feet.

So, I am grateful again that there is a new sun on the African horizon and it is named UNCTAD, the United Nations Conference on Trade and Development, which made a study in

2018 called "Identifying Regional Value Chains in Leather and Leather Products in Africa". The title alone makes you laugh. African leather products have featured in every UN study, each of which promised streets paved with gold in the shape of quality improvement, new marketing approaches, huge exports and thousands, no, tens of thousands of new jobs.

Based on these studies, most countries have developed one, two or three national leather strategies over the years, but of course these did not work. Remember all those clusters that needed to be formed, the various new leather parks? Kenya, Zimbabwe, Botswana? Virtually nothing has been achieved except study trips for officials and loads of insignificant papers. These brilliant ideas will keep coming in order to keep the NGOs and the UN agencies in money, each warranting new costly studies, while the industry stakeholders who need only one thing—easy and affordable access to money—are seeing their businesses dwindle.

Yet another study

The UNCTAD study refers to papers written as far back as 1962, that is more than 55 years ago; the most recent reference paper is from 2013 and was also an UNCTAD study titled 'Measuring value in global value chains'. The present paper offers a load of diagrams and statistics and it runs, just to add to the number of pages, all the homogenisation system or HS codes that are related to leather. Data used in diagrams go back to 2010, 2011 and 2012, nothing more recent. Some diagrams refer to the period from 1962 to 2011 to show trends. We are in 2019 and even UNCTAD should have been aware that things change dramatically over a period of 10 years, let alone 50+ years. Some pie-charts analyse data from 2011. The report then suggests that based on this out-of-date data, trade can improve by 200% or 300%. Please.

It runs to 108 pages, but this is all smoke and mirrors because the first nine pages are introductions, acknowledgements and a summary. From page 10 to 53 we have the actual report, and from page 53 to 108 you are drowned in appendices, tables and lists. So from the outside it looks formidable, a huge study, but when you look inside, 50% is just a collection of tables and lists that you can find in another 10 or 15 studies, even if composed differently.

The remaining 44 pages in the study are widely spaced and filled with tables showing data as old as 10 years and the content is way out of date. There is a table that lists the comparison of import unit values of regional and global importers. Is it useful or interesting to know, in 2019, that Rwanda exported leather and leathersgoods with a value of \$131,000 between 2008 and 2010? Perhaps it is interesting because in 2004, before the government banned the export of raw hides and skins from Rwanda, those exports had a value in excess of \$1 million per year. That's what the geniuses call progress. The report also states that there has been a rise of more than 400% in total exports of leather products from



\$59 million in 2000 to \$296 million in 2011. In 2011! But the report does not analyse or take the market value of the raw materials into account. What happened between 2011 and 2018? This report just shoots figures into space. Smoke! This smoke paints an unsubstantiated picture that there is huge potential for Africa to produce more leather and leathergoods whereas, in reality, things are tough, really tough.

The report "examines the changing patterns of intraregional and global trade of sub-Saharan Africa, highlighting the importance of intraregional trade in leather and leather products. Inputs and outputs of the leather industry are identified and their emerging global, as well as intraregional, trends are highlighted". Yes, but then what? It estimates intraregional trade potential for leather "using the gravity model". Trade potential between COMESA, ECOWAS and SACU is "estimated". Impact of tariff liberalisation on potential trade is "explored". These explorations are not based on reality.

More wild guesses

Then comes the most beautiful thing of all: estimating "export potential in leather as well as leather products of all countries in the three trade blocs". So, the authors put a wet finger in the air and made some wild guesses, based on nothing, smoke! Then you read: "Potential regional value chains are identified in leather and leather products. For each country, three lists are identified. First is a list of outputs or finished leather products, where the country has export potential in the regional and global markets. Second, there is a list of inputs: primary and processed leather including other identified inputs (for example, chemicals used for dyes), which can be sourced by the country from the region at a lower cost, but is currently being imported from outside the region, although the region has the supply capacity. Third, there is a list of leather and leather products where the country needs foreign direct investment to engage in the production supply chain of the leather industry. These are those products for which the country has a competitive advantage in the region but does not have the supply capacity to meet regional demand. Further, a list of products has also been identified for which the country has the potential to become an investor in the region and undertake intraregional investments."

The report does not advise the reader if the locally available chemicals are consistent with international norms. Maybe they are not and that's why chemicals are imported. The report doesn't touch on this.

Man, oh man! We are just looking here at a sequence of words, unrealistic blah-blah. Why is there no production capacity? Simple: first there is no money to buy machines. Second, raw hides are too expensive because overseas countries, having a more modern, better equipped and more efficient production apparatus, can pay more than local tanners and manufacturers. Third, it is more expensive to produce a pair of shoes locally from local leather in Africa than to buy shoes in China, made from the same African material. Hence unfair competition throughout the process from A to Z!

Then the report continues: "Policies at country and regional levels are identified for promoting intraregional foreign direct

investment (FDI) in the leather industry, and scope for intraregional investment agreement is explored." How ridiculous is this? Most East African countries have developed with the precious help of the NGOs, the UN, and COMESA leather value chain strategies. So, the exploration has been done but without results. Why? The industry is evolving very fast and the strategies are discussed for five or six years, and when they are approved, it takes another five years to implement them, but by then the world has moved on and so has the leather industry.

Like all preceding reports, this study runs after the facts and offers nothing new or innovative, nothing that can really be used to get the Zimbabwe tanneries the equipment they so badly need, or Malawi and Rwanda a viable modern tannery. Botswana has been discussing the creation of a new tannery (after it closed down an existing wet blue plant) for the last ten, yes ten, years. Kenya wanted to construct a leather park exactly where it is known that there is no water available. Nothing happened. Nothing will happen.

Burkina Faso had a relatively modern tannery that produced good leather, but the political climate changed and the tannery, sustained by the previous government, fell into disgrace. Chad contracted a new tannery but it never went beyond the signed contract with the supplier. The list can go on and on!

Promised the moon...

The UNCTAD report offers no solutions for any of these situations. It elaborates theories, which promise the moon, but deliver nothing.

Now, let me extract two significant phrases that underline the uselessness of these studies: "Regional integration and the pooling of resources and capabilities by forming regional value chains can be an important step in this direction. This can lead to a shift towards more productive manufacturing activities in many countries and can subsequently boost domestic value addition in exports of the region."

Then, later, we find: "While global value chains may provide opportunities for countries in Africa to link into global production sharing by supplying primary inputs, the study argues that linking into global value chains per se may not bring automatic gains in terms of higher value addition in exports, increased industrialisation and employment generation. In fact, linking at the lower end in global value chains by exporting raw materials can be counterproductive for countries and may not lead to any structural transformation in their economies."

Does anyone really understand what is written here? It is all left in a muddle. The proposals that are made by the study could enact some change, but it implies that it cannot. The proposal "may not bring", and so on. To say it quite clearly, here is an expensive study that is totally theoretical and holds its hands up to say that what is proposed will most probably not work. It can enact change, but at the same time it cannot. This is called covering your backside. You are always right. The sad thing is that this study of 110 pages, country statistics that are updated until 2012 (leaving a gap of seven years), isn't worth the paper it is written on.

The African leather industry is once again short changed! 🌐