ISSN 2313-2205
2015/02

COMMONWEALTH TRADE POLICY DISCUSSION PAPERS

Trade-led Regional Value Chains in Sub-Saharan Africa: Case Study on the Leather Sector

Rashmi Banga
Dinesh Kumar
Philip Cobbina

The Commonwealth

Commonwealth Trade Policy Discussion Papers 2015/02
ISSN 2313–2205

By Rashmi Banga, economic affairs officer, UNCTAD, Dinesh Kumar, Phd scholar, Jawaharlal Nehru University, and Philip Cobbina, lecturer, Ghana Institute of Management and Public Administration.

Banga, R, D Kumar and P Cobbina (2015), 'Trade-led Regional Value Chains in Sub-Saharan Africa: Case Study on the Leather Sector', *Commonwealth Trade Policy Discussion Papers* 2015/02, Commonwealth Secretariat, London.

The *Commonwealth Trade Policy Discussion Papers* series promptly documents and disseminates reviews, analytical work and think-pieces to facilitate the exchange of ideas and to stimulate debates and discussions on issues that are of interest to developing countries in general and Commonwealth members in particular. The issues considered in the papers may be evolving in nature, leading to further work and refinement at a later stage. The views expressed here are those of the author(s) and do not necessarily represent those of the Commonwealth Secretariat.
For more information contact the Series Editor: Dr Mohammad A Razzaque, m.razzaque@commonwealth.int

Abstract

Regional integration through regional value chains (RVCs) can help sub-Saharan Africa to trigger structural transformation in its economies. The leather and leather products (LLP) industry provides a tremendous opportunity for the region to form RVCs and, in the process, create more value-addition in exports and generate higher employment. In this context, the study identifies potential RVCs that can be formed in LLP in three sub-regional regional trading blocs, namely COMESA, ECOWAS and SACU. The estimated dynamic gravity model created as part of the study for the period 2002–2011 shows that the region can more than double its intra-regional trade. Three lists are identified for each country, indicating the ways in which the country can link into RVCs. The first is a list of outputs or finished leather products where the country has potential to export to regional and global markets. The second is a list of inputs, i.e. primary and processed leather, that can be sourced by the country from the region at a lower cost than from outside the region. The third is a list of leather and leather products where the country needs foreign direct investments to engage in an LLP RVC. The paper identifies policies at country and regional levels for promoting and initiating RVCs, as well as suggesting policies for promoting intra-regional foreign direct investments in leather industry.

JEL Classification Numbers: F14, F15, O24, O38, O55
Keywords: trade, structural transformation, regional value chains, foreign direct investment, leather products, sub-Saharan Africa, Commonwealth

Contents

Abbreviations and acronyms

ACIA	ASEAN Comprehensive Investment Agreement
AfDB	African Development Bank
AIA	ASEAN Investment Agreement
ASEAN	Association of South-East Asian Nations
BEC	Broad Economic Categories
BRICS	Brazil, Russia, India, China and South Africa
CCIA	COMESA Common Investment Area
CEPII	Centre d'Etudes Prospectives et d'Informations Internationales
COMESA	Common Market for Eastern and Southern Africa
CTB	Contribution to trade balance
ECIDC	Economic Co-operation and Integration Among Developing Countries
ECOWAS	Economic Community of West African States
FDI	Foreign direct investment
FTA	Free-trade agreement
GDP	Gross domestic product
GVC	Global value chain
HS	Harmonised System
I/O	Input/output
LDCs	Least developed countries
LLPs	Leather and leather products
NICs	Newly industrialised countries
OECD	Organisation for Economic Co-operation and Development
POS	Market position
PTA	Preferential trade area
RCA	Revealed comparative advantage
RVC	Regional value chain
SACU	Southern African Customs Union
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
TiVA	Trade in Value Added
UN-COMTRADE	United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
WITS	World Integrated Trade Solutions
WTO	World Trade Organization

Summary

Sub-Saharan Africa (SSA) doubled its growth rate in the 2000s compared to the 1990s; however the growth has not been transformative. In fact, the contribution of the manufacturing sector to total value added has been steadily declining in many countries in the region, indicating de-industrialisation. One of the most important challenges facing SSA is triggering structural transformation in the economies of the region, and in the process creating more added value in its exports and generating higher employment. A large share of exports of the region comprises basic commodities with very little added value. One way of triggering this transformation is to increase the competitiveness of countries in producing and exporting manufactured products using the large base of natural resources available within the region. Regional integration and 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 to the exports of the region.

The leather and leather products (LLPs) industry provides the region with a tremendous opportunity to form regional value chains and add greater value to the region's exports. At present, the region is the largest source of the basic raw material of the industry, i.e. leather, and exports it with little added value. Furthermore, the region's global imports of leather products have been steadily rising over the last two decades. However, the industry has the potential to initiate regional value chains and raise export competitiveness and domestic value-addition in many countries of the region. Given the labour intensive nature of the industry, it can also generate large-scale employment for low-skilled labour.

Over the years, the global leather industry has become highly fragmented and production has spread across different continents, with raw hides and skins, part processed leather, finished leather, leather components and leather products being widely imported and exported. One of the main reasons for this fragmentation has been a shift away from processing leather by developed countries towards the least developed and developing countries. Increasing labour costs and stringent laws relating to environmental pollution in the developed world have been mainly responsible for this shift. Ample availability of raw hides and skins in developing countries has further encouraged the emergence of global value chains (GVCs) in this industry. With the emergence of GVCs, the focus of policymakers in these countries has been mainly on linking into GVCs. While GVCs may provide opportunities for countries in Africa to link into global production sharing by supplying primary inputs, this study argues that linking into GVCs *per se* may not bring automatic gains in terms of higher added value in exports, increased industrialisation and employment generation. In fact, linking at the lower end of GVCs by exporting raw materials can be counter-productive for countries and may not lead to any

structural transformation of their economies. Countries may get stuck at the bottom of the GVC, unable to climb up the value chain, and may continue exporting low-end and low value-added inputs, with lower gains in terms of domestic value-addition and divarication.

Regional value chains (RVCs) differ from GVCs. In RVCs the end product (finished product) is exported by a country within the region, either globally or regionally. RVCs therefore offer opportunities to the countries in the region to climb up the value chains by using the region to boost their competitiveness and to produce and export products with higher value-added. Well established RVCs in Africa can also provide an opportunity to the countries in the region to link gainfully into the GVCs and increase their bargaining power with the lead firms.

In this context, this study examines the potential of forming RVCs in one of the most traditional and labour-intensive industries of the region, i.e. LLPs. SSA is a major supplier of basic raw material (i.e. hides and skins) to the leather industry of the world. In terms of its share in global exports, the region has experienced a steady rise from 1.5 per cent in 2000 to 3.6 per cent in 2011. However, much of this rise (>90 per cent) is explained by a rise in exports of leather, compared to leather products.

Interestingly, although the share of leather products is low in total exports of LLPs from SSA, there has been a >300 per cent rise in total exports of leather products (from $17 million in 2000 to $83 million in 2011)[1]. Furthermore, although, historically, countries within the region have traded more leather products than leather, the rise in extra-regional exports of leather products has been twice the rise in regional exports. In 2000, around 26 per cent of total exports of leather products from the region went to the region, while in 2011 only 17 per cent of total exports of leather products from SSA went to SSA. Not just global exports, but global imports of LLP have also risen substantially since 2000. Global imports of leather increased from $112 million in 2000 to $520 million in 2011, while global imports of leather products increased from $95 million to $444 million in this period. These trends reveal growing demand and supply of leather inputs and leather outputs within the region as well as globally, indicating that the region has a high potential and capacity to form RVCs in LLPs to meet regional as well as global demand.

This study identifies three sub-regional regional trade blocs in SSA which have the potential for forming RVCs in LLPs. These are COMESA, the Economic Community of West African States (ECOWAS) and the Southern African Customs Union (SACU). These three regional trade blocs together contribute around 98 per cent of exports and 99 per cent of SSA's imports of LLPs. It comprises 40 countries (out of a total of 48 countries in SSA). Using these three regional trade blocs, the study identifies potential RVCs that could be formed in LLPs. The results of the study are as follows:

- The study estimates a dynamic gravity model for the period 2002–11 and arrives at the conclusion that

1 Source: Comtrade, World Integrated Trade Solutions (WITS) using HS41 and HS42 codes, http://wits.worldbank.org

the region can more than double its intra-regional trade based on its gravity. However, high tariff and non-tariff barriers hinder the growth of intra-regional trade. Removing tariffs on LLPs has the potential to increase intra-regional trade from by $245 million per annum on average to $997 million, i.e. almost fourfold. Removing all tariff and non-tariff barriers could increase the existing average intra-regional trade tenfold. The region has a growing demand and supply of the inputs as well as the outputs of this industry and predicted intra-regional exports for each country in the dataset are lower than each country's global exports.

- Using contribution to trade balance (CTB) and market position (POS), the study estimates the competitiveness of each of the countries in the COMESA, ECOWAS and SACU regions, which explains almost 98 per cent of total trade in LLPs. A potential regional export basket is identified for each country where a regional demand exists along with export capacity of the country, i.e. the region's global imports are higher than the country's global exports and the country's global exports are greater than $100,000. If the region's global imports are lower than the country's global exports, the product is identified in the country's potential global export basket. The region as a whole has the potential to export 52 leather products and 152 leather inputs. The maximum number of leather products identified for regional export are from COMESA member countries. Ivory Coast, Kenya, Madagascar, Mauritius and South Africa have the potential for exporting finished leather products to the region. The maximum number of competitive leather inputs is identified for Egypt (21), mainly tanned leather inputs, followed by South Africa (19), Ethiopia (17), Namibia (13) and Kenya (12).
- In order to boost intra-regional trade and increase the global competitiveness of the region, the study identifies potential RVCs in this industry. Using broad economic categories (BEC) classification and the Harmonised System (HS) concordance matrix, the leather tariff lines at HS six–digits are segregated into outputs and inputs of the leather industry. Leather inputs are primary inputs (raw hides and skins), processed leather and chemicals used in processing leather; leather outputs comprise manufactured leather products. Potential RVCs are identified in LLPs. Three lists are identified for each country, indicating the ways in which the country can link into the RVCs. First, a list of outputs or finished leather products, where the country has the potential to export to regional and global markets. Second, a list of inputs, i.e. 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 compared to what it is currently importing from outside the region, although the region has the supply capacity. Third, a list of LLPs where the country needs

foreign direct investment (FDI) to engage in the RVCs of the leather industry. These are products where the country has a competitive advantage in the region but does not have the supply capacity to fulfil regional demand. Furthermore, a list of products has been identified where the country has the potential to become an investor in the region and undertake intra-regional investments. An attempt is made to identify the potential investors in the region across different LLPs. If a country is competitive in the region and has higher global exports than the existing demand in the region, it is identified as a potential investor in this sector as it has the capacity as well as competitiveness to invest.

- There are 52 LLPs identified for 15 countries where countries in the region have a competitive advantage based on CTB and POS and their global exports are greater than $100,000. Out of 52 products, regional demand exists for 46 leather products. In the period 2008–10, average global exports of the countries in these products amounted to $284 million, while regional demand was $1.9 billion. Out of $284 million, only 30 per cent ($87 million) was exported to the region. For COMESA member countries, 36 products have been identified, of which regional demand exists for 33 products. A list of 20 leather products has been identified as being unique leather products for regional exports for countries where no other country has competitiveness. For these 20 unique leather products, a comparison was made between unit values of the top global importer and top regional importer. It was found that in 10 products the import unit value of the regional importer was higher than that of the top global importer.
- There are 116 inputs identified in the region which the countries can source regionally for their leather industry. Of these, 17 are primary inputs, 23 processed leather inputs and 76 chemical inputs for the leather industry. In the period 2008–10, on average, inputs worth $114 million per year were imported from outside the region, while the region exported $1.9 billion of these inputs globally. Comparing the unit values of exports, it was found that out of 107 inputs, 62 inputs can be sourced at a lower cost from the region. The region also has the supply capacity, as its global exports are much higher than the region's demand. Out of 62 inputs, 40 are chemical inputs such as synthetic organic tanning substances, synthetic colouring matter and polishes and creams for footwear, etc. Nigeria, Kenya and Ethiopia are the top three importers of these chemical inputs, importing from France, India and Italy, while South Africa has lower export unit values in these chemical inputs and has higher global exports than these countries' global imports.
- In total, 80 leather inputs and outputs have been identified which may require regional or extra-regional FDI. These include 34 leather products, 15 primary leather inputs, 22 processed leather inputs and nine chemicals used for leather. Total regional exports in these products were on an annual average $1.7 billion in the

period 2008–10. Kenya has the maximum number of leather products identified where the country has competitive advantage and needs to develop supply capacity, followed by Madagascar, Ivory Coast and Ethiopia and Mauritius. Maximum processed leather products, where the countries are competitive and require increased FDI are identified for Namibia, Ethiopia, Zambia, Egypt and Uganda. Kenya and South Africa are found to have rising competitiveness in chemicals used by the leather industry and require FDI to increase their supply capacities. South Africa has been identified as a potential regional investor in leather output HS code 420100 (saddlery and harness for any animal, etc), tanning of leather and in chemicals used for tanning (i.e. HS code 284130: salts of oxometallic or peroxometallic acids and HS code 320120: tanning extracts of vegetable origin). Egypt has been identified as a potential investor in eight products which includes six processed leather products. Kenya has been identified as a potential regional investor in waterproof footwear, Madagascar for other articles of leather or of composition of leather (HS code 420500) and Mauritius has been identified for articles of apparel and clothing accessories, of leather or of composition of leather.

Policies at a country as well as a regional level are identified for promoting intra-regional FDI in the leather industry and scope for an intra-regional investment agreement is explored.

The study suggests that the formation of a leather industry association of SSA could play a catalyst role in information sharing with respect to ongoing projects, policies and incentives in the leather industry of the region. It could voice common interests and concerns of the countries in international fora and also improve the bargaining power of the industry in extra-regional bilateral and other free trade agreements (FTAs) which may be negotiated by the countries in the region. Collaboration and discussions between the industries of the region could lead to important decisions with respect to non-tariff barriers and help in the harmonisation of technical standards in the region. This can greatly improve the bargaining power of the countries in the region if they link into GVCs.

In order to face environmental challenges to the industry, the region can greatly benefit from co-operation and pooling of resources. Intra-regional investments in tanneries could be a win–win situation in the current scenario where common effluent treatment plants can be set up jointly according to international standards. A common label for SSA leather products could be promoted for branding the products of the regional. Common design studios for the region could be set up and expertise from other developing countries can be used. South–South co-operation in services used by the leather industry, like designing, branding, marketing and distribution, etc can bring tremendous gains to collaborating countries, as more than the manufacturing activity, it is the services which add value to the export of leather products.

On the technology front, most of the existing tanneries in the region use outdated technology, which inhibits them from producing good-quality processed leather despite of access to quality raw

materials such as hides and skins. The tanneries require high doses of capital investment and research and development (R&D) in order to improve the existing technology. Joint ventures with other developing countries that have adapted the technology to suit their absorption capacities can help to promote R&D in this sector and collaborative efforts can help in bringing synergy between different projects. Intra-regional investments can lead to technology spillovers and go a long way in making high-quality leather available to the region.

The role played by trade facilitation measures in generating momentum in intra-regional trade is critical. The region requires upgrading of ports and information technology infrastructure and continued reforms in customs clearance procedures and regulatory harmonisation. Many countries in the region have undertaken substantive trade facilitation measures and compare favourably to other developing countries, but consistent trade facilitation measures are required in all countries in the region.

Intra-regional co-operation and trade agreements can go a long way in promoting and forming intra-regional value chains in LLPs. A tripartite trade agreement between COMESA, ECOWAS and SACU could be explored, especially at the sectoral level for leather and leather products. Harmonisation of technical standards and of regulations and procedures, along with lower tariffs and addressing non-tariff trade barriers could be the outcomes of regional trading arrangements, which are a critical part of reducing transit cost and time across borders. There is a lack of an adequate non-tariff barrier monitoring mechanism within the region. A dedicated executive body could be set up to oversee reductions in reported barriers and a robust dispute settlement mechanisms put in place to enforce decisions within these three intra-regional blocs.

The development and expansion of RVCs requires the development and/or expansion of new firms and the capital investments. Sources of invested capital can either be internal or external. The use of development banks and export–import banks like the African ExIm Bank and the African Development Bank could be leveraged for developing RVCs.

1. Introduction[1]

1.1 Regional value chains in the era of global value chains

One of the most important challenges facing sub-Saharan Africa (SSA) is triggering structural transformation in the economies of the region and raising domestic value-addition in their exports in order to generate higher employment. One way to advance this transformation is to increase the competitiveness of the countries in producing and exporting manufactured products using the large base of natural resources available within the region. Regional integration and pooling of resources and capabilities can be an important step in this direction. While global value chains (GVCs) may provide opportunities for countries in Africa to link into global production sharing by supplying primary inputs, analytical studies have shown that very little value actually accrues to countries at the lower end of the chains, especially to commodity exporters (Banga 2013). Regional value chains (RVCs) differ from GVCs, as in RVCs the end product (finished product) is exported by a country within the region, either globally or regionally. RVCs therefore offer opportunities to the countries in the region to climb up the value chains by using the region to boost their competitiveness and to produce and export higher value products. Well established RVCs in Africa can also provide an opportunity to the countries in the region to link gainfully into GVCs and increase their bargaining power with the lead firms.

GVCs first emerged as RVCs in East Asia, with Japanese investors taking the lead in the region and triggering a 'flying geese' pattern of investments and trade. Japanese investors built production bases in a large number of countries in East Asia, and later in South-East Asia, to access locational advantages and develop export platforms for the components. The final assembly took place in a third country, from where the finished products were exported, either back to the home country or to the global markets under the Japanese brand. This fragmentation of production improved the cost competitiveness of the final products, which were then able to compete with products from Western countries. Over time, multinationals from Western countries flocked the region, aiming at improving their cost competitiveness, and it soon spread to other regions as well. What emerged from this phenomenon were GVCs with production of a product spread across countries, regions and continents, gathering cost advantages to become globally competitive.

1 We gratefully acknowledge the support given to the study by Francis Mbroh (African Ex-Im Bank) and Mohammad A Razzaque (Commonwealth Secretariat). The initial drafts of the study were discussed in regional industry consultations hosted by the COMESA Leather and Leather Product Institute in Ethiopia and the Eastern African Economic Chambers of Commerce in Kenya. We are extremely grateful to Mwinyikione Mwinyihija, director of the COMESA Leather and Leather Product Institute, for his insightful comments and suggestions on the study. We are also grateful for the feedback and suggestions received from the participants of the workshops.

Over the years, the leather industry has also become highly fragmented and production has spread across different continents, with raw hides and skins, part-processed leather, finished leather, leather components and leather products being widely imported and exported. One of the main reasons for this fragmentation has been the shift out of the processing of leather from developed countries into least developed and developing countries. Increasing costs of labour and stringent laws relating to environmental pollution in the developed world have been mainly responsible for this shift. Ample availability of raw hides and skins in the developing countries has further encouraged the emergence of GVCs in this sector.

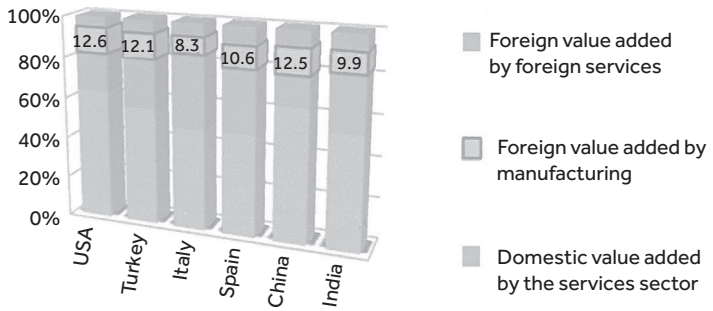
With the emergence of GVCs, the focus of policymakers in the South has been mainly on linking into GVCs. However, it has been argued by many studies that linking into GVCs *per se* may not bring automatic gains in terms of higher value addition in exports, increased industrialisation and employment generation, especially for the developing and least developed countries (LDCs). In fact, linking at the lower end of GVCs by exporting raw materials can be counter-productive and may lead to a 'hollowing-out' the manufacturing sectors of these countries. Countries may get stuck at the bottom, unable to climb up the value chain and may continue exporting low-end and low-value-added inputs, with lower gains in terms of domestic value addition. Distribution of value in GVCs is found to be asymmetrical and biased towards countries that are at the upper end of GVCs. Furthermore, many studies have demonstrated the 'smiley curve' in GVCs, which shows that value captured by services in GVCs is much higher than that captured by manufacturing activities. Countries contributing pre-manufacturing and post-manufacturing services like designing, branding, marketing, etc. are able to capture a much higher value in GVCs, compared to countries which provide inputs and manufacture the products.

In this context, this study highlights the low share captured by developing and least developed countries in GVCs, even in labour-intensive sectors like leather and leather products, and suggests developing RVCs in this sector to improve the prospects of raising their share in added value created by GVCs. The next section estimates distribution of value-added created by GVCs across countries in textiles, textile products, and the leather and footwear industry.

1.2 Distribution of value-added created in global value chains

With the rise in trade in intermediate products, it has become more difficult for LDCs and developing countries to measure their gains from trade, especially in terms of domestic value-addition. To measure net domestic value-added created by trade, a new dataset has now been made available by the World Trade Organization and the Organisation for Economic Co-operation and Development (WTO–OECD) and the United Nations Conference on Trade and Development (UNCTAD), which use harmonised input/output (I/O) tables of different countries. Analyses based on I/O tables provide a useful alternative to trade data. An important advantage of I/O tables is that they classify goods according to their use (as an input into another sector's production or as a final demand); and include information on inputs of/in services sectors, allowing for the analysis

Figure 1.1 The contribution of manufacturing and services of textile, textile products, leather and footwear to global value chains (GVCs) in 2009



Source: Authors' estimates based on WTO–OECD TiVA, May 2013

to include services trade. In May 2013, WTO–OECD released its dataset on trade in value-added (TiVA) for 58 countries (including all OECD countries, Brazil, Russia, India, China and South Africa (BRICS countries), newly industrialised countries (NICs)1 andNICs2, Cambodia, Brunei Darussalam and 'rest of the world') for the years 1995, 2000, 2005, 2008 and 2009 using harmonised I/O tables of these countries. UNCTAD has extended this to include developing countries as well as LDCs[2].

Using the new WTO–OECD TiVA dataset (May 2013), the structure of gross exports in terms of value-added in textiles, textile products, leather and footwear industry[3]- in top six countries is reported in Figure 1.1. This can help in assessing the extent of imports and exports of value-added that takes place in this sector under the GVCs of these countries. Domestic manufacturing contributes 50 per cent of total value-added in the gross exports of Italy, while domestic services contribute 35 per cent of total value-added (Figure 1.1). The participation of Italy in GVCs is through imports of foreign value-added from services and manufacturing sectors (which include inputs and outputs of the leather industry). Foreign services contribute 7 per cent of foreign value-added, while manufactures contribute only 8 per cent of value-added in the total value of exports of Italy in this sector. Foreign value-added by manufacturing sector therefore contributes less than 13 per cent of the total value of global exports of top exporters. This implies that if developing countries want to link into GVCs formed by Italy or the United States (US), they can at best expect to contribute around 10–12 per cent of the total value of gross exports of these countries in this sector.

Furthermore, this 10 to 12 per cent of foreign value-added from this sector is shared between many countries. If backward linkages (i.e. foreign value-added in gross exports) and forward linkages (domestic value-added in gross exports of other countries) of all countries are added, we arrive at total value-added created in the global exports of this sector. Estimating the shares of each country in the total value-added created indicates the extent of the participation in the GVC

2 This database is not yet in the public domain and has therefore not been used.
3 This is the relevant category in the WTO–OECD data set.

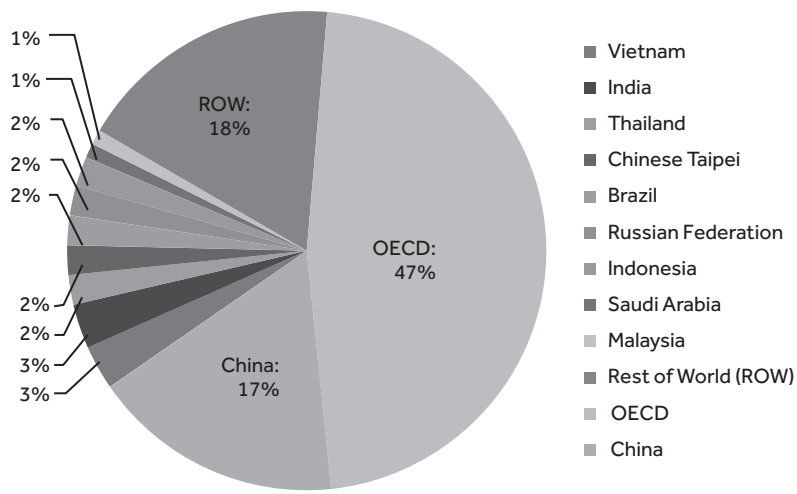
of each country. The estimates show that 47 per cent of total value-added traded in this industry is captured by OECD countries, of which the US share is 7 per cent. China's share is highest at 17 per cent. Africa, Latin America, South Asia (other than BRICS countries) and other East and South-East Asian countries share around 18 per cent of the total value-added trade in this industry (Figure 1.2).

Gross exports of China and Italy are reported in Table 1.1 and Table 1.2. The figure shows the direct and indirect contributions of different countries through foreign value-added in gross exports of China and Italy in textiles, textile products, leather and footwear. Although SSA is not covered separately by the dataset, it is grouped with 'rest of the world'. Even a cursory examination of the existing GVCs for a country shows the extent to which any SSA country can gain in terms of adding value in exports of final products, given that the share of foreign value-added by manufacturing in the total value of finished products in this industry does not exceed 13 per cent of the total value of exports.

1.3 Returns to exports of leather and leather products under regional value chains and global value chains in Africa

In order to climb up the value chain in GVCs and graduate from being exporters of primary inputs to exporters of processed and intermediate leather products, and then on to the higher end of the chain, linking into RVCs can greatly help. RVCs provide greater opportunities for the countries in the region to gain in terms of value addition in the export of finished products. It also improves the global competitiveness of the region as well as of the countries in the region that participate in RVCs, improving their bargaining power *vis-à-vis* lead firms in

Figure 1.2 Participation of the textiles, textile products, leather and footwear industry in global value chains



Source: Authors' estimates based on WTO–OECD TiVA, May 2013

Table 1.1 China's global value chain in textiles, textile products, leather and footwear

Country	Percentage
Argentina	2
Australia	4
Belgium	1
Brazil	5
Canada	2
Chinese Taipei	5
France	3
Germany	5
Hong Kong, China	3
India	3
Indonesia	3
Italy	3
Japan	14
Korea	8
Malaysia	2
Rest of the World	10
Russian Federation	3
Saudi Arabia	3
Singapore	1
Thailand	2
United Kingdom	2
United States	15

Table 1.2 Italy's global value chain in textiles, textile products, leather and footwear

Country	Percentage
Argentina	1
Australia	1
Austria	2
Belgium	2
Brazil	2
Bulgaria	1
Canada	1
China	7
Chinese Taipei	1
Czech Republic	1
Denmark	1
France	7
Germany	12
Greece	1
Hungary	1
India	3
Indonesia	1
Ireland	2
Japan	2
Korea	1
Luxembourg	1
Netherlands	3
Norway	1
Poland	1
Portugal	1
Rest of the World	14
Romania	2
Russian Federation	5
Saudi Arabia	1
Spain	3
Sweden	1
Switzerland	3
Thailand	1
Turkey	3
United Kingdom	4
United States	7

GVCs. The approach taken in this study in identifying RVCs has therefore been to encourage exports of finished products from all countries in the region that have the capability and capacity to export finished products. These countries can improve their cost competitiveness by sourcing their primary and processed inputs from domestic producers as well as from other countries in the region. Greater demand created in the region for processed inputs can provide economies of scale for many countries. Greater intra-regional and extra-regional investments

can provide the required technical know-how to domestic producers and help them in climbing up the value chain and producing higher value products.

One of the perceived advantages of GVCs is higher returns in exports. However, this may not be true at all times. Higher per-unit returns may be possible in RVCs, especially as meeting the quality parameters laid by the lead firms in GVCs may not entail high fixed costs. A comparison of import unit values of global and regional importers of leather and leather products (LLPs) shows that in many cases, regional importers actually pay more than the global importers (Table 1.3).

1.4 Objectives of the study

In this context, the study examines the potential of forming RVCs in one of the most traditional and labour intensive sub-sectors of the region, i.e. LLPs. SSA enjoys a special position in the world in this sector as it is a major supplier of basic raw material (hides and skins) to the leather industry of the world. In terms of its share in global exports, the region has experienced a steady rise from 1.5 per cent in 2000 to 3.6 per cent in 2011. However, much of this increase (more than 90 per cent) is explained by the rise in exports of leather as compared to leather products. Interestingly, although the share of leather products is low in total exports of LLP from SSA, there has been a more than 300 per cent rise in total exports of leather products (from $17 million in 2000 to $83 million in 2011)[4].

Furthermore, although historically countries within the region have traded more leather products than leather, the rise in extra-regional exports of leather products has been twice the rise in regional exports. In 2000, around 26 per cent of total exports of leather products from the region went to the region, while in 2011, only 17 per cent of total exports of leather products from SSA went to SSA. Not just global exports, but global imports of LLPs have risen substantially since 2000. Global imports of leather increased from $112 million in 2000 to $520 million in 2011, while global imports of leather products increased from $95 million to $444 million in this period. These trends reveal the growing demand as well as supply in the region for LLPs. This growing demand and supply of leather inputs as well as leather outputs within the region and globally indicates that the region has a high potential and capacity to form RVCs in LLPs to cater for regional as well as global demand.

The study identifies three sub-regional trade blocs in SSA which have the potential for forming RVCs in LLPs. These are the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS) and the Southern African Customs Union (SACU). These three regional trade blocs together contribute around 98 per cent of exports and 99 per cent of SSA's imports of LLPs. Together they comprise 40 countries (out of a total of 48 countries in SSA).

COMESA currently has 21 member states (Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi,

4 Source: COMTRADE, World Integrated Trade Solutions (WITS) using HS41 and HS42 codes, http://wits.worldbank.org

Table 1.3 Comparison of import unit values of regional and global importers of leather and leather products

Regional grouping	Country	Product	HS 6-digit code	Country's average global exports (2008–10) ($1,000)	Global importer	Global importer's import unit value	Importer in the region	Regional importer's import unit value
COMESA	Rwanda	Primary leather	410320	131	UK	0.74	Uganda	0.86
COMESA	Uganda	Primary leather	410390	550	Hong Kong, China	0.28	Kenya	1.79
COMESA	Zambia	Primary leather	410390	1,060	Japan	85.55	South Africa	93.21
COMESA	Zimbabwe	Primary leather	410390	111	Italy	0.92	South Africa	2.86
SACU	Botswana	Primary leather	410120	150	Switzerland	0.14	South Africa	0.54
SACU	South Africa	Primary leather	410190	4,589	Hong Kong, China	1.10	DRC	40.78
SACU	South Africa	Primary leather	411520	630	Hong Kong, China	1.47	Zimbabwe	3.63
COMESA	Ethiopia (excludes Eritrea)	Processed leather	410441	246	Italy	11.39	Zimbabwe	13.93
COMESA	Ethiopia (excludes Eritrea)	Processed leather	410799	111	Hong Kong, China	9.12	South Africa	18.09
COMESA	Uganda	Processed leather	410691	5,476	China	1.42	Kenya	3.13
COMESA	Zambia	Processed leather	410419	1,263	UK	1.72	South Africa	2.97

(continued)

Table 1.3 Comparison of import unit values of regional and global importers of leather and leather products (continued)

Regional grouping	Country	Product	HS 6-digit code	Country's average global exports (2008–10) ($1,000)	Global importer	Global importer's import unit value	Importer in the region	Regional importer's import unit value
COMESA	Zambia	Processed leather	410719	112	Hong Kong, China	1.48	South Africa	1.62
COMESA	Zambia	Processed leather	411390	1,412	India	0.41	Malawi	8.75
ECOWAS	Mali	Processed leather	410411	158	Italy	2.35	Senegal	2.50
ECOWAS	Nigeria	Processed leather	411330	982	Albania	310.91	Botswana	310.96
ECOWAS	Senegal	Processed leather	410411	142	Papua New Guinea	2.09	Niger	3.55
SACU	Namibia	Processed leather	410449	3,287	UK	15.04	South Africa	17.85
COMESA	Kenya	Chemical	320120	460	India	0.93	Uganda	1.75
COMESA	Kenya	Chemical	340510	11,377	Tanzania	3.18	Uganda	4.00
ECOWAS	Ivory Coast	Chemical	320417	4,983	Cameroon	3.62	Ghana	3.86
SACU	South Africa	Chemical	283010	8,285	Brazil	0.81	DRC	1.37

Notes: COMESA: Common Market for Eastern and Southern Africa; DRC: Democratic Republic of Congo; ECOWAS: Economic Community of West African States; HS: Harmonised System; SACU: Southern African Customs Union; UK: United Kingdom.

Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe). The preferential trade area (PTA) for Eastern and Southern African States was established in 1982. The original treaty called for a gradual reduction and eventual elimination of customs duties and non-tariff barriers. The PTA moved into its next phase, the establishment of a common market, with the formation of COMESA in 1995. ECOWAS was formed in 1975 by 15 West African states in order to promote trade co-operation and self-reliance in West Africa. Today there are 16 members of ECOWAS, namely Benin, Burkina Faso, Cape Verde, , Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. ECOWAS aims to create a common external tariff with the elimination of all tariff and non-tariff barriers between member states. SACU is a customs union comprising Botswana, Lesotho, Namibia, Swaziland (the BLNS states) and South Africa. A new SACU agreement was signed in 2002. The agreement includes, among other things, the levying of uniform customs and excise duties and free interchange of duty-paid goods imported from outside member countries. There are no duties payable on goods traded between SACU members.

Using these three regional trade blocs, the study identifies potential RVCs that can be formed in LLPs. In this context, the study undertakes the following analyses:

- An examination of the changing patterns of intra-regional and global trade of SSA, highlighting the importance of intra-regional trade in LLPs. Inputs and outputs of the leather industry are identified and their emerging global as well as intra-regional trends are highlighted.
- An estimate of intra-regional trade potential in LLPs using a gravity model. Trade potential between COMESA, ECOWAS and SACU is estimated. Separate estimates are also made for these sub-regional blocs. The impact of tariff liberalisation on potential intra-regional trade is explored.
- An estimate of export potential in leather as well as leather products of all countries in the three trade blocs (referred to as the 'region' from here onwards) using a contribution to trade balance (CTB) index and a relative trade balance index describing the market position (POS). Based on the two indices, leather inputs as well as leather outputs for regional as well as global exports are identified for each country. These inputs and outputs are identified at the six-digit level of disaggregation of Harmonised System (HS) codes.
- Potential RVCs in LLPs are identified. For each country, three lists are identified. First, a list of outputs or finished leather products, where the country has export potential in the regional and global markets. Second, a list of inputs, i.e. 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 are currently being imported from outside the region, although the region has the supply capacity. Third, a list of LLPs where the country needs foreign direct investment (FDI) to engage in the production supply chain of the leather

industry. These are those products where the country has competitive advantage in the region but does not have the supply capacity to fulfil regional demand. A list of products has also been identified where the country has the potential to become an investor in the region and undertake intra-regional investments.

- Policies at country as well at regional level are identified for promoting intra-regional FDI in the leather industry and scope for an intra-regional investment agreement is explored.
- The role of regional leather associations is discussed and policy directions are provided for accelerating regional integration.

The study is organised as follows: chapter 2 highlights the trends in global and regional trade in LLPs by SSA including trends in inputs and outputs of the leather industry; chapter 3 presents the results of gravity model estimates of potential intra-regional trade in SSA; chapter 4 uses indices of competitiveness to identify the regional and global export baskets of all countries in COMESA, ECOWAS and SACU; chapter 5 identifies the potential RVCs in LLPs at a six-digit disaggregated level using HS codes; chapter 6 examines the factors that explain low FDI in this sector and explores the possibility of an intra-regional investment agreement; chapter 7 summarises, concludes and suggests strategies for promoting RVCs in LLPs in SSA.

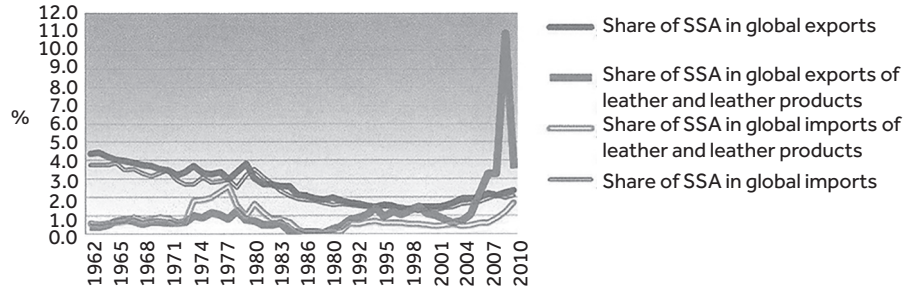
2. Emerging trends in trade in leather and leather products in sub-Saharan Africa

2.1 Trade in leather and leather products: emerging trends

The leather industry is a traditional industry in SSA, but it has never been a significant foreign-exchange earner for the region. Its share in total exports of the SSA has remained less than 1 per cent (except in 2010 when it was 1.5 per cent). However, this industry is critical to the region, both in terms of providing large-scale employment to low-skilled labour and in terms of raising the region's share in global exports and imports in LLPs, which increased from 0.4 per cent in the 1980s to 1 per cent in the 1990s and 1.5 per cent in the 2000s, reaching 10 per cent in 2010 (because of a spurt in exports of leather from Nigeria) and 3.6 per cent in 2011 (Figure 2.1). The industry enjoys a special position in the world as it is the source of basic raw material to the leather industries of the world.

While the region has been steadily increasing its share in global trade in LLPs, trends in intra-regional trade in this sector have been erratic since the 1990s, when intra-regional trade in LLPs fell from 10 per cent in 1990 to 5 per cent in 1995, increased to 10 per cent in 1999, and again fell to 4 per cent in 2005. It

Figure 2.1 The share of sub-Saharan Africa (SSA) in total world trade and trade in leather and leather products 1962–2011



Source: UN Comtrade database

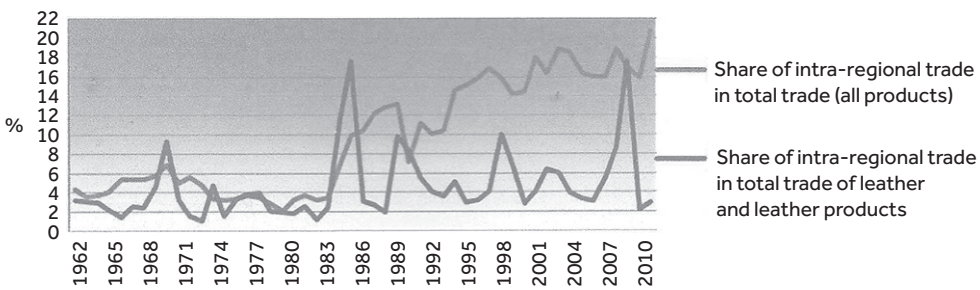
peaked at 18 per cent in 2010 (due to a spike in leather exports) after which it fell to 3 per cent in 2012. This has not been in sync with total intra-regional trade, which has experienced a steady rise from 12 per cent in 1985 to 14 per cent in 2000 and further to 19 per cent in 2005, reaching 21 per cent in 2011 (Figure 2.2).

In 2011, the intra-regional trade of SSA as a share of its total trade was around 21 per cent, while intra-regional trade in LLPs was only 3 per cent. While this may appear dismal, it hides an important trend. Countries in the region have historically traded a high proportion of leather products among themselves as compared to the rest of the world. In 1985, more than 90 per cent of exports of leather products went to the region, a proportion which has steadily declined. In 2000, around 50 per cent of leather products were exported to the region, while in 2009 this declined to 13 per cent and in 2012 to 6 per cent (Figure 2.3).

The composition of SSA exports of LLPs shows that in 10 years, i.e. 2002–12, on average 87 per cent of total exports comprised leather exports to the rest of the world; 2 per cent comprised exports of leather products to the region; 6 per cent exports of leather to the region; and 5 per cent exports of leather products to the rest of the world (Figure 2.4).

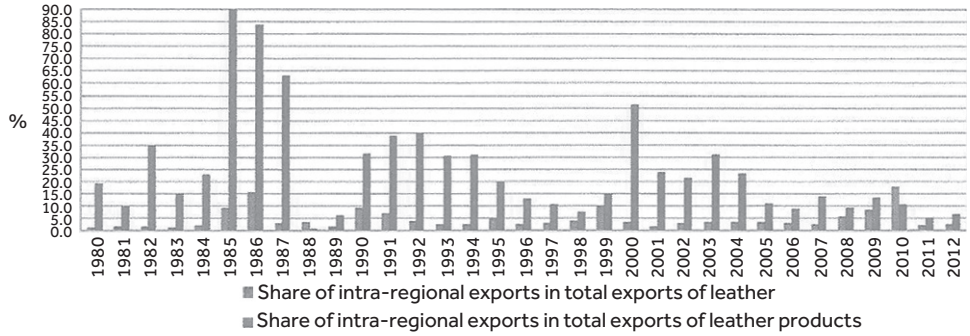
Intra-regional exports of leather products increased threefold from 2000 to 2011, increasing by an average annual

Figure 2.2 Share of intra-regional trade in total trade and in trade of leather and leather products 1962–2011



Source: UN Comtrade database

Figure 2.3 Share of intra-regional exports in total exports of leather and leather products



Source: UN Comtrade database

growth rate of 19 per cent, rising from $6 million in 2000 to $18 million in 2011; while global exports of leather products rose twice as fast, growing at an average rate of 38 per cent per annum in this period and increasing from $17 million to $83 million. Rising incomes have led to rising global demand for leather products. Global imports of leather products have increased as rapidly as global exports of leather products, experiencing an average growth of 36 per cent per annum, rising from $95 million in 2000 to $444 million in 2011[5]. Importantly, global exports of leather products have risen as rapidly as global imports, although in absolute terms global exports of leather products is almost five times lower than global imports of leather products (Figure 2.5).

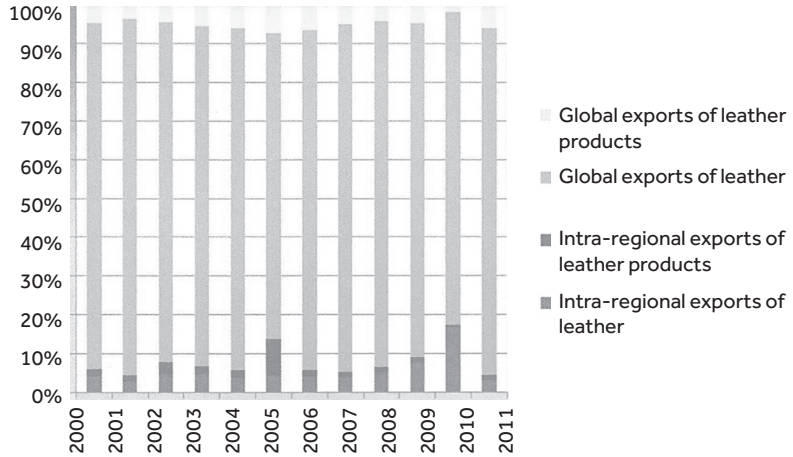
2.2 Trends in the inputs and outputs of the leather industry

For the purpose of identifying RVCs in LLPs, inputs and outputs of leather industry have been identified using Broad Economic Categories (BEC) codes and their concordance with six-digit HS codes. Appendix Table A.1 reports all the identified inputs and outputs. The outputs of leather industry include leather outputs that may be outputs of the leather industry but inputs for other industries, such as the auto industry. The inputs also include those inputs into the leather industry that are sourced from other industries, e.g. chemicals used in tanning, etc. The list of inputs and outputs identified is much bigger than those captured by aggregate data on LLPs and therefore significantly affects global and regional trends.

There are 50 leather products identified by six-digit HS codes, which include HS42 (trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, etc); HS43 (articles of leather apparel, clothing accessories and other articles of furskin); HS64 (footwear); HS94 (seats other than those of heading 94.02, whether or not convertible into beds, and parts thereof); and HS95 (articles and equipment for general physical exercise, gymnastics, athletics and other sports). Inputs are divided into

5 Source: COMTRADE, WITS using HS41 and HS 42 codes.

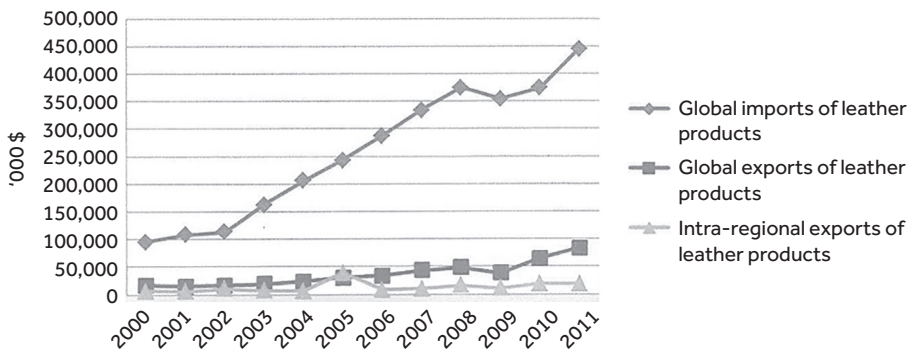
Figure 2.4 Composition of exports of leather and leather products



Source: UN Comtrade database

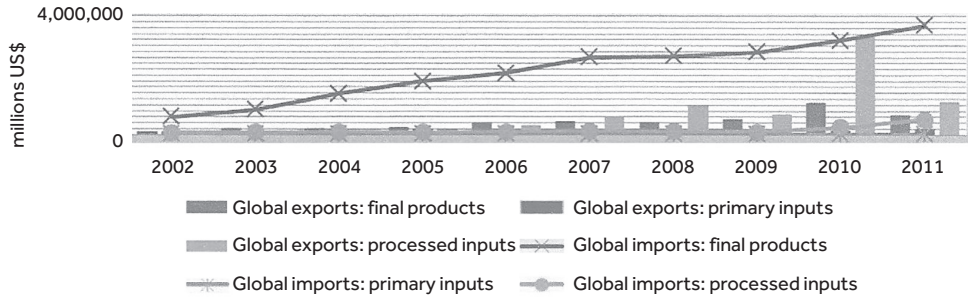
three categories: primary, processed and chemicals. There are 15 primary inputs, which include all raw hides and skins and raw fur skins (HS codes 41 and 43). There are 31 processed inputs identified, which include HS code 41 (tanned or crust hides and skins of bovine, including buffalo, or equine animals, without hair on, whether or not split, but not further prepared; leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals; chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather) and HS code 43 (tanned or dressed furskins). 24 chemicals are identified for the leather industry, which include HS codes 28, 29, 32, 34, 35 and 38 (sulphides; polysulphides, whether or not chemically defined; salts of oxometallic or peroxometallic acids; tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives; synthetic organic tanning substances;

Figure 2.5 Global and regional exports of leather products from sub-Saharan Africa



Source: UN Comtrade database

Figure 2.6 Global exports and imports of the inputs and outputs of the leather industry

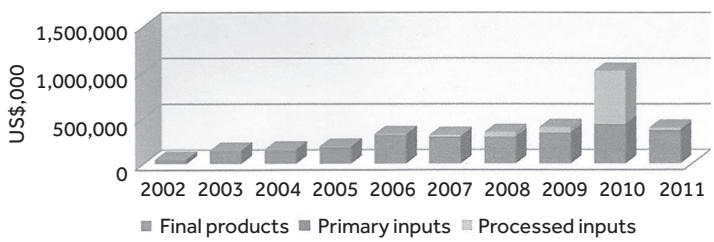


inorganic tanning substances; tanning preparations, whether or not containing natural tanning substances; enzymatic preparations for pre-tanning; organic surface-active agents; lubricating preparations; polishes and creams, for footwear; finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs).

The 50 outputs and 70 inputs of the leather industry identified show important emerging trends. Including the identified outputs of the leather industry (which includes more identified articles of leather, for example footwear, leather apparel, seats, sports goods, etc.), global exports of leather products were much higher at $652 million in 2011 as compared to $83 million, and global imports were $3.7 billion compared to $444 million. Global exports of processed leather have been much higher than primary inputs (raw hides and skins), especially after 2006, and thereafter the gap increased substantially. Global imports of leather outputs are rising at a fast rate and passed $3.7 billion in 2011 (Figure 2.6).

Some important and encouraging trends which have emerged with respect to intra-regional trade in inputs and outputs of the leather industry are: the growth in intra-regional trade in final leather products has been approximately 24 per cent per annum in the period 2002–11, with maximum growth in 2003; intra-regional trade in primary inputs has grown by 13 per cent on an average per annum with maximum growth in 2011, while intra-regional trade in processed inputs grew at an average of 28 per cent with maximum growth in 2010; and there has been a steady rise in intra-regional exports of

Figure 2.7 Intra-regional exports of the inputs and outputs of the leather industry



the final outputs of the leather industry, although it is much lower than global exports and imports. Intra-regional trade in processed inputs has also started to increase post-2005 (Figure 2.7).

2.3 Regional and country-level trends in trade in leather and leather products

Three sub-regional agreements, i.e. COMESA, ECOWAS and SACU contribute around 99 per cent of global exports of identified leather outputs, 96 per cent of global exports of primary inputs and 99 per cent of global exports of processed inputs of the leather industry. The distribution of global exports of outputs and inputs are reported in Figure 2.8. While ECOWAS has the largest share in global exports of outputs (59 per cent) and processed inputs of the leather industry (71 per cent), SACU has the largest share in global exports of primary inputs. COMESA's share is around 19 per cent and 24 per cent of global exports of final outputs and primary inputs, respectively, but approximately 14 per cent of exports of processed inputs. 67 per cent of the global imports of leather products of the region go to SACU, followed by

Figure 2.8 Distribution of global exports of outputs and inputs in leather products of sub-Saharan Africa, 2011: a) Global exports of leather outputs; b) Global imports of leather outputs; Global exports of inputs of the leather industry; d) Global imports of the inputs of the leather industry

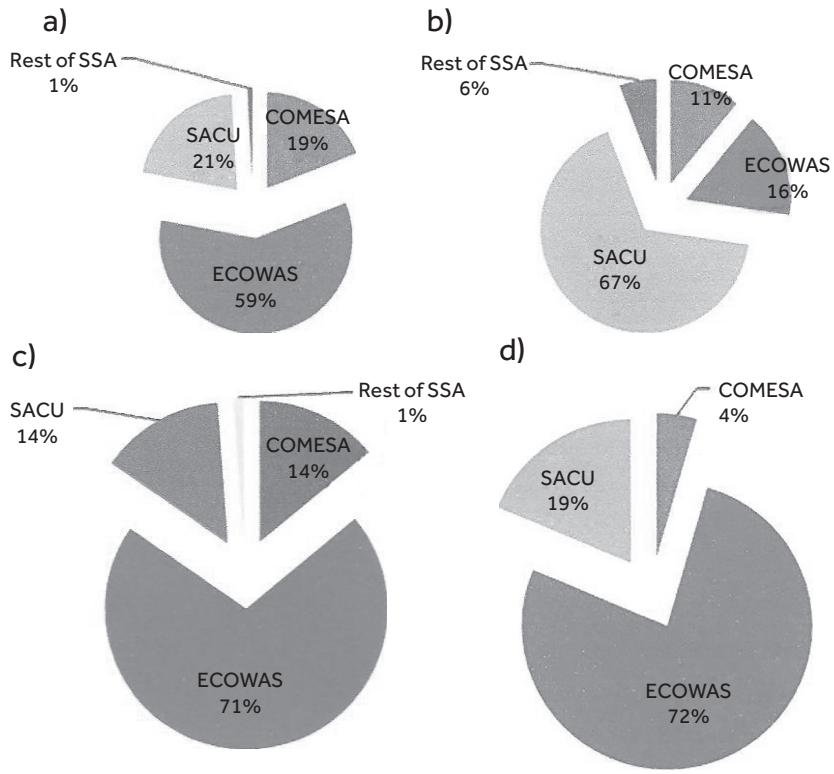
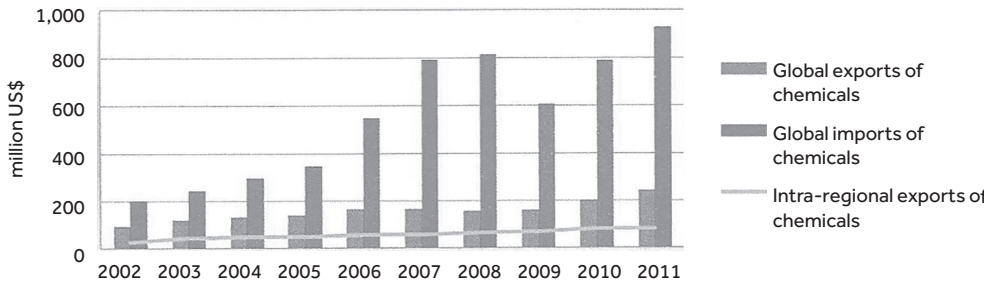


Figure 2.9 Global and regional trade in chemicals used by the leather industry in sub-Saharan Africa



ECOWAS (16 per cent) and COMESA (11 per cent). Almost 77 per cent of global imports of inputs (primary and processed) are imported by ECOWAS, followed by SACU (19 per cent) and COMESA (5 per cent). In terms of intra-regional exports, ECOWAS has the biggest share of the export of outputs (55 per cent), followed by SACU (26 per cent) and COMESA (17 per cent).

2.4 Trends in global and regional trade in chemicals used by the leather industry

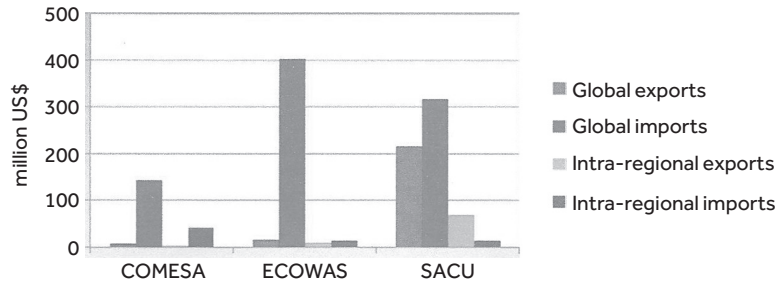
Chemicals are an important input in the leather industry and have a large share in the global and regional trade of SSA. Global imports of chemicals are much greater than their global exports, indicating the low availability of this input in the region. Global imports of chemicals have increased consistently at an average rate of 16 per cent per annum in the period 2002–11, increasing from $200 million in 2002 to $928 million in 2011 (Figure 2.9). Global exports are much lower, at $241 million in 2011, but have risen at almost the same average annual growth rate (17 per cent).

The trend in global trade does not differ much across regional groups, as global imports are much higher than global exports for all three sub-groups, COMESA, ECOWAS and SACU, with the global imports of ECOWAS being the highest and the global exports of SACU being the highest (Figure 2.10).

At a country level, the global exports of Nigeria and South Africa comprise 76 per cent of the global exports of the leather industry; the combined share of Kenya, Ethiopia and Ivory Coast 12 per cent of global exports, while the remaining 12 per cent of exports is shared between other countries (Figure 2.11).

Although most of the countries in SSA have some trade in leather and leather products, the share of those countries in global trade is very skewed. Five countries contribute 94 per cent of the total exports of inputs of the leather industry to the world. These are Egypt, Ethiopia, Kenya, Nigeria and South Africa. Trade in outputs is equally concentrated, with five countries provide 98 per cent of the exports of leather outputs to the world. These are Egypt, Madagascar, Mauritius, Nigeria and South Africa. Intra-regional exports are also concentrated, but within different country groups. Burkina Faso, Namibia, Nigeria, South Africa and Zambia contribute 95 per cent of intra-regional trade. In chemicals, the top six

Figure 2.10 Global and regional trade in chemicals of COMESA, ECOWAS and SACU

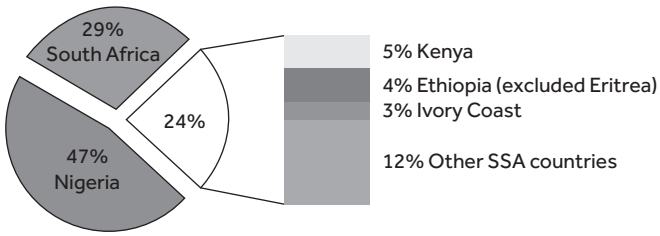


importers in the region are Ethiopia (excluding Eritrea), Ivory Coast, Kenya, Nigeria, South Africa and Uganda. The top six exporters are Ivory Coast, Kenya, Namibia, Nigeria, South Africa and Zimbabwe.

The above trends highlight some important observations:

- There is a growing demand for leather products in the region which is being met by global imports and – at a much lower level – intra-regional trade.
- The region has the necessary capability to produce leather products as it is increasingly exporting leather products to the rest of the world as well as intra-regionally.
- The region has sufficient inputs for leather products, as imports of inputs are much lower than their exports.
- Chemicals are an important input besides primary and processed leather to the leather industry and needs to be included in any analyses of trends of inputs and outputs of the leather industry.
- The region's demand for chemicals is growing consistently with the rise in production of leather products.
- Along with supply of primary and processed leather, there is also demand for leather inputs within the region, as intra-regional trade in leather inputs, especially processed inputs, has been rising in recent years.

Figure 2.11 Global exports of leather inputs and outputs from sub-Saharan Africa, 2011



Given these trends, what emerges strongly is that not many countries have been able to benefit from this growing demand in the region for leather products. Most countries are still focused on global exports of the inputs of the leather industry, especially processed leather. Nevertheless, intra-regional trade in the inputs and outputs of the leather industry has shown some encouraging trends, especially in the case of leather products. This needs to be more widespread and include the participation of more countries. There is a need to identify export potential in inputs and outputs of the leather industry in different countries in the region and careful efforts are required to promote the production and export of leather products from a greater number of countries. The next section estimates a gravity model to arrive at the trade potential in SSA among and between COMESA, ECOWAS and SACU member countries.

3. Potential intra-regional trade in leather and leather products: gravity model estimates

In order to assess the extent of potential for intra-regional trade in leather and leather products, a gravity model has been estimated for the top three regional trading arrangements (COMESA, ECOWAS and SACU) in terms of share in trade in LLPs. The analysis is based on total bilateral trade in inputs as well as outputs of the leather industry. The estimated equation of the gravity model gives the predicted regional trade based on the gravity of the region. The difference between predicted trade and actual trade gives the potential regional trade in LLPs.

Originally proposed by Tinbergen (1962) for international trade, the gravity model predicts bilateral trade flows between any two countries as a positive function of their size and a negative function of the distance between them. Gravity is expected to explain a major proportion of intra-country trade and therefore can be used to assess the potential trade in any sector between two countries or a region. Based on bilateral trade, a gravity equation for leather industry is estimated for the period 2002–11, using dynamic panel data estimations (generalised method of moments—Arellano and Bond 1991). Most earlier studies used a static model, which may result in biased results as trade is a dynamic process. These studies also used bilateral trade in LLPs, ignoring other outputs of the leather industry (which may be inputs to other industries and not consumer goods). The inputs used in studies often include just primary and processed leather, ignoring chemicals. This study used data for all inputs and outputs identified by BEC classification. The concordance with HS 2002 at six-digits is undertaken to arrive at total bilateral trade between countries.

The trade data is taken from the United Nations Commodity Trade Statistics Database (UN-COMTRADE). All identified inputs and outputs have been included in the dataset. Size variables have been extracted from the World Development Indicators. Distance variables are extracted from the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII). The gravity model estimated for arriving at potential intra-regional trade in LLPs is as follows:

$$\begin{aligned} \ln T_{ijt} = {} & \beta_0 + \beta_1 \ln T_{ijt-1} + \\ & \beta_2 \ln(POP_{it} \times POP_{jt}) + \\ & \beta_3 \ln(GDP_{it} \times GDP_{jt}) + \\ & \beta_4 \ln(Distance_{ij}) + e_{ijt} \end{aligned}$$

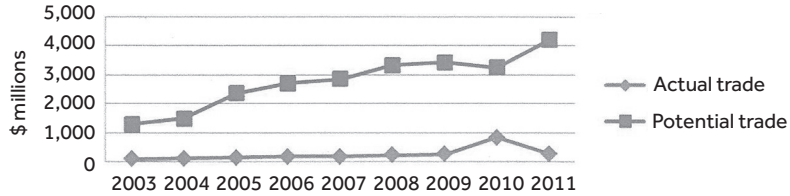
Where T_{ijt}: bilateral trade in LLPs between countries i and j in period t; GDP_{it}: gross domestic product of country i at point t; GDP_{jt}: GDP of country j at point t; POP_{it}: population of country i at point t; POP_{jt}: population of country j at point t; e_{ijt}: error term.

The model uses comparable bilateral trade data for 26 countries that trade LLPs in the region for the period 2002–11. The estimated dynamic gravity model results show that the actual total trade in the region has been much lower than the potential trade in the leather industry, especially if all inputs and outputs of leather industry are considered including chemicals (Table 3.1). In the period 2002–11, actual intra-regional trade in this sector was on average approximately $395 million per annum. The potential trade is estimated as $544 million every year for this period, which is almost double the actual average trade, with the existing tariff structure. Removing tariffs on leather could increase the existing average trade by 2.5-fold, while removing tariffs on leather products could increase trade threefold. An absence

Table 3.1 Estimated and potential intra-regional trade in leather and leather products

	Actual intra-regional trade ($1,000) (average 2002–11)	Predicted trade ($1,000)	Factor by which trade could increase
Gravity model estimates with existing tariffs on leather and leather products	245,136	544,092	2.2
Gravity model estimates with existing tariffs on leather products and no tariff on leather	245,136	997,082	4
Gravity model estimates with existing tariffs on leather and no tariff on leather products	245,136	1,333,495	5.4
Gravity model estimates with no tariffs and non-tariff barriers on leather and leather products	245,136	2,517,282	10

Figure 3.1 Actual and potential trade in leather and leather products, 2002–11



of tariffs and non-tariff barriers could increase the existing average intra-regional trade by six times the existing trade. Non-tariff barriers can therefore be quantified as $1.9 billion (i.e. the difference between potential trade with tariffs and without tariffs).

Over time, in the period 2002–11, the difference between actual and estimated trade increased, instead of declining (Figure 3.1). One of the major reasons for this is that, although rising per-capita incomes have raised the potential to trade in this sector in the region due to an increase in demand for finished leather products, high tariffs and non-tariff barriers have been a major hindrance to intra-regional trade.

Table 3.2 reports the potential intra-regional trade between the three regional groupings (COMESA, ECOWAS and SACU) used in the gravity model. Actual average exports to the region in the period 2002–11 were highest from ECOWAS, followed by COMESA and then SACU. All regional groups have the potential to more than double their existing intra-regional (SSA) trade.

Table 3.3 reports actual and estimated trade for countries in the model. The total existing regional exports are much lower ($295 million) in comparison with the global exports of these countries.

Gravity model estimates illustrate that the scope for increasing intra-regional trade for almost all countries is high in SSA in LLPs. We examine the export potential of each country within this sector at the product level in the next section.

Table 3.2 Potential trade in leather and leather products among COMESA, ECOWAS and SACU

	Actual intra-regional trade (2002–11) ($1,000)	Predicted intra-regional trade ($1 ,000)
COMESA	80,119	167,219
ECOWAS	116,670	275,688
SACU	48,347	111,118
Total	245,136	554,025

Table 3.3 Country-wise actual and potential average trade in leather and leather products (2002–11)

	Predicted intra-regional exports trade ($1,000)	Existing regional exports ($1,000)	Existing global exports ($1 ,000)	Exports to COMESA ($ 1,000)	Exports to ECOWAS ($1 ,000)	Exports to SACU ($1 ,000)
Benin	182	119	147	0	105	14
Botswana	6,931	5,333	7,450	436	1	4,896
Burkina Faso	2',775	1,079	4,346	7	1,071	2
Burundi	1,126	834	2,088	834	0	0
Cape Verde	2,958	9	3,442	0	1	8
Egypt	51,184	9,548	149,235	7,682	1,470	396
Ethiopia (excluding Eritrea)	18,798	401	75,567	302	23	75
The Gambia	20	32	187	2	30	0
Ghana	8,347	6,786	7,091	3	6,677	106
Guinea	25	7	50	0	7	0
Ivory Coast	11,420	31,275	37,946	744	30,525	5
Kenya	35,903	28,795	71,587	27,856	461	478
Libya	114	14	390	14	0	0
Madagascar	2,779	107	10,490	93	1	13
Malawi	442	292	892	228	0	63
Mali	1,670	973	3,248	0	972	1
Mauritius	9,578	1,905	15,435	1,736	4	165
Namibia	10,713	8,596	25,693	1,210	4	7,382
Niger	550	308	1,731	1	305	2
Nigeria	269,440	129,998	1,027,618	1,017	20,847	108,134
Rwanda	5,570	4,493	6,870	4,489	0	4
Senegal	4,192	3,888	10,007	15	3,872	1
South Africa	93,474	49,371	345,853	41,875	7,496	0
Togo	186	375	560	28	347	0
Uganda	7,135	3,804	12,709	3,798	3	3
Zambia	8,515	7,005	10,305	6,198	0	808
Total	554,027	295,346	1,831,020	98,571	74,222	122,553

COMESA: Common Market for Eastern and Southern Africa; ECOWAS: Economic Community of West African States; SACU: Southern African Customs Union

4. Identifying export potential in leather and leather products

4.1 Introduction

In order to examine product-wise the export potential of different countries in the region in LLPs, we use the CTB index and the international market position (POS). An attempt is made to identify the competitive export basket for each country in the region separately for primary leather, processed leather, chemical inputs and finished leather products. The potential export basket is further divided into those products for which regional demand exists, i.e. the potential intra-regional export basket, and products for which regional demand is limited and which are therefore identified as the potential global export basket. Three-year averages (2008–10) are used for the analysis.

4.2 Methodology

To identify the list of potential exports, UN-COMTRADE data at the six-digit level of HS classification for the period 2008–10 is used. One of the most popular methods of demonstrating comparative advantage is revealed comparative advantage (RCA), proposed by Balassa (1965). According to RCA, if the share of exports of a product in total exports exceeds that of the share of exports the products in total world exports, the county would have comparative advantage in the trade of that product. However, it is argued that in a situation when a country imports a large part of its exports and performs only minor value addition in terms of assembly process, for example, RCA may not correctly reflect the comparative advantage in that product, as it ignores imports.

To overcome the limitation of RCA, CEPII has suggested an indicator of comparative advantage which is based on exports as well as imports of a commodity by a country. The indicator depends on the spread between the trade balance of product i (relative to GDP) and the global trade balance, weighted by the share of product i in world trade. Defined in this way, the indicator reveals a comparative advantage pattern, as any deviation of the specific product from the overall balance corresponds to an advantage (disadvantage) if the contribution to the overall balance is positive (negative).

Mathematically,

$$CTB_{ij} = y_{ij} - \left(\frac{W_i}{W}\right) * y_j \qquad (4.1)$$

Where, W_i = world trade of product $i = \sum_i (X_i + M_i)$

W = world trade of all products = $\sum_i \sum_j (X_{ij} + M_{ij})$

y_j = total trade balance of county j in relation to $GDP = 1000 * \frac{X_j - M_j}{GDP_j}$

CTB can be defined alternatively, as:

$$CTB_{ij} = 1000 * \frac{W_i}{GDP_j} * \left[\frac{(X_{ij} - M_{ij})}{W_i} - \frac{(X_j - M_j)}{W} \right] \quad (4.2)$$

If the sign of CTB is positive, the country *j* would has comparative advantage and if it is negative, the country has a disadvantage.

The first part in equation (4.2) measures POS or international competitiveness of the country *j* in product *i*. It is possible for the value of CTB to be positive even if the value of POS is negative, indicating that the country does not have international competiveness in product *i*. To avoid this we have used stricter criteria, whereby comparative advantage is considered only in those products where both POS and CTB are positive.

4.3 Potential global and regional export baskets

For LLPs, 120 unique tariff lines have been identified at HS six-digit tariff lines[6], i.e. 120 inputs and outputs have been identified. Applying the above methodology and using 3-year averages (2008–10), we estimate the CTB and POS indices for each of the 120 tariff lines in all countries of COMESA, ECOWAS and SACU, for which trade data were available. There are 40 countries in the three regions altogether; the analysis was undertaken on 37 countries, of which 25 were found to be competitive in either outputs or inputs of the leather industry.

If a product qualifies as competitive according to both the indices, the product is selected for the potential export basket of the country. After identifying products with export potential, we further identify only those products where regional demand exists, i.e. the region's global imports are greater than the country's global exports. Furthermore, all exports >US$100,000 for a country are considered. If the region's global imports are lower than a country's global exports, the products are selected for the country's potential global export basket. Using these strict criteria, the potential regional and global export baskets for each country are derived.

Appendix Table A.2 reports the inputs and outputs of the leather industry for each country where the country is found to be competitive after applying the above criteria. COMESA has the greatest number of countries identified as being competitive in leather outputs. These include Kenya (eight outputs); Madagascar (six), Mauritius (six); Ethiopia (five), Zimbabwe (four); Egypt (three), Uganda (two), Rwanda (one) and Zambia (one). Out of the total 52 final products identified for different countries in the analyses, 36 leather products are identified in potential export baskets of COMESA member countries (Table 4.1). These products include footwear, parts of footwear, trunks, suitcases, handbags, seats, etc. South Africa has six leather products in

6 BEC classification has been used to identify tariff lines for primary, processed and final leather products. Further, Global Trade Analysis Project categories were used with concordance available for HS 2002 to identify relevant tariff lines.

Table 4.1 Numbers of products identified in potential regional and global export baskets

Country	Number of final leather outputs identified	Number of leather inputs identified	Total number of leather and leather products identified	Country's average global exports (2008–10) (1,000 $)	Country's average regional exports (2008–10) (1,000 $)	Region's share in country's exports (%)	Region's average global imports (2008–10) (1,000 $)
COMESA							
Burundi		3	3	2,044	775	38	6,746
Egypt	3	21	24	124,872	10,816	9	168,443
Ethiopia	5	17	22	73,641	1,077	1	422,279
Kenya	8	12	20	86,912	29,330	34	308,399
Madagascar	6	3	9	14,365	11	0	100,688
Malawi		2	2	506	146	29	10,300
Mauritius	6	0	6	15,295	41	0	70,667
Rwanda	1	4	5	3,794	1,969	52	125,697
Sudan		5	5	15,719	58	0	18,295
Uganda	2	8	10	14,900	4,144	28	68,664
Zambia	1	7	8	7,082	3,617	51	101,191
Zimbabwe	4	7	11	19,761	4,562	23	420,254
COMESA	*36*	*89*	*125*	*378,893*	*56,546*	*15*	*1,821,622*
ECOWAS							
Burkina Faso		2	2	5,605	2,094	37	7,559
Cape Verde	1		1	2,606	0	0	19,512
Ghana	1		1	391	202	52	24,573
Ivory Coast	5	3	8	33,110	29,549	89	254,382
Mali		4	4	3,285	296	9	17,918
Niger		2	2	276	78	28	576
Nigeria	2	9	11	1,563,319	245,469	16	598,660
Senegal	1	7	8	4,564	1,293	28	65,396
ECOWAS	*10*	*27*	*37*	*1,613,156*	*278,982*	*17*	*988,576*
SACU							
Botswana		4	4	2,755	1,376	50	12,427
Namibia		13	13	25,114	9,043	36	73,165
South Africa	6	19	25	253,249	16,467	7	74,203
SACU	*6*	*36*	*42*	*281,118*	*26,886*	*10*	*159,795*
Three–region total	*52*	*152*	*204*	*2,273,167*	*362,415*	*16*	*2,969,992*

its competitive basket, while Ivory Coast has five products. Egypt has the greatest number of competitive leather inputs identified(21), mainly tanned leather inputs, followed by South Africa (19), Ethiopia (17), Namibia (13) and Kenya (12). The region as a whole has the potential to export 52 leather products and 152 leather inputs. On average, the region's global exports in 2008–10 were lower than region's global imports. There is high potential for intra-regional trade, as regional exports are much lower than the global imports of the region for final leather products and chemicals, although for processed leather and primary leather the regions global exports are much higher than the regions global imports. Intra-regional exports comprise only 16 per cent of the total global exports of the region. Demand in the region therefore exists for almost all countries, except for Nigeria and South Africa, where those countries' global exports are greater than the region's global imports. For these two countries, a potential global export basket has been identified along with the potential regional export basket.

5. Identification of potential regional value chains in leather and leather products

5.1 Introduction

As discussed above, intra-regional trade in LLPs is very low, i.e. only 16 per cent of the region's total global exports in this industry. However, potential for intra-regional trade is high and the regions could more than double the existing trade in this industry. One of the ways to do this would be by exploring the possibility of forming RVCs in this sector. Interestingly, most of the economies in the region have experienced a rising trend in exports of finished leather products to the region since 2000. These products are, broadly, leather footwear, leather bags and suitcases, leather articles for clothing and apparel and leather saddles, harnesses, etc. In order to strengthen the global competitiveness of the region in leather products, it is important that the rising trend in exports of final leather products in all countries gains further momentum and the countries increase their competitiveness in exporting finished leather products. With this objective, an attempt has been made to identify potential RVCs for leather products. The methodology adopted for this is described below.

5.2 Methodology

As discussed earlier, the study uses the categorisation of inputs and outputs in the leather industry which is provided by the BEC classification. Leather inputs are divided into primary leather, processed leather and chemicals used in leather. Three regional groupings are identified,

which can together form RVCs in this industry. These are COMESA, ECOWAS and SACU.

In order to identify RVCs that SSA as a region could potentially form for either regional exports or global exports the following steps are followed:

- Step 1: Using BEC and the concordance matrix of HS 2002, identify HS tariff lines under the four broad categories, i.e. finished leather products, processed leather, primary leather and chemicals used in leather. In total 120 tariff lines are identified, of which 50 are finished leather products, 31 are processed leather, 15 are primary leather items and 24 are chemicals.
- Step 2: Using the earlier estimated CTB and POS indices, identify for each country the final leather products where the country has competitive advantage. Further divide these into final leather products for regional exports where regional demand exists, i.e. the region's global imports are higher than the country's global exports in that product; and for global exports where regional demand does not exist. To ensure that the country has minimum supply capacity, an export threshold of $100,000 is used as a benchmark. Any country found to be competitive but exporting less than $100,000 on average in the period 2008–10 is not selected.
- Step 3: Identify processed leather and primary leather inputs that each country could import from the region at a lower cost. This is done by comparing country's import unit value for primary and processed leather from the region and from its top exporter from outside the region. To this list we also added the list of primary and processed leather inputs that the country can import regionally, although at present it may not be able to do so at a lower cost because of high tariffs.
- Step 4: Identify potential products for investment within the leather industry for each country where regional or extra-regional FDI is needed. For this, we identify those products in a country where the country is found to be competitive in the region but does not have sufficient supply capacity to fulfil regional demand, therefore requires FDI to boost its capacity. This would help to upgrade technology and increase the scale of production. For each country, an export threshold of $100,000 is applied in order to arrive at a list of primary, processed and finished leather products where the country has the export competitiveness in the region based on RCA with respect to regional exports. To check competitiveness overtime, we examine the trend in global RCA since 200311. The products where export competiveness has been maintained and the country's exports are lower than region's global imports are selected as potential products needing inward FDI. This identifies the country and the product within leather industry which is most competitive in the region and there exists regional demand, but the country may lose competitiveness over time from competition from global imports and therefore needs to build its supply capacity. To

identify countries within the region that can undertake intra-regional investments in the identified products, we select those global exporters in the region that have increasing competitiveness and global exports that are higher than the region's global imports.

Finally, we have identified three lists for each country:

- List 1: potential outputs of finished leather products for exports to the region where the country has the export potential and regional demand exists, and for global exports if the demand does not exist in the region;
- List 2: potential inputs, namely primary leather, processed leather and chemicals used by the leather industry, for imports from the region where the region has the supply capacity and can supply at a lower cost; and
- List 3: products for potential inward FDI where the country has export competitiveness and the region has high demand but the country may lose its export competitiveness over time. To this we add products in which the country is most competitive and the largest exporter in the region and therefore can undertake intra-regional investments.

5.3 List I: leather products identified for regional and global export

Using the above steps, Table 5.1 reports the number of products identified for each country for regional and global export. Appendix Table A.3 includes detailed information. There are 52 total leather and leather products identified for 15 countries, where those countries have a regional competitive advantage based on CTB and POS and the value of their global exports is greater than $100,000. Out of 52 products, regional demand exists for 46 leather products as the country's global exports are lower than the region's global imports. In the period 2008–10, average global exports of these products by these countries amounted to $285 million, while regional demand was approximately $2 billion. Out of $285 million, only 30 per cent ($87 million) was exported to the region. For COMESA member countries, 36 products have been identified, of which regional demand exists for 33 products. Appendix Table A.3 reports identified products country-wise. The maximum number of products were identified for Kenya. These include leather bags, suitcases (HS 420211 and 4220291); footwear with outer soles (HS 640192, 640220, 640291 and 640419). Footwear has also been identified as a leather product for regional exports for Ethiopia. These include HS 640319, 640391, 640399, 640590 and 640610. These products differ from those identified for Kenya. Leather bags, suitcases, etc. have also been identified for Madagascar as for Kenya, but, interestingly, the codes identified differ from those identified for Kenya. These are HS 420221, 420222, 420229, 420291, 420500 and 650699. A detailed description of these codes is reported in Appendix Table A.1. This shows that although these three countries have similar products identified for regional exports, the products are not

identical and are differentiated products giving an edge to the identified country in the region. Along with footwear, the identified regional exports for Mauritius include articles of apparel, clothing accessories and other articles of furskin. Four products are identified for South Africa.

Table 5.2 lists 20 leather products that have been identified as unique leather products for regional export. Footwear has also been identified for potential regional export for Ivory Coast. Out of five products, two (HS codes 640199 and 640220) are identified as being unique products within the region. For South Africa, the unique leather product identified for regional export is HS 420100 (saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats

Table 5.1 List I: number of potential finished leather products identified for regional and global exports of the Common Market for Eastern and Southern Africa (COMESA),; the Economic Community of West African States (ECOWAS) and the Southern African Customs Union (SACU)

Sub-regional group	Country	Potential final products for regional export	Potential final products for global export	Total number of final products identified	Country's global exports average (2008–10) (1,000 $)	Region's global import average (2008–10) (1,000 $)
COMESA	Egypt	3		3	8,617	30,508
COMESA	Ethiopia (excludes Eritrea)	5		5	7,173	330,641
COMESA	Kenya	7	1	8	30,164	236,466
COMESA	Madagascar	5	1	6	11,058	87,671
COMESA	Mauritius	5	1	6	15,295	70,667
COMESA	Rwanda	1		1	1,184	117,290
COMESA	Uganda	2		2	3,716	9,612
COMESA	Zambia	1		1	1,575	36,102
COMESA	Zimbabwe	4		4	4,289	410,486
	COMESA	*33*	*3*	*36*	*83,071*	*1,329,443*
ECOWAS	Cape Verde	1		1	2,606	19,512
ECOWAS	Ghana	1		1	391	24,573
ECOWAS	Ivory Coast	5		5	25,503	188,099
ECOWAS	Nigeria	1	1	2	154,750	369,852
ECOWAS	Senegal	1		1	1,030	36,295
	ECOWAS	*9*	*1*	*10*	*184,279*	*638,332*
SACU	South Africa	4	2	6	17,188	19,897
	SACU	*4*	*2*	*6*	*17,188*	*19,897*
Total		*46*	*6*	*52*	*284,538*	*1,987,672*

Table 5.2 Country-wise unique leather products identified for regional export

	HS 6–digit code	Country	Description at 4–digit level
1	420100	South Africa	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material
2	420211	Kenya	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
3	420212	Zimbabwe	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
4	420222	Madagascar	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
5	420229	Madagascar	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
6	420231	Mauritius	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
7	420292	Mauritius	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
8	420299	Ghana	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toile
9	420310	Mauritius	Articles of apparel and clothing accessories, of leather or of composition leather
10	430390	South Africa	Articles of apparel, clothing accessories and other articles of furskin
11	640110	South Africa	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, riveting, nailing, screwing, plugging or similar processes

(continued)

Table 5.2 Country-wise unique leather products identified for regional export (continued)

	HS 6–digit code	Country	Description at 4–digit level
12	640199	Cote d'Ivoire	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, riveting, nailing, screwing, plugging or similar processes
13	640299	Nigeria	Other footwear with outer soles and uppers of rubber or plastics
14	640319	Ethiopia (excludes Eritrea)	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
15	640320	Uganda	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
16	640391	Ethiopia (excludes Eritrea)	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
17	640590	Ethiopia (excludes Eritrea)	Other footwear
18	640620	Kenya	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof
19	650699	Madagascar	Other headgear, whether or not lined or trimmed
20	940161	Zimbabwe	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof

and the like, of any material). HS 420222 and 420229 have been identified as unique products for Madagascar, while products identified for regional export by Zimbabwe include footwear as well as seats (HS 940161).

For the above identified 20 unique leather products, a comparison was made between unit values of the top global importer and the top regional importer. It was found that in 10 products (listed in Table 5.3) the import unit value of the top regional importer was higher than the top global importer. Although comparisons of import unit values have their limitations, mainly that the differences in the quality of the products demanded and associated delivery services provided may not be apparent in the unit costs, this is indicative that the region not only provides demand for regional leather products, but there is evidence that this demand is accompanied by higher returns.

5.4 List II: inputs identified to be sourced from the region

Following the methodology discussed above, leather product inputs have been

Table 5.3 Comparison of unit values of region's top importer and global top importer in identified unique products for regional exports

HS 6-digit	Country	Top global importer	Unit value of top global importer	Top importer in region	Unit value of top importer in the region	Region's share in country's exports (%)
420212	Zimbabwe			South Africa	1.94	99.95
420231	Mauritius	France	121.75	South Africa	122.39	0.19
420310	Mauritius	United Kingdom	99.15	South Africa	99.36	0.14
640110	South Africa	Singapore	8.31	Zimbabwe	11.85	44.23
640199	Ivory Coast	Angola	8.93	Mali	8.94	97.31
640299	Nigeria	Belgium	10.41	Ghana	10.41	27.72
640319	Ethiopia	Somalia	26.96	Sudan	26.98	99.23
640391	Ethiopia	Italy	42.07	South Africa	42.08	25.26
640620	Kenya	Tanzania	0.57	Rwanda	0.83	68.58
940161	Zimbabwe	Australia	135.00	Zambia	159.31	99.50

identified which can be sourced from within the region at a lower cost compared to those that are being imported globally (list II) (Table 5.4). This can boost the cost competitiveness of the leather industry. In the region, 116 inputs that can be sourced regionally for their leather industry are identified. Of these, 17 are primary inputs, 23 processed leather inputs and 76 chemical inputs for the leather industry. In the period 2008–10, on average, inputs worth $114 million were imported from outside the region, while the region exported $1.9 billion of these inputs globally. Appendix Table A.4 details these inputs. Comparing the unit values of exports, it is found that out of 107 inputs, 62 inputs can be sourced at a lower cost from the region. The region also has the supply capacity as its global exports are much higher than the region's demand. Out of 62 inputs, 40 are chemical inputs such as synthetic organic tanning substances, synthetic colouring matter and polishes and creams for footwear, etc. Nigeria, Kenya and Ethiopia are the top three importers of these chemical inputs, importing from France, India and Italy, while South Africa has lower export unit values in these chemical inputs and has higher global exports than the country's global imports.

The top importers in the region for processed leather include South Africa, which is importing tanned or crust hides and skins of bovine (including buffalo) (HS 410411), from Australia, while Zambia globally exports this input at a lower cost and its exports are higher than South Africa's imports (Table 5.5). Similarly, South Africa imports input HS 411310 (leather further prepared after

Table 5.4 List II: number of primary, processed and chemical leather inputs that can be sourced from within COMESA, ECOWAS and SACU

Sub-regional group	Country	Inputs to the leather industry				Country's average global imports (2008–10) (1,000 $)	Region's average global exports (2008–10) (1,000 $)
		Processed	Primary	Chemical	Total		
At a lower cost							
COMESA	Egypt	3	3	1	7	6,770	120,306
COMESA	Burundi			1	1	254	4,568
COMESA	Ethiopia (excludes Eritrea)			2	2	4,689	11,133
COMESA	Kenya		2		2	4,341	23,761
COMESA	Madagascar			2	2	418	21,065
COMESA	Malawi			1	1	238	643
COMESA	Mauritius	2		4	6	4,827	86,378
COMESA	Rwanda			1	1	312	4,558
COMESA	Sudan			1	1	118	325
COMESA	Uganda			4	4	1,742	21,504
COMESA	Zimbabwe	1		3	4	1,912	14,403
	COMESA	*6*	*5*	*20*	*31*	*25,621*	*308,645*
ECOWAS	Benin			1	1	125	7,915
ECOWAS	Burkina Faso			2	2	403	12,484
ECOWAS	Ghana	1		3	4	737	7,646
ECOWAS	Ivory Coast			1	1	573	602
ECOWAS	Mali		1		1	134	16,525
ECOWAS	Niger			2	2	248	12,484
ECOWAS	Nigeria	1		2	3	4,914	21,512
ECOWAS	Senegal			3	3	2,345	28,748
	ECOWAS	*2*	*1*	*14*	*17*	*9,478*	*107,914*
SACU	Botswana			3	3	2,673	29,424
SACU	Namibia		1	2	3	2,944	19,136
SACU	South Africa	5	2	1	8	20,993	797,189
	SACU	*5*	*3*	*6*	*14*	*26,611*	*845,749*
	Total	*13*	*9*	*40*	*62*	*61,710*	*1,262,308*

(continued)

Table 5.4 List II: number of primary, processed and chemical leather inputs that can be sourced from within COMESA, ECOWAS and SACU (continued)

Sub-regional group	Country	Inputs to the leather industry				Country's average global imports (2008–10) (1,000 $)	Region's average global exports (2008–10) (1,000 $)
		Processed	Primary	Chemical	Total		
Not necessarily at a lower cost							
COMESA	Egypt	1	1		2	4,250	22,782
COMESA	Burundi			1	1	147	16,499
COMESA	Republic of Congo			1	1	850	4,569
COMESA	Ethiopia (excludes Eritrea)			4	4	6,476	76,672
COMESA	Kenya	1	1	5	7	6,443	106,091
COMESA	Madagascar	2		1	3	1,511	17,753
COMESA	Malawi			2	2	689	21,023
COMESA	Mauritius	2			2	3,335	9,504
COMESA	Rwanda			1	1	651	16,499
COMESA	Sudan			2	2	464	8,558
COMESA	Uganda			3	3	2,502	51,135
COMESA	Zambia			4	4	6,238	37,309
COMESA	Zimbabwe	1	1	2	4	1,729	76,944
	COMESA	*7*	*3*	*26*	*36*	*35,284*	*465,336*
ECOWAS	Burkina Faso			1	1	103	8,398
ECOWAS	Ghana			2	2	2,674	24,413
ECOWAS	Ivory Coast			2	2	409	20,679
ECOWAS	Mali			1	1	237	4,565
ECOWAS	Nigeria	2	2	2	6	8,642	105,467
	ECOWAS	*2*	*2*	*8*	*12*	*12,065*	*163,522*
SACU	Namibia		1	2	3	3,478	35,413
SACU	South Africa	1	2		3	2,236	19,716
	SACU	*1*	*3*	*2*	*6*	*5,714*	*55,129*
Three-region total		*23*	*17*	*76*	*116*	*114,772*	*1,946,295*

Table 5.5 Comparison of unit values of exports of leather inputs of the top global and top regional exporters

Sub-regional group	Country	Product	HS 6–digit code	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Region's average global exports (2008–10) (1,000 $)	Top global exporter	Export unit value of global exporter	Top exporter in region	Export unit value of regional exporter
COMESA	Ethiopia	Chemical	320210	4,144	13.19	6,564	Italy	2.30	South Africa	1.36
COMESA	Uganda	Chemical	320417	1,157	7.78	7,915	Germany	8.88	Kenya	7.04
ECOWAS	Nigeria	Chemical	283010	2,180	6.25	8,403	Unite Arab Emirates	0.52	Botswana	0.52
ECOWAS	Senegal	Chemical	320417	1,725	56.67	7,757	France	11.68	Ivory Coast	4.25
SACU	South Africa	Chemical	340510	1,052	0.01	11,530	Italy	9.08	Malawi	1.39
COMESA	Mauritius	Processed	411390	3,090	0.39	47,287	Italy	62.65	South Africa	33.00
ECOWAS	Nigeria	Processed	410799	2,170	0.56	8,540	Belgium	20.72	Botswana	20.70
SACU	South Africa	Processed	410411	15,511	0.63	16,331	Australia	6.06	Zambia	1.77
SACU	South Africa	Processed	411310	1,217	0.27	731,934	India	33.65	Ethiopia (excludes Eritrea)	16.64
COMESA	Kenya	Primary	410190	1,688	64.24	7,206	New Zealand	4.42	Burundi	1.01

tanning and crushing) from India at a price which is double the price at which Ethiopia exports the input globally. Mauritius and Nigeria import from Italy and Belgium at much higher costs compared to those at which South Africa and Botswana export globally. Kenya imports raw hides from New Zealand, while Burundi exports the same HS tariff code to the world at a much lower price.

SACU countries have the maximum potential to import inputs of the leather industry regionally at a lower cost, compared the current situation. They can regionally import inputs worth $26.6 million. Of the SACU countries, South Africa can import $20.9 million from the region, which it is currently importing globally. Of the COMESA member countries Mauritius and Ethiopia can import $9.5 million at a lower cost regionally, while in ECOWAS, Nigeria can import inputs of $5 million regionally. In total, $54.9 million worth of leather inputs can be regionally imported at a lower cost.

In many cases it was difficult to find unit cost data. Using all information available, regional demand for leather inputs is approximately $114 million. Of this, only $29 million (25 per cent) are being sourced from the region, while the region can supply these at a much lower cost and has sufficient supply capacity.

5.5 List III: potential leather and leather products identified for intra-regional investment, and potential regional investors

To identify those leather inputs and outputs that may require inward regional or extra-regional FDI, LLPs where the country has rising competitiveness but lacks supply capacity have been identified. The rising competitiveness of a country in products where regional demand exists (i.e. the country's global exports are lower than region's global imports) is measured by comparing its 3-year averages of RCAs in the period 2003–10 . In order to identify countries that can undertake intra-regional FDI in inputs and outputs, numbers of LLPs have been identified in which countries have rising competitiveness and their global exports are higher than region's global imports. These countries therefore have the capacity and capability to undertake intra-regional investments and will gain through economies of scale. List IIIa (Table 5.6) reports the number of LLPs identified for potential FDI and list IIIb (Table 5.7) reports the countries in the region that can undertake intra-regional FDI in the identified LLPs.

In total, 80 leather inputs and outputs have been identified which may require regional or extra-regional FDI. These include 34 leather products, 15 primary leather inputs, 22 processed leather inputs and 9 chemicals used for leather. Total regional exports in these products were, on average, $1.7 billion in the period 2008–10. Kenya has the maximum number of leather products identified where the country has competitive advantage and needs to develop supply capacity, followed by Madagascar, Ivory Coast and Ethiopia and Mauritius. The maximum number of processed leather products, where the countries are competitive and require increased FDI, are identified for Namibia, Ethiopia, Zambia, Egypt and Uganda. Kenya and South Africa are found to have

Table 5.6 List IIIa: number of products of COMESA, ECOWAS and SACU identified for potential inward foreign direct investment

Sub-regional group	Country	Total number of products identified for inward FDI					Region's average global import (2008–10) (1.000 $)
		Finished products	Primary products	Processed products	Chemical products	All products	
COMESA	Burundi		1			1	1,656
COMESA	Egypt	1		3	1	5	67,572
COMESA	Ethiopia (excludes Eritrea)	4		3		7	327,466
COMESA	Kenya	6		1	4	11	175,499
COMESA	Madagascar	5				5	80,745
COMESA	Malawi		2			2	10,300
COMESA	Mauritius	4				4	62,409
COMESA	Rwanda	1	1			2	118,945
COMESA	Uganda	1	2	3		6	56,968
COMESA	Zambia		1	3		4	26,779
COMESA	Zimbabwe	1	1			2	66,642
	COMESA	*23*	*8*	*13*	*5*	*49*	*994,982*
ECOWAS	Cape Verde	1				1	19,512
ECOWAS	Ghana	1				1	24,573
ECOWAS	Ivory Coast	5			1	6	253,805
ECOWAS	Mali			1		1	1,510
ECOWAS	Nigeria	1		1		2	334,689
ECOWAS	Senegal	1	4	1		6	49,244
	ECOWAS	*9*	*4*	*3*	*1*	*17*	*683,334*
SACU	Namibia		1	5	1	7	50,963
SACU	South Africa	2	2	1	2	7	40,131
	SACU	*2*	*3*	*6*	*3*	*14*	*91,094*
	Total	*34*	*15*	*22*	*9*	*80*	*1,769,410*

increasing competitiveness in chemicals used by the leather industry and require FDI to increase their supply capacities.

In list IIIb, 26 leather outputs and inputs have been identified where intra-regional investments can be undertaken by the countries identified in the region. Using the criterion of increasing competitiveness as well as regional supply capacity, South Africa has been identified as a potential regional investor in leather output HS code 420100 (saddlery and harness for any animal, etc); the tanning of leather; and in chemicals used for

Table 5.7 List IIIb: number of products of the COMESA, ECOWAS and SACU identified for potential outward foreign direct investment

Sub-regional group	Country	Total number of products identified for outward FDI					Country's average global exports (2008–10) (1,000 $)
		Finished products	Primary products	Processed products	Chemical products	All products	
COMESA	Egypt	1		6	1	8	109,117
COMESA	Ethiopia (excludes Eritrea)			1		1	24,755
COMESA	Kenya	1				1	7,197
COMESA	Madagascar	1				1	7,521
COMESA	Mauritius	1				1	7,805
COMESA	Zimbabwe		1			1	11,280
	COMESA	*4*	*1*	*7*	*1*	*13*	*167,676*
ECOWAS	Nigeria			3		3	671,142
	ECOWAS			*3*		*3*	*671,142*
SACU	Namibia		1			1	5,784
SACU	South Africa	1	4	2	2	9	212,695
	SACU	*1*	*5*	*2*	*2*	*10*	*218,480*
	Total	*5*	*6*	*12*	*3*	*26*	*1,057,297*

tanning, i.e. HS codes 284130 (salts of oxometallic or peroxometallic acids) and 320120 (tanning extracts of vegetable origin). Egypt has been identified as a potential investor in eight products, which include six processed leather products. Kenya has been identified as a potential regional investor in waterproof footwear; Madagascar for other articles of leather or of composition of leather (HS code 420500); and Mauritius has been identified for articles of apparel and clothing accessories of leather or of composition of leather.

The number of countries that need investments in identified leather outputs surpass the number of countries in the region that can undertake investments. This also indicates that although the region has an adequate supply of inputs it lacks the capacity to increase production of outputs on its own. Regional co-operation and intra-regional investments and trade need to be boosted along with extra-regional FDI. However, extra-regional FDI may not on its own be attracted to the production of leather outputs in the region and investors may prefer to import leather inputs from the region. Therefore, greater production of leather outputs may not happen automatically

in most of the countries of the region. Targeted policy interventions are required to boost the manufacturing of leather outputs in the region.

6. Foreign direct investments in leather and leather products and regional investment agreements

6.1 Introduction

FDI inflows to SSA increased from $1.6 billion in 1990 to $6.8 billion in 2000 and increased further by more than six times to $37 billion in 2011. In 2010, FDI flows from the BRICS countries to SSA represented 25 per cent of total FDI flows. The five countries receiving the most FDI (using averages of 2000–11) received around 56 per cent of total inward FDI. These are Nigeria, South Africa, Sudan, Republic of Congo and Ghana. FDI as a percentage of the GDP of SSA is only about 3 per cent (average 2005–11). But for some smaller countries of the region it comprises more than 10 per cent of their GDP (Liberia, Republic of Congo, Sao Tome and Principe, Seychelles, Djibouti, Democratic Republic of Congo and Cape Verde).

Although there has been a significant rise in inward FDI to SSA, the leather industry has failed to attract sufficient FDI. Very little data are available on inward FDI into the leather industry. Ethiopia, Ghana and Kenya are the only countries that have been identified as destinations of FDI in the leather sector. The major sources of FDI into the leather sector are Turkey, China and India.

Capital flows have been the bedrock of increased investment activities across the globe, especially with the onset of globalisation. Intra-African financial flows have been marginal, although their potential is not lost on policy-makers and governments. In Africa, intra-regional investments in general and in the leather industry in particular have not kept pace with the immense benefits that could accrue to individual countries and investors. This chapter discusses intra-regional investment in the leather industry in Africa, highlighting the immense potential as well as the constraints that hamper the realisation of this potential. The chapter concludes that Africa will stand to gain if the constraints bedevilling investment in the leather industry are adequately addressed.

6.2 Overall inflows of foreign direct investment

The available data indicate that Africa is the recipient of the least inflows of FDI to the developing regions in spite of the sharp rise in the annual average inflows to the region from $6.7 billion between 1990 and 1999 to $33.5 billion between

2000 and 2011 (Table 6.1). The rise in annual average FDI inflows to Africa during 2000–11 can be explained by strong performances in the commodities sector, the start of oil production in some countries, political and macroeconomic stability and robust GDP growth prospects.

At the sub-regional level, West and Northern Africa were the recipients of the greatest FDI flows to Africa, while Central and East African countries were the recipients of the least FDI inflow (Table 6.2).

Table 6.2 Trends in overall foreign direct investment inflows (annual averages $ millions)

Sub-region	1990–99	2000–11
North Africa	2,012.493	12,423.76
West Africa	2,127.04	7,879.42
Nigeria	1,494.062	4,733.386
Central Africa	134.6	4,096.1
East Africa	408.5	2,629.4
Southern Africa	2,063.4	6,430.6
South Africa	850.4	3,682.6

Source: UNCTADstat, http://unctadstat.unctad.org

6.3 Foreign direct investment policy regime in Africa

The policy environment related to FDI has improved remarkably across much of Africa in a number of ways. First, regulatory restrictions on external (current and capital accounts) transactions have been eliminated, with several countries moving away from fixed to market-based exchange rates. Second, many countries in the region have signed up to and are participating in bilateral, regional and multilateral (international) agreements. In addition, tariffs have been steadily reduced and harmonised in most countries in the region. Such policy reforms and participation in treaties contribute to the creation of a favourable climate for FDI in the region (Pigato 2001).

Table 6.1 Trends in overall foreign direct investment inflows (annual averages $ million)

Region/ economy	1990–99	2000–11
Europe	167,697.36	493,224.53
Africa	6,746.12	33,459.20
Asia	69,650.70	259,373.76
East and South-East Asia	64,731.37	192,200.33
East Asia	42,160.91	139,746.43
China	29,042.70	77,095.25
Hong Kong, China	9,027.73	49,790.64
South-East Asia	22,570.46	52,453.90
Latin America and the Caribbean	42,012.03	127,493.32
South and Central America	36,587.82	87,389.86

Source: UNCTADstat, http://unctadstat.unctad.org

There is also an intensification of the harmonisation of investment-related laws and incentives in the region. An example of one such initiative is the cross-border initiative by a number of countries in Eastern and Southern Africa to promote and facilitate investment through the adoption of a common plan. These countries have agreed to simplify and merge all rules and regulations into a systematic code and a single published document made available to all. These countries are Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. In a similar fashion, countries belonging to other regional bodies

such as COMESA, the West African Economic and Monetary Union and SADC have or are in the process of concluding similar codes of procedures related to investments in their respective sub-regional associations. The established codes are meant to set out common rules for the promotion of both domestic and foreign investment, a single common fiscal regime, harmonised fiscal incentives and transparent and non-discriminatory procedures for entry and operations of investments.

One typical example is the initiative by COMESA in establishing the COMESA Regional (Common) Investment Area (CCIA) in 2007 with the overarching objective of attracting higher and sustainable levels of investment into the region by forming an internationally competitive investment area that consents to a freer cross-border investment of capital, labour, goods and services among member states. The focus of COMESA's common investment programme is to make the CCIA a region where greater investments are generated from COMESA and non-COMESA sources and where there is freer flow of capital, skilled labour and professionals and technology among member countries. The key features of the programme are the extension of national treatment to COMESA investors by all member states by 2010, making sure that all economic activities are opened for investment to COMESA investors by 2010, and encouraging the private sector to fully participate in investment and other related activities of the common market. Other obligations include acceding to a number of international or multilateral agreements by member states and encouraging member states to unilaterally reduce and eliminate restrictions on investments, and perform a regular appraisal of their investment regimes towards further liberalisation (COMESA Investment Report 2011, 2012).

Another example is the ECOWAS treaty, which favours the implementation of measures aimed at improving the investment climate and increasing the attractiveness of the ECOWAS region as a single (common) market. The basic challenge confronting this initiative is the slow process towards the implementation of appropriate regulations and policies and constraints imposed by national legislation, notwithstanding regional integration. A large number of ECOWAS member countries have taken steps to implement policies aimed at improving their investment climate. These include an evaluation of their policies and rules that influence investments and private sector development and the maintenance of other relevant rules and policy instruments on corporate governance. Other measures are the strengthening the capacities of their respective investment promotion agencies in the delivery of services to investors and dissemination of information and the promotion of co-operation among these agencies at regional and international levels. An additional initiative by these member countries has been to foster partnership in human capacity and skills development relevant for acquiring and distributing the benefits of investment in the region. The goal of member states is to harmonise their regulations on investment and work towards the setting up of a common regional investment rule and code, with the ultimate aim of establishing a single investment market. The overarching objective for the setting up of the ECOWAS common investment market is to attract

higher and sustainable levels of investment into the region through the formation of an internationally competitive investment region, devoid of restrictions on cross-border movement of capital, labour, goods and services (Aremu 2012).

In spite of these initiatives, regulatory restrictions remain which impede the inflow of direct and portfolio investment into the region. The situation is worsened by the inadequacy of relevant infrastructure. In addition, there are significant differences in the procedures and requirements for FDI entry across countries in the region. FDI into certain sectors, such as minerals, petroleum and tourism, require special approval and must satisfy certain criteria. An example is the case of a prospective manufacturing investor in Botswana who must obtain an investment licence and approvals from the land board and district councils and must satisfy certain criteria on technical skills, capital adequacy and the interests of the economy. Additionally in a number of countries, including Botswana and Ghana, multinational corporations and foreign citizens are not allowed to participate in activities reserved for domestic small- and medium-scale enterprises. In addition, the granting and nature of investment incentives are uneven and inconsistent. For instance, some countries use discretionary measures and operate on a case-by-case basis, resulting in delays and non-transparent procedures, and also grant tax holidays for 5–10 years. The disadvantage of tax holidays is that they encourage short-term investments, deter long-term investments and bias against equity financing. They are also quite costly to governments in terms of loss of potential revenue. However, there are a few exceptional countries, such as Ghana, who have shifted (or are shifting) to a system of abolishing tax holidays and replacing them with low general tax rates. Other existing regulatory constraints in the region include highly erratic regulations governing the granting of work permits and cumbersome procedures that need to be followed to obtain permits.

6.4 Favourable and unfavourable foreign direct investment factors

6.4.1 Higher returns on foreign direct investment

One of the favourable factors supporting FDI inflows to Africa is the relatively higher returns in Africa compared to other regions. The rate of return of 8 per cent on a FDI stock of $21 trillion is marginally higher than the world average of 7 per cent. Over the past 3 years, FDI to Africa has not bucked. It has increased from approximately $44 billion in 2010 through $48 billion in 2011 to approximately $50 billion in 2012. This trend has been attributed to the growth of the consumer-oriented manufacturing and services – a reflection of demographic changes, particularly the growth of the African middle class and increased activities in the extractive industries, i.e. the discovery of new oil reserves thus creating new oil economies on the continent in Ghana and Tanzania (UNCTAD/WIR 2013).

6.4.2 Potential to fit into global value chains

The potential benefits that may accrue to nations, together with the documented

significant development contribution of GVCs serve as a further FDI pull. In developing countries value-added trade contributes nearly 30 per cent to a country's GDP on average, compared with 18 per cent in developed countries. Additionally, GVCs have been found to have a direct economic impact on value added, jobs and income, as well as being important avenues to building productive capacity through technology dissemination and skill-building.

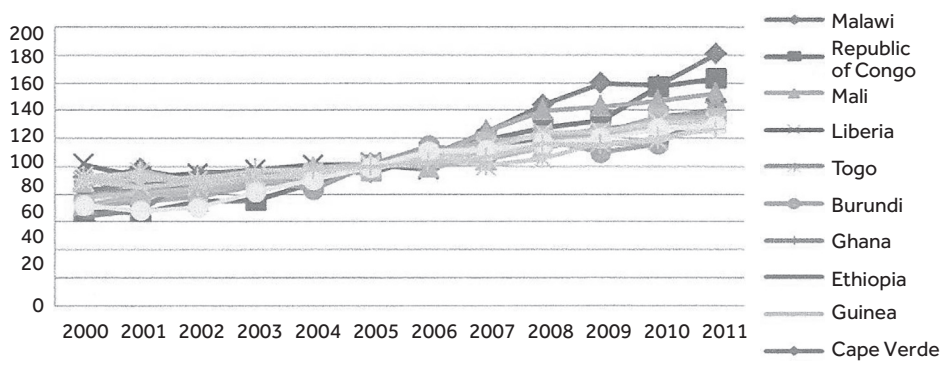
6.4.3 Availability of raw material

Most of the SSA countries are rich in livestock. African countries have 20 per cent of the world's sheep and goats and 10 per cent of the world's cattle. The region's pool of livestock is not only large, but it is also continuously growing. Livestock production index shows a steady rising trend in almost all countries (Figure 6.1). This indicates the availability of raw material and growing strength and sustainability of the region in procuring raw materials for the leather industry. Availability and growing raw material supply is an important locational advantage for extra-regional FDI.

6.4.4 Low labour costs in sub-Saharan Africa and rising labour costs in China

Along with raw material, availability of cheap labour is one of the biggest advantages of SSA in the leather industry, which can give the region the much needed competitive advantage. Currently, China is facing rising labour costs in the leather industry. Labour cost in the leather industry has increased, from $0.39/hour in 2003 to $1.1/hour in 2008. Economic growth and the new labour contract law, which mandates transparent employment and empowers workers to bring legal action against employers who do not pay proper wages, insurance, etc., are among the reasons for the higher labour costs in China. The growth of the active labour force is also gradually slowing, due to the ageing population. The relatively inflexible labour markets have led to further labour shortages in the centres of manufacturing. Over several years, the increase in real wages has exceeded the real growth of GDP in China, giving a boost to China's export-driven growth, which is based on low-wage production. But this advantage of China is now fading

Figure 6.1 Livestock production index (100 at 2005–6)



Source: World Development Indicators, 2011

away. Domestic and foreign companies in China might be forced to fragment their recently established fully integrated production processes and outsource labour-intensive processes. SSA can provide an alternative destination for foreign firms in the leather industry, especially those which are moving out of China.

6.4.5 Growing export potential

Countries in SSA have huge export potential in leather and leather products, which can attract export-oriented FDI. The growing demand for leather products with rising incomes can provide a large growing market for FDI which can attract market-seeking FDI. The lowering of intra-regional tariffs and removal of export restrictions can go a long way in integrating the region and attracting foreign firms.

6.5 Factors unfavourable for attracting foreign direct investment in the leather industry

6.5.1 Infrastructure as a limiting factor

The poor state of infrastructure has proven to be an unfortunate factor in the drive to attract FDI to the African continent. The major infrastructure deficiencies identified as key factors holding back FDI inflows, and particularly inter-regional economic community and intra-African trade, include poor transport and communications; deficient maintenance of road networks; inflexibility, unreliability and inefficiency of rail transport, power supply and water.

However, the immense benefits to be derived from improved infrastructure are not lost on development partners and policy-makers. The World Bank estimates that SSA could gain in the range of $20 billion annually from trade-related infrastructure upgrading projects (World Bank 2006). Furthermore, African Development Bank (AfDB) studies suggest that the poor state of infrastructure in SSA cuts potential economic growth by 2 percentage points a year and reduces business productivity by as much as 40 per cent (AfDB 2010). Efforts to implement the several initiatives[7] that cover essential infrastructure needs in the areas of energy, information and communications technology, transport and water will stem this tide.

6.5.2 Low labour productivity

Low labour productivity in LLPs can be one of the major hindrances to extra-regional FDI. One of the major reasons for comparatively low labour productivity in SSA countries is the low level of technology as well as a low quality of trade related infrastructure. Table 6.3 compares SSA countries with China and India in terms of factors that may attract export-oriented FDI, i.e. time and costs to trade. Although in most of the comparatives like time required to start a business, time required to resolve

7 Some of the initiatives include the African Union/New Partnership for Africa's Development African Action Plan, launched in 2009; the African Union Commission Heads of State and Government's Programme for Infrastructure Development in Africa, launched in 2010; the North–South Corridor Initiative approved by the COMESA–SADC–East African Community taskforce; and the ECOWAS flagship programmes – the West African Power Pool and the West African Gas Pipeline.

Table 6.3 Comparison of logistics in trade: SSA, China and India

Cost to export ($ per container)			Cost to import ($ per container)			Time required to start a business (days)			Time to resolve insolvency (years)		
	2005	2011		2005	2011		2005	2011		2005	2011
China	**390**	**500**	**China**	**430**	**545**	Rwanda	18	3	Namibia	2	2
Vietnam	**468**	**580**	**Vietnam**	586	670	Senegal	58	5	Botswana	2	2
Mauritius	683	737	Mauritius	683	689	Mauritius	46	6	Mauritius	2	2
Ghana	624	815	Seychelles	876	876	Madagascar	38	8	**China**	**2**	**2**
Guinea	670	855	Gambia, The	859	885	Mali	41	8	Ghana	2	2
Seychelles	876	876	Cape Verde	895	1,000	Guinea-Bissau	259	9	The Gambia	2	2
Togo	463	940	Togo	841	1,109	Cape Verde	52	11	Madagascar	2	2
Benin	965	1,049	**India**	**1,324**	**1,150**	Ghana	18	12	Nigeria	2	2
India	**864**	1,095	Comoros	1,108	1,191	Sierra Leone	26	12	Seychelles	2	2
Senegal	828	1,098	Ghana	842	1,315	Burkina Faso	40	13	South Africa	2	2

Source: World Development Indicators

insolvency, etc., many SSA countries fare better than even China and India; however, with respect to overall quality of trade and transport-related infrastructure (which leads to higher trade costs), China and Vietnam are far ahead.

6.6 Exploring the possibility of a regional investment agreement between COMESA, ECOWAS and SACU

Low regional integration leading to relatively small size of markets; high trade cost; low labour productivity; a not very favourable business environment; and relative instability in SSA countries have contributed to low levels of FDI. Consequently, inward FDI has concentrated in a small number of countries and an even smaller number of sectors, predominantly those with quick returns such as oil and minerals. However, these sectors have low linkages with the domestic economy. This has led to smaller spillovers from FDI and low levels of technology transfers. Therefore, the FDI–trade–technology nexus has not really worked for SSA. Foreign firms prefer to import raw materials and processed leather from SSA countries rather than make investments in leather products and export to the region and from the region to the world.

One way to promote intra-regional FDI as well as extra-regional FDI which should be explored is a regional investment agreement in SSA, especially between COMESA, ECOWAS and SACU. Regional investment agreements are now gaining significance globally. Apart from some of the more successful regional investment agreements in developed countries, developing countries are also opting for regional investment agreements in their FTAs. The Association of South-East Asian Nations (ASEAN) signed the ASEAN Comprehensive Investment Agreement (ACIA) in February 2009, with the objective of creating a free and open investment regime within ASEAN in order to further economic integration. This agreement replaces the previous agreements. The Mexico–Central America FTA was concluded in 2011. Together, the six countries (Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua) account for almost one-fourth of Latin America's GDP. This treaty establishes a free trade area with a fully fledged investment chapter and replaces three earlier FTAs between Mexico and the participating countries. The world is gradually shifting from bilateral to regional investment agreements. In most cases, regional treaties are at the same time FTAs. By addressing the interconnected issues of trade and investment, these agreements have a higher likelihood of promoting regional integration.

Countries in SSA and regional blocs such as COMESA have entered into bilateral/regional investment treaties among themselves to boost investor confidence. However, there is currently no regional investment treaty between regional blocs like COMESA, SACU and ECOWAS member countries. One of the learning points for SSA can be the progress made by ASEAN countries in respect of integration through trade and investment. The ASEAN Free Trade Area led to the ASEAN Investment Agreement (AIA), which was signed in 1998. This further advanced to ACIA in 2009. The ACIA offers an improved and comprehensive set of provisions on liberalisation, promotion, facilitation and protection of investments. It covers both FDI and portfolio

investment, compared to only FDI in AIA. The ACIA provides for the protection of investments, which includes most favoured nation protection, fair and equitable treatment[8], full protection and security and protection from expropriation without compensation. ACIA has more to offer than any other bilateral investment treaty in the region. For example, while most ASEAN bilateral investment treaties do not provide for national treatment, ACIA provides for national treatment with respect to admission, establishment, acquisition, expansion, management, conduct, operation and sale or disposition of investments to both investors and investments. Other protection provided to investors includes clauses with respect to prohibition of the requirement for senior management positions to be filled by persons of a particular nationality and the right of entry and temporary stay to foreign key personnel associated with the investment. The agreement may be more effective as it includes provisions that require states to streamline procedures for investment application, disseminate investment information and rules and establish one stop investment centres. Interestingly, the conclusion of new ASEAN+ agreements has not led to the termination of existing bilateral investment treaties and FTAs between individual ASEAN members and third countries. The ASEAN–China Investment Agreement co-exists with nine bilateral investment treaties between individual ASEAN countries and China.

Regional investment agreements need to be explored in SSA as they can go a long way in promoting intra-regional FDI. Regional investment agreements also encourage extra-regional FDI. Economic interests (i.e. the potential of increasing trade and investment) and strategic interests (i.e. better positioning to have a say in global governance) can lead to increased integration of the region and the region's industry can play a pivotal role in this.

7. Summary, conclusions and policy recommendations for accelerating regional integration in the leather industry

7.1 Summary

The leather industry is one of the traditional industries of the SSA region, employing a large number of low-skilled labour and engaging predominantly micro-, small- and medium-sized enterprises. Growth in this industry can therefore have far-reaching development implications for the region. Current

8 The 'fair and equitable' clause provides an absolute standard under which a minimum standard of treatment must be accorded to investors.

global conditions have created both challenges and opportunities for the SSA leather industry. Stringent pollution norms and rising labour costs in processed leather have shifted its production from developed countries towards the developing countries, and the global economic slowdown has raised the demand for low-cost leather products. Rising labour costs in other developing countries such as China have further raised the opportunities for the SSA region to attract extra-regional FDI. However, SSA countries have not been able to take full advantage of these opportunities and raise their production of manufactured leather products. The region possesses a large pool of raw material, low-cost processing capabilities as well as export potential for finished leather products. However, low regional integration, with intra-regional trade in LLPs at 16 per cent of the region's global exports, has severely limited the scale of production and lowered the cost competitiveness of the region. There is an urgent need to explore regional integration in this industry through trade and investments in order to increase the competitiveness of all countries in the region. Promoting RVCs can improve the cost competitiveness of the countries in the region, and also their bargaining power and capability to climb up GVCs.

In this context, this study has examined the potential for increasing intra-regional trade in LLPs and the possibility of forming RVCs between COMESA, ECOWAS and SACU member countries. The study estimate of a dynamic gravity model for the period 2002–11 concludes that the region could more than double its intra-regional trade based on its gravity. However, high tariff and non-tariff barriers hinder the growth of intra-regional trade. Removing tariffs on LLPs has the potential to increase intra-regional trade from $245 million per annum on an average to $997 million, i.e. almost four-fold. Removing all tariff and non-tariff barriers could increase the existing average intra-regional trade by 10 times the existing trade. The region has growing demand and supply of the inputs and the outputs of this industry, and predicted intra-regional exports for each country in the dataset are lower than each country's global exports.

Using CTB and POS, the study estimates the competitiveness of each of the countries in the COMESA, ECOWAS and SACU regions, which represent almost 98 per cent of total trade in LLPs. A potential regional export basket is identified for each country where regional demand exists, along with the export capacity of the country, i.e. the region's global imports are higher than the country's global exports and the country's global exports are greater than $100,000. If the region's global imports are lower than a country's global exports, the product is identified in the country's potential global export basket. The maximum numbers of leather products identified for regional exports are from the COMESA member countries. Ivory Coast, Kenya, Madagascar, Mauritius and South Africa have the potential to export finished leather products to the region. The maximum number of competitive leather inputs is identified for Egypt (21), mainly tanned leather inputs, followed by South Africa (19), Ethiopia (17), Namibia (13) and Kenya (12). The region as a whole has the potential to export 52 leather products and 152 leather inputs. On average, the region's global exports in

2008–10 were lower than the region's global imports. There is high potential for intra-regional trade, as regional exports are much lower than the global imports of the region for final leather products and chemicals, although for processed leather and primary leather, the region's global exports are much higher than region's global imports. Intra-regional exports represent only 16 per cent of total global exports of the region.

In order to boost intra-regional trade and increase the global competitiveness of the region, the study identifies potential value chains in this industry. Using BEC classification and the HS concordance matrix, the leather tariff lines at HS 6-digit are segregated into outputs and inputs of the leather industry. Leather inputs are primary inputs (raw hides and skins), processed leather and chemicals used in processing leather, while leather outputs comprise manufactured leather products. The study identifies for each country in the region three lists. First, a list of those finished leather products which the country has the potential to export. Exportable products for the region are identified separately from those for the world, depending on whether regional demand exists. Second, those inputs for finished leather products that the country is importing from outside the region, but can be imported at a lower cost from the region and the region has the supply capacity are identified. A list of inputs is also identified for the country, which can be sourced from the region, although currently at a higher cost given the region's tariff structure. Import unit values of the region's top exporter are compared to import unit values of top global exporter to the country. Third, for each country, a list of products is identified where investment potential exists. This is done by using the following criteria: those products are selected where the country is competitive in the region but lacks supply capacity. In these products, FDI can boost supply capacity and exports. An attempt is made to identify the potential investors in the region across different LLPs. If a country is competitive in the region and has higher global exports than the existing demand in the region, it is identified as a potential investor in this sector, as it has the capacity as well as competitiveness to invest.

Fifty-two LLPs are identified for 15 countries in the region where there is competitive advantage based on CTB and POS and global exports are higher than $100,000 annually. Out of 52 leather products, regional demand exists for 46 products as those countries' global exports are lower than region's global imports. In the period 2008–10, average global exports of the countries in these products amounted to $284 million, while regional demand was approximately $1.9 billion. Out of $284 million, only 30 per cent ($87 million) was exported to the region. For COMESA member countries, 36 products have been identified, of which regional demand exists for 33 products. A list of 20 leather products that have been identified as unique leather products for regional export by where no other country has competitiveness. For the above identified 20 unique leather products, a comparison was made between the unit values of the top global importer and top regional importer. It was found that in 10 products, the import unit value of the regional importer was higher than that of the top global importer. Although comparison of import unit values has its

limitations, mainly that the differences in the quality of the products demanded and associated delivery services provided may not be apparent in the unit costs, but this is indicative that region not only provides demand for leather products of the region, but there is evidence that this demand is also accompanied by higher returns.

There are 116 inputs identified in the region which the countries could source regionally for their leather industry. Of these, 17 are primary inputs, 23 processed leather inputs and 76 chemical inputs for the leather industry. In the period 2008–10, on average, inputs worth $114 million were imported from outside the region, while the region globally exported $1.9 billion of these inputs. Comparing the unit values of exports, it was found that out of 107 inputs, 62 inputs can be sourced at a lower cost from the region. The region also has the supply capacity, as its global exports are much higher than the region's demand. Out of 62 inputs, 40 are chemical inputs such as synthetic organic tanning substances; synthetic colouring matter; and polishes and creams for footwear, etc. Nigeria, Kenya and Ethiopia are the top three importers of these chemical inputs, importing from France, India and Italy, while South Africa has lower export unit values in these chemical inputs and has higher global exports than the countries' global imports.

In total, 80 leather inputs and outputs have been identified which may require regional or extra-regional FDI. These include 34 leather products, 15 primary leather inputs, 22 processed leather inputs and 9 chemicals used for leather. Total regional exports in these products were, on average, $1.7 billion in the period 2008–10. Kenya has the maximum number of leather products identified where the country has competitive advantage and needs to develop supply capacity, followed by Madagascar, Ivory Coast and Ethiopia and Mauritius. Maximum processed leather products, where the countries are competitive and require increased FDI, are identified for Namibia, Ethiopia, Zambia, Egypt and Uganda. Kenya and South Africa are found to have increasing competitiveness in chemicals used by the leather industry and require FDI to increase their supply capacities. South Africa has been identified as a potential regional investor in leather output HS code 420100 (saddlery and harness for any animal, etc); tanning of leather; and in chemicals used for tanning, i.e. HS code 284130 (salts of oxometallic or peroxometallic acids) and HS code 320120 (tanning extracts of vegetable origin). Egypt has been identified as a potential investor in eight products, which include six processed leather products. Kenya has been identified as a potential regional investor in waterproof footwear; Madagascar for other articles of leather or of composition of leather (HS code 420500); and Mauritius has been identified for articles of apparel and clothing accessories, of leather or of composition of leather.

7.2 Intra-regional investment agreement

Intra-regional FDI is almost non-existent in the leather industry and despite all the efforts made by the countries therein, the region is not able to attract global FDI into the leather industry. Factors that can attract FDI and those that are major impediments to FDI are examined. The regions strengths in this industry are

based on the availability and growing supply of raw material. Relatively low labour costs in the region and growing labour costs in China increase the probability of attracting FDI. However, the region lags behind other developing countries in other continents in attracting FDI in leather industry, due to its high trade costs, poor transportation facilities and trade infrastructure and overall low logistic performance. Availability of raw material and better technology may be among the factors that can boost intra-regional FDI. Furthermore, a regional investment agreement should to be explored, in order to for attract regional as well as extra-regional FDI. ACIA, signed in 2009, is a good basis to learn from, as it covers both FDI and portfolio investment. Most regional and bilateral investment agreements do not provide for national treatment, but ACIA provides for national treatment with respect to admission, establishment, acquisition, expansion, management, conduct, operation and sale or disposition of investments to both investors and investments. Other protections to investors include clauses regarding to prohibition of requiring senior management positions to be filled by persons of a particular nationality and the right of entry and temporary stay to foreign key personnel associated with the investment. Regional investment agreements in SSA could go a long way to promote intra-regional FDI and boosting intra-regional trade.

7.3 Role of regional leather associations

A way forward in regional integration is co-operation and collaboration, which depends crucially on the sharing of information and knowledge within the region. The leather industry is a traditional industry in SSA and employs a large proportion of the population in both organised and unorganised sectors and engages micro-, small- and medium-sized enterprises. It has therefore been a major thrust area for development of policy-making in most of the countries in the region. While a lot of effort and money is being invested in modernising the industry and policies are being devised to enhance its exports at the national level, attention needs to be paid to the industry at the regional level. High tariffs are still present intra-regionally, especially on leather products. Protection of domestic markets against competition from within the region has left a large untapped potential for intra-regional trade in this industry and has also prevented the industry from taking advantage of its large pool of cheap resources and increasing its scale of production. Investments in the region have been limited and foreign investors have been hesitant to enter the industry. This has led to declining cost competitiveness and lack of supply capacities within the region, even to fulfil regional demand, leading to a surge in imports from other countries.

Regional industry associations such as the COMESA Leather and Leather Products Institute can help in building much-needed trust and confidence within the region. There is a need for other regional blocs like SACU and ECOWAS to establish such leather industry associations, which could then together form a SSA leather industry association. While the contours and administrative profile needs to be discussed and detailed, examples of leather associations in other regions can be

useful. One such regional association in leather exists in Europe. The Confederation of National Associations of Tanners and Dressers of the European Community is a non-profit organisation founded to represent the European leather industry internationally and enhance its interests, especially in the tanning industry. Bulgaria, Finland, France, Germany, Greece, Italy, Lithuania, Netherlands, Portugal, Romania, Spain, Sweden, and United Kingdom are members of this association. The members meet twice a year to exchange information and identify areas of co-operation and collaboration that can be mutually beneficial. South Asia is in the process of establishing the Leather Industry Association of South Asia.

Founded in 1929, the International Council of Hides, Skins and Leather Traders Associations is another such example to follow. The association represents the interests of the hide, skin and leather trades of more than 30 countries. Of Asian countries, China, Taiwan and Japan are members of this association. It helps in securing mutual support and co-operation of countries in matters of common interest and those affecting the majority of members. It also communicates with any government, chamber of commerce or other bodies, and co-operates with them for any purpose useful to members. An important function of the association is to collect and disseminate statistics and other information relating to trade, commerce and manufactures in the leather industry.

A regional leather association of SSA could play a catalyst role in information sharing with respect to ongoing projects, policies, incentives and concerns in the region. It could voice common interests and concerns of the member countries in international fora and also improve the bargaining power of the industry in extra-regional bilateral and other FTAs that the countries in the region may negotiate. Collaboration and discussions between the industries of the region could lead to important decisions with respect to non-tariff barriers and will also improve the bargaining power of the countries in the region if they link into GVCs.

7.4 Pollution control norms and standards

Growing environmental concerns have led to stringent pollution control norms. Various regulations, including those that set discharge limits to the tannery industry, have been introduced by many countries in recent decades, with the objective of protecting the environment. Although no directly comparable data are available, the costs of compliance in developed countries generally are much higher than in developing countries. For instance, the cost of treating solid residues from processing hides and skins in developed countries is said to be two to four times higher than in many developing countries, because of tighter pollution limits, higher transportation and waste site costs and higher labour costs.

One of the growing challenges facing the leather industry in SSA is meeting these norms. Given that the industry has a large number of micro-, small- and medium-sized enterprises engaged mainly in unorganised sectors, conforming to these norms becomes an even bigger challenge. Adhering to these norms can provide greater access to international markets. However, one reason that firms in SSA countries are not able to acquire a competitive edge in global

markets is a lack of adequate capital to invest in pollution-abating modern technology. Although more and more government support is now being provided to this industry, especially the tanneries, for modernising technology, a huge gap is left between capital needed and available, especially for micro-, small-and medium-sized enterprises. The small scale of production further hinges on the adoption of costly technology. Tanneries in China and other major competing countries have invested significant amounts of funds in large tanneries and are therefore able to expand their exports.

In order to face this challenge, the region can greatly benefit from co-operation and pooling of resources. Intra-regional investments in tanneries can be a win–win situation in the current scenario, where common effluent treatment plants as per international standards can be set up jointly. Clusters can be set up in different countries where investments from the region can also be encouraged. This cluster approach has tremendously benefitted China and can be explored by SSA for facing common challenges. A regional association in leather could play a pivotal role in furthering this.

7.5 Regional branding and a common label

A common label for SSA leather products could be promoted for branding the regional products. Such labels have proved to be hugely beneficial for developing countries like Turkey and Brazil. Having a prestigious brand in international markets has been extremely important for Turkish companies. These countries have positioned themselves in the global market through branding and product differentiation, especially in leather garments, which has created a niche market for these countries. Labels like 'Ecotox', which indicate the quality and eco-friendliness of the products, have promoted their products in new markets. Such labelling could be explored by the SSA region and a regional association could help in establishing such a common brand for LLPs produced in the region, especially those produced from high-quality leather.

Common design studios for the region can be set up and the expertise from other developing countries like India and China can be used. South–South co-operation in services used in the production of leather products can bring tremendous gains to collaborating countries, as more than manufacturing it is the services that add value to leather products. Pre-manufacturing services such as R&D and designing and post-manufacturing services such as branding and marketing can help the region to add value to its products.

7.6 South–South technology sharing

On the technology front, most of the existing tanneries in the region use outdated technology, which inhibits them from producing good-quality processed leather, in spite of access to good-quality raw materials like hides and skins. The tanneries require high doses of capital investment and R&D in order to improve the existing technology. Many successful innovative projects have been launched in the developing countries of South Asia such as Bangladesh, India and Pakistan to upgrade the technology used in this sector, especially in tanning. For example,

the Central Leather Research Institute at Chennai, a unit of the Council for Scientific and Industrial Research, has successfully developed a biorefinery to produce biodiesel, bioethanol, biohydrogen and biomethane from tannery solid waste. The University of Veterinary and Animal Sciences (Lahore) and the Pakistan Tanners Association have signed up to a research project for the identification of skin diseases in animals and the geographical patterns of these diseases. Joint ventures with other developing countries that have adapted technology to suit their absorption capacities can help promote R&D in this sector and collaborative efforts can help in bringing synergy between different projects. Intra-regional investments can lead to technology spillovers and go a long way in making available high-quality leather to the region.

7.7 Accelerating customs and logistics procedures

The role played by trade facilitation measures in generating momentum to intra-regional trade is critical. Many studies have highlighted the gains of accelerating customs and logistics procedures. Reduced transit time leads eventually to lower production costs. Lowering transit time is also important for making countries and regions more attractive for value chains. Djankov et al. (2010) found that an extra day of transit time reduced trade volumes by 1 per cent. According to the World Bank (2007), the category of trade facilitation that will produce the greatest gains is service-sector infrastructure, followed by efficiency in air and maritime ports. The region requires upgraded ports and information technology infrastructure and continued reforms in customs clearance procedures and regulatory harmonisation. Many countries in the region have undertaken substantive trade facilitation measures and compare favourably to other developing countries such as India in terms of time taken to import and export. But consistent trade facilitation measures in all countries in the region are required.

7.8 Accelerating and deepening intra-regional trading arrangements

Intra-regional co-operation and trade agreements can go a long way in promoting and forming intra-regional value chains in LLPs. A tripartite trade agreement between COMESA, ECOWAS and SACU can be explored, especially at the sectoral level for LLPs. Harmonisation of technical standards and of regulations and procedures, along with lower tariffs and addressing non-tariff trade barriers could be outcomes of regional trading arrangements which are a critical part of reducing transit cost and time across borders. There is a lack of an adequate non-tariff barrier monitoring mechanism within the region. A dedicated executive body could be set up to oversee reductions in reported barriers and robust dispute settlement mechanisms could be put in place to enforce decisions within these three intra-regional blocs.

7.9 Improvements in physical and telecommunication infrastructure

An adequate road or rail infrastructure is imperative for reducing transportation time, direct cost and maintaining quality

in production. Ports and cargo-handling facilities are also an important part of that infrastructure (Brooks 2008). Cheap and reliable communication networks are a necessary part of ensuring that the correct goods are shipped at the correct time between production nodes in a supply chain. Therefore, reducing the transaction costs of trade also means improving the means of communication within and across national borders. This is also an area where the presence of large externalities suggests significant rewards for regional co-operation (Brooks 2008). FDI can play a catalyst role in the region with respect to building telecommunication infrastructure.

7.10 Regional resource mobilisation

The development and expansion of regional value chains requires the development and/or expansion of new firms and the capital investments. Sources of invested capital can be internal or external. For LDCs the main source of external investment capital is FDI. It is important that countries define (and emphasise) their comparative advantage and provide the necessary information to potential investors with regard to those advantages. With respect to RVCs, much of the production expansion is likely to come from the expansion of firms within the region (from the more advanced economies in the region to LDCs). Therefore, particular attention needs to be paid to the environment for flow of regional FDI. Another source of finance that could be tapped is intra-firm trade credit. Larger or better financed firms may be able to provide trade credit to less financed firms within their network if given the right incentives, such as tax concessions, insurance or limited guarantees[9]. This may have the added benefit of making production within value chains more attractive to nascent firms. The use of development bank and export–import banks such as the African Ex-Im Bank can be leveraged for developing RVCs.

References

ADB/UNCTAD (Asian Development Bank/United Nations Conference on Trade and Development) (2008), *Quantification of Benefits from Regional Cooperation in South-Asia*, ABS/UNCTAD.

AfDB (2010), 'Infrastructure Deficit and Opportunities in Africa' *Economic Brief*, Vol. 1 Issue September.

Arellano, M and S Bond (1991), 'Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations', *The Review of Economic Studies*, Vol. 58, 277–97.

Aremu, J (2012), 'ECOWAS Common Investment Market in the Regional Integration Agenda', paper presented at a regional workshop held in Accra, Ghana from 12–14 June, organised

9 Inter-firm financing through trade credit was a very important tool in the early industrialisation of Japan.

by the ECOWAS Commission in collaboration with the UEMOA Commission and ILEAP.

Balassa, B (1965), 'Trade liberalization and "revealed" comparative advantage', *The Manchester School*, Vol. 33, No. 2, 99–123.

Baltagi, BH, P Egger and M Pfaffermayr (2007), 'Estimating models of complex FDI: are there third-country effects?', *Journal of Econometrics*, Vol. 127, No. 1, 260–81.

Banga, R (2013), *Measuring Value in Global Value Chains*, Paper No. RVC-8, UNCTAD, available at: http://unctad.org/en/PublicationsLibrary/ecidc2013misc1_bp8.pdf

Brooks, HD (2008), *Regional Cooperation, Infrastructure, and Trade Costs in Asia*, ADB Institute Working Paper No. 123, Asian Development Bank Institute, Tokyo.

Bun, M and F Klaassen (2002), The Importance of Dynamics in Panel Gravity Models of Trade, Discussion Paper 108/2, Tinbergen Institute.

Carr, DL, JR Markusen and KE Maskus (2001), 'Estimating the knowledge-capital model of the multinational enterprise', *American Economic Review*, Vol. 91, No. 3, 693–708.

COMESA (2011), *COMESA Investment Report 2012*, COMESA Secretariat, Lusaka.

COMESA (2012), *COMESA Investment Report 2012*, COMESA Secretariat, Lusaka.

Djankov, S, C Freund and CS Pham (2010), 'Trading on time', *The Review of Economics and Statistics*, Vol. 92, No. 1, 166–73.

Eichengreen, B and D Irwin (1997), 'The role of history in bilateral trade flows', in Frankel, J (Ed.), *Issues in Regionalism*, University of Chicago Press, Chicago, IL, 33–57.

Helpman, E (1984), 'A simple theory of trade with multinational corporations', *Journal of Political Economy*, Vol. 92, 457–71.

Helpman, E and P Krugman (1985), *Market Structure and International Trade*, MIT Press, Cambridge, MA.

Lesher, M and S Miroudot (2006), *Analysis of the Economic Impact of Investment Provisions in Regional Trade Agreements*, Trade Policy Working Paper 36, Organisation for Economic Co-operation and Development, Paris.

Levy Yeyati, E, E Stein and C Daude (2003), '*Regional Integration and the Location of FDI*.' Inter-American Development Bank Research Department Working Paper 492, Inter-American Development Bank, Washington, DC.

Park, S-C and M Kang (2004), *Korea–U.S. FTA: Trade and Investment Creation Effects and Trade Structure*, Policy Analysis 04-12, Korea Institute for International Economic Policy.

Pigato, M (2001), *The Foreign Direct Investment Environment in Africa*, Africa Region Working Paper Series No 15, World Bank, Washington, DC.

Te Velde, DW and D Bezemer (2006), 'Regional integration and foreign direct investment in developing countries', *Transnational Corporations*, Vol. 15, No. 2, 41–70.

Tinbergen, J (1962), 'An analysis of world trade flows', in *Shaping the World Economy*, The Twentieth Century Fund, New York, NY.

UNCTAD (2013), *World Investment Report: Global Value Chains: Investment and Trade for Development*, United Nations, New York and Geneva.

UNIDO (United Nations Industrial Development Organization)(2004), *A Blueprint for the African Leather Industry*, UNIDO.

UNIDO (United Nations Industrial Development Organization)(2006), *Leather Goods Cluster Sialkot – Pakistan*, UNIDO.

World Bank (2006) Sub-Saharan Africa Review of Selected Railway Concessions, Report No. 36491, World Bank, Washington, DC, June.

World Bank (2007), *South Asia: Growth and Regional Integration*, The International Bank for Reconstruction and Development/The World Bank, Washington, DC.

Appendix 1. Data Tables

Table A.1 Identified outputs and inputs of the leather industry

	6-digit code	Input or output	Description of 6-digit classification
1	420100	Output	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material
2	420211	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of leather, of composition leather or of patent leather
3	420212	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of plastics or of textile materials
4	420219	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-other
5	420221	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of leather, of composition leather or of patent leather
6	420222	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of plastic sheeting or of textile materials
7	420229	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-other
8	420231	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of leather, of composition leather or of patent leather

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
9	420232	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of plastic sheeting or of textile materials
10	420239	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-other
11	420291	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of leather, of composition leather or of patent leather
12	420292	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-with outer surface of plastic sheeting or of textile materials
13	420299	Output	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverages bags, toilet bags and cases'-other
14	420310	Output	Articles of apparel and clothing accessories, of leather or of composition leather- Articles of apparel
15	420321	Output	Articles of apparel and clothing accessories, of leather or of composition leather. Specially designed for use in sports
16	420329	Output	Articles of apparel and clothing accessories, of leather or of composition leather. Other
17	420330	Output	Articles of apparel and clothing accessories, of leather or of composition leather. Belts and bandoliers
18	420340	Output	Articles of apparel and clothing accessories, of leather or of composition leather. Other clothing accessories
19	420500	Output	Other articles of leather or of composition leather
20	430310	Output	Articles of apparel, clothing accessories and other articles of furskin. Articles of apparel and clothing accessories
21	430390	Output	Articles of apparel, clothing accessories and other articles of furskin. Other

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
22	640110	Output	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, riveting, nailing, screwing, plugging or similar processes. Footwear incorporating a protective metal toecap
23	640192	Output	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, riveting, nailing, screwing, plugging or similar processes. Covering the ankle but not covering the knee
24	640199	Output	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, riveting, nailing, screwing, plugging or similar processes. Other
25	640212	Output	Other footwear with outer soles and uppers of rubber or plastics. Ski boots, cross-country ski footwear and snowboard boots
26	640219	Output	Other footwear with outer soles and uppers of rubber or plastics. Other
27	640220	Output	Other footwear with outer soles and uppers of rubber or plastics. Footwear with upper straps or thongs assembled to the sole by means of plugs
28	640291	Output	Other footwear with outer soles and uppers of rubber or plastics. Covering the ankle
29	640299	Output	Other footwear with outer soles and uppers of rubber or plastics. Other
30	640312	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Ski boots, cross-country ski footwear and snowboard boots
31	640319	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Other
32	640320	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe
33	640340	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Other footwear, incorporating a protective metal toecap
34	640351	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Covering the ankle
35	640359	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Other
36	640391	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Covering the ankle

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
37	640399	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather. Other
38	640411	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like
39	640419	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. Other
40	640420	Output	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. Footwear with outer soles of leather or composition leather
41	640510	Output	Other footwear. With uppers of leather or composition leather
42	640520	Output	Other footwear. With uppers of textile materials
43	640590	Output	Other footwear. Other
44	640610	Output	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof. Uppers and parts thereof, other than stiffeners
45	640620	Output	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof. Outer soles and heels, of rubber or plastics
46	650699	Output	Other headgear, whether or not lined or trimmed. Of other materials
47	940140	Output	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof. Seats other than garden seats or camping equipment, convertible into beds
48	940161	Output	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof. Upholstered
49	940171	Output	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof. Upholstered
50	950662	Output	Articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table-tennis) or outdoor games, not specified or included elsewhere in this chapter; swimming pools and paddling pools. Inflatable
51	410411	Processed	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. Full grains, unsplit; grain splits
52	410419	Processed	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. Other

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
53	410441	Processed	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. Full grains, unsplit; grain splits
54	410449	Processed	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared. Other
55	410510	Processed	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared. In the wet state (including wetblue)
56	410530	Processed	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared. In the dry state (crust)
57	410621	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the wet state (including wetblue)
58	410622	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the dry state (crust)
59	410631	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the wet state (including wetblue)
60	410632	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the dry state (crust)
61	410640	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. Of reptiles
62	410691	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the wet state (including wetblue)
63	410692	Processed	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared. In the dry state (crust)
64	410711	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Full grains, unsplit
65	410712	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Grain splits
66	410719	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Other

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
67	410791	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Full grains, unsplit
68	410792	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Grain splits
69	410799	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14. Other
70	411200	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 41.14.
71	411310	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14. Of goats or kids
72	411320	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14. Of swine
73	411330	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14. Of reptiles
74	411390	Processed	Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 41.14. Other
75	411410	Processed	Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather. Chamois (including combination chamois) leather
76	411420	Processed	Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather. Patent leather and patent laminated leather; metallised leather
77	411510	Processed	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder.
78	430211	Processed	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03. Of mink

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
79	430219	Processed	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03. Other
80	430220	Processed	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03. Heads, tails, paws and other pieces or cuttings, not assembled
81	430230	Processed	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03. Whole skins and pieces or cuttings thereof, assembled
82	410120	Primary	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split. Whole hides and skins, of a weight per skin not exceeding 8 kg when simply dried, 10 kg when drysalted, or 16 kg when fresh, wetsalted or otherwise preserved
83	410150	Primary	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split. Whole hides and skins, of a weight exceeding 16 kg
84	410190	Primary	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split. Other, including butts, bends and bellies
85	410210	Primary	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this chapter. With wool on
86	410221	Primary	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this chapter. Pickled
87	410229	Primary	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1 (c) to this chapter. Other

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
88	410320	Primary	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this chapter. Of reptiles
89	410330	Primary	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this chapter. Of swine
90	410390	Primary	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1 (b) or 1 (c) to this chapter. Other
91	411520	Primary	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour
92	430110	Primary	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03. Of mink, whole, with or without head, tail or paws
93	430130	Primary	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03. Of lamb, the following: Astrakhan, Broadtail, Caracul, Persian and similar lamb, Indian, Chinese, Mongolian or Tibetan lamb, whole, with or without head, tail or paws
94	430160	Primary	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03. Of fox, whole, with or without head, tail or paws
95	430180	Primary	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03. Other furskins, whole, with or without head, tail or paws
96	430190	Primary	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03. Heads, tails, paws and other pieces or cuttings, suitable for furriers' use
97	283010	Chemical	Sulphides; polysulphides, whether or not chemically defined. Sodium sulphides
98	284130	Chemical	Salts of oxometallic or peroxometallic acids. Sodium dichromate

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
99	291611	Chemical	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives. Acrylic acid and its salts
100	292910	Chemical	Compounds with other nitrogen function. Isocyanates
101	320110	Chemical	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives. Quebracho extract
102	320120	Chemical	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives. Wattle extract
103	320190	Chemical	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives. Other
104	320210	Chemical	Synthetic organic tanning substances; inorganic tanning substances; tanning preparations, whether or not containing natural tanning substances; enzymatic preparations for pre-tanning. Synthetic organic tanning substances
105	320411	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-disperse dyes and preparations based thereon
106	320412	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-acid dyes, whether or not premetallised, and preparations based thereon; mordant dyes and preparations based thereon
107	320413	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-basic dyes and preparations based thereon
108	320414	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-direct dyes and preparations based thereon
109	320416	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-reactive dyes and preparations based thereon

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
110	320417	Chemical	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as lumin-pigments and preparations based thereon
111	320611	Chemical	Other colouring matter; preparations as specified in Note 3 to this chapter, other than those of heading 32.03, 32.04 or 32.05; inorganic products of a kind used as luminophores, whether or not chemically defined. Containing 80 per cent or more by weight of titanium dioxide calculated on the dry matter
112	321000	Chemical	Other paints and varnishes (including enamels, lacquers and distempers); prepared water pigments of a kind used for finishing leather. Other paints and varnishes (including enamels, lacquers and distempers); prepared water pigments of a kind used for finishing leather
113	340211	Chemical	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01. Anionic
114	340212	Chemical	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01. Cationic
115	340213	Chemical	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01. Non-ionic
116	340311	Chemical	Lubricating preparations (including cutting-oil preparations, bolt or nut release preparations, anti-rust or anti-corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment: preparations for the treatment of textile materials, leather, furskins or other materials
117	340391	Chemical	Lubricating preparations (including cutting-oil preparations, bolt or nut release preparations, anti-rust or anti-corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment o-Preparations for the treatment of textile materials, leather, furskins or other materials

(continued)

Table A.1 Identified outputs and inputs of the leather industry (continued)

	6-digit code	Input or output	Description of 6-digit classification
118	340510	Chemical	Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders and similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impregnated, coated. Polishes, creams and similar preparations for footwear or leather
119	350790	Chemical	Enzymes; prepared enzymes not elsewhere specified or included. Other
120	380993	Chemical	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included. Of a kind used in the leather or like industries

Source: Author's calculation using UN Comtrade database, http://comtrade.un.org

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
Outputs							
1	COMESA	Egypt	420291	Cases and bags	172	34.9	2,578
2	COMESA	Egypt	420500	Other articles of leather	7,064	5.1	10,178
3	COMESA	Egypt	640391	Footwear	1,381	0.6	17,752
4	COMESA	Ethiopia*	640319	Footwear	268	99.2	27,327
5	COMESA	Ethiopia*	640391	Footwear	280	25.3	17,743
6	COMESA	Ethiopia*	640399	Footwear	2,411	6.2	155,022
7	COMESA	Ethiopia*	640590	Other footwear	1,771	21.5	111,574
8	COMESA	Ethiopia*	640610	Parts of footwear	2,443	2.1	18,974
9	COMESA	Kenya	420211	Cases and bags	1,749	0.1	7,102
10	COMESA	Kenya	420291	Cases and bags	159	8.6	2,525
11	COMESA	Kenya	640192	Waterproof footwear	7,197	79.1	6,891
12	COMESA	Kenya	640220	Other footwear	15,086	58.8	36,149
13	COMESA	Kenya	640291	Other footwear	271	68.4	18,337
14	COMESA	Kenya	640419	Footwear	3,203	68.9	115,927
15	COMESA	Kenya	640520	Other footwear	1,992	34.9	5,929
16	COMESA	Kenya	640620	Parts of footwear	508	68.6	43,607
17	COMESA	Madagascar	420221	Cases and bags	357	0.1	12,915
18	COMESA	Madagascar	420222	Cases and bags	496	0.7	31,502
19	COMESA	Madagascar	420229	Cases and bags	2,233	0.1	26,846
20	COMESA	Madagascar	420291	Cases and bags	207	0.0	2,560
21	COMESA	Madagascar	420500	Other articles of leather	7,521	0.0	6,926
22	COMESA	Madagascar	650699	Other headgear	243	2.0	6,922
23	COMESA	Mauritius	420221	Cases and bags	3,905	0.1	10,105
24	COMESA	Mauritius	420231	Cases and bags	1,161	0.2	6,305
25	COMESA	Mauritius	420291	Cases and bags	677	2.3	2,482
26	COMESA	Mauritius	420292	Cases and bags	1,600	0.5	43,518
27	COMESA	Mauritius	420310	Apparel, clothing accessories	7,805	0.1	7,652

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
28	COMESA	Mauritius	430310	Apparel, clothing accessories	147	0.0	606
29	COMESA	Rwanda	640419	Footwear	1,184	99.8	117,290
30	COMESA	Uganda	640320	Footwear	846	100	3,464
31	COMESA	Uganda	640520	Other footwear	2,871	100	6,148
32	COMESA	Zambia	640220	Other footwear	1,575	100	36,102
33	COMESA	Zimbabwe	420212	Cases and bags	514	100	73,439
34	COMESA	Zimbabwe	640399	Footwear	698	99.9	154,651
35	COMESA	Zimbabwe	640419	Footwear	468	75.4	116,948
36	COMESA	Zimbabwe	940161	Seats	2,609	99.5	65,448
	COMESA				**83,071**	**36.2**	**1,329,443**
37	ECOWAS	Cape Verde	640610	Parts of footwear	2,606	0.0	19,512
38	ECOWAS	Ivory Coast	640192	Waterproof footwear	4,084	99.5	6,809
39	ECOWAS	Ivory Coast	640199	Waterproof footwear	1,415	97.3	9,882
40	ECOWAS	Ivory Coast	640220	Other footwear	12,174	99.8	36,068
41	ECOWAS	Ivory Coast	640291	Other footwear	2,399	94.9	18,291
42	ECOWAS	Ivory Coast	640419	Footwear	5,431	97.5	117,050
43	ECOWAS	Ghana	420299	Cases and bags	391	51.6	24,573
44	ECOWAS	Nigeria	640220	Other footwear	52,313	0.0	36,486
45	ECOWAS	Nigeria	640299	Other footwear	102,437	27.7	333,367
46	ECOWAS	Senegal	640220	Other footwear	1,030	99.9	36,295
	ECOWAS				**184,279**	**29.7**	**638,332**
47	SACU	South Africa	420100	Saddlery and harness	5,143	3.9	1,243
48	SACU	South Africa	420500	Other articles of leather	6,913	2.1	7,492
49	SACU	South Africa	430310	Apparel, clothing accessories	839	88.7	1,011
50	SACU	South Africa	430390	Apparel, clothing accessories	305	6.7	81
51	SACU	South Africa	640110	Waterproof footwear	2,619	44.2	3,732

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
52	SACU	South Africa	640192	Waterproof footwear	1,369	70.6	6,337
	SACU				**17,188**	**18.8**	**19,897**
Processed inputs							
53	COMESA	Burundi	410621	Hides and skins	172	0.0	119
54	COMESA	Egypt	430211	Furskins	244	0.0	5
55	COMESA	Egypt	430219	Furskins	326	0.0	1,353
56	COMESA	Egypt	410411	Hides and skins	14,187	0.1	15,832
57	COMESA	Egypt	410419	Hides and skins	67,283	0.3	1,510
58	COMESA	Egypt	410441	Hides and skins	1,222	0.0	18,027
59	COMESA	Egypt	410449	Hides and skins	4,177	0.0	2,002
60	COMESA	Egypt	410510	Skins	1,253	0.8	458
61	COMESA	Egypt	410530	Skins	1,533	1.2	217
62	COMESA	Egypt	410621	Hides and skins	1,012	0.0	119
63	COMESA	Egypt	410622	Hides and skins	380	0.0	128
64	COMESA	Egypt	410691	Hides and skins	142	0.0	29,552
65	COMESA	Egypt	410692	Hides and skins	293	0.0	421
66	COMESA	Egypt	410711	Leather further prepared	3,149	0.0	15,122
67	COMESA	Egypt	410719	Leather further prepared	1,718	0.0	3,807
68	COMESA	Egypt	410791	Leather further prepared	1,091	0.0	1,374
69	COMESA	Egypt	411330	Leather further prepared	112	12.8	1,323
70	COMESA	Egypt	411420	Chamois	385	0.2	13,656
71	COMESA	Ethiopia*	410411	Hides and skins	1,055	0.0	15,832
72	COMESA	Ethiopia*	410419	Hides and skins	476	0.0	1,510
73	COMESA	Ethiopia*	410441	Hides and skins	246	2.8	18,027
74	COMESA	Ethiopia*	410449	Hides and skins	242	0.0	2,000
75	COMESA	Ethiopia*	410510	Skins	1,248	0.0	458
76	COMESA	Ethiopia*	410530	Skins	24,755	0.0	208
77	COMESA	Ethiopia*	410621	Hides and skins	6,978	1.4	119
78	COMESA	Ethiopia*	410622	Hides and skins	9,240	0.0	127

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
79	COMESA	Ethiopia*	410631	Hides and skins	115	0.0	13
80	COMESA	Ethiopia*	410691	Hides and skins	200	0.0	29,552
81	COMESA	Ethiopia*	410692	Hides and skins	517	0.4	421
82	COMESA	Ethiopia*	410799	Leather further prepared	111	10.4	16,781
83	COMESA	Ethiopia*	411200	Leather further prepared	6,760	0.5	521
84	COMESA	Ethiopia*	411310	Leather further prepared	1,416	0.0	1,312
85	COMESA	Ethiopia*	411390	Leather further prepared	2,113	0.5	4,125
86	COMESA	Kenya	410411	Hides and skins	9,333	1.7	15,589
87	COMESA	Kenya	410419	Hides and skins	4,501	0.0	1,465
88	COMESA	Kenya	410510	Skins	8,658	0.0	364
89	COMESA	Kenya	410530	Skins	270	0.0	214
90	COMESA	Kenya	410621	Hides and skins	19,570	2.3	6,455
91	COMESA	Kenya	410622	Hides and skins	454	0.1	128
92	COMESA	Rwanda	410621	Hides and skins	663	0.3	119
93	COMESA	Sudan	410411	Hides and skins	2,238	0.0	15,832
94	COMESA	Sudan	410510	Skins	10,355	0.0	456
95	COMESA	Sudan	410621	Hides and skins	1,473	0.0	119
96	COMESA	Uganda	410411	Hides and skins	3,253	7.7	15,832
97	COMESA	Uganda	410419	Hides and skins	197	0.0	1,507
98	COMESA	Uganda	410621	Hides and skins	1,065	0.0	119
99	COMESA	Uganda	410691	Hides and skins	5,476	0.9	29,552
100	COMESA	Zambia	410419	Hides and skins	1,263	30.7	1,510
101	COMESA	Zambia	410691	Hides and skins	176	34.6	29,552
102	COMESA	Zambia	410711	Leather further prepared	145	78.6	15,122
103	COMESA	Zambia	410719	Leather further prepared	112	24.6	3,787
104	COMESA	Zambia	411390	Leather further prepared	1,412	96.8	4,113
105	COMESA	Zimbabwe	410419	Hides and skins	736	3.9	942
106	COMESA	Zimbabwe	410640	Hides and skins	490	4.2	954

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
107	COMESA	Zimbabwe	410692	Hides and skins	259	20.4	188
	COMESA				**226,247**	**1.5**	**339,948**
108	ECOWAS	Burkina Faso	410510	Skins	1,943	38.0	1,045
109	ECOWAS	Burkina Faso	410621	Hides and skins	3,662	37.0	6,514
110	ECOWAS	Ivory Coast	410510	Skins	1,651	0.0	458
111	ECOWAS	Ivory Coast	410621	Hides and skins	973	0.0	119
112	ECOWAS	Mali	410411	Hides and skins	158	42.9	15,832
113	ECOWAS	Mali	410419	Hides and skins	153	1.4	1,510
114	ECOWAS	Mali	410510	Skins	1,829	6.7	458
115	ECOWAS	Mali	410621	Hides and skins	1,145	9.0	119
116	ECOWAS	Niger	410510	Skins	151	5.4	458
117	ECOWAS	Niger	410621	Hides and skins	125	56.2	119
118	ECOWAS	Nigeria	410621	Hides and skins	42,948	9.8	6,514
119	ECOWAS	Nigeria	410622	Hides and skins	409,704	44.6	183,107
120	ECOWAS	Nigeria	410631	Hides and skins	560	0.0	13
121	ECOWAS	Nigeria	411200	Leather further prepared	2,660	5.0	534
122	ECOWAS	Nigeria	411310	Leather further prepared	730,489	4.1	31,331
123	ECOWAS	Nigeria	411320	Leather further prepared	218,490	0.0	2,032
124	ECOWAS	Nigeria	411330	Leather further prepared	982	16.3	1,323
125	ECOWAS	Nigeria	411390	Leather further prepared	2,458	1.4	3,955
126	ECOWAS	Senegal	410411	Hides and skins	142	80.1	15,832
127	ECOWAS	Senegal	410510	Skins	152	12.3	458
	ECOWAS				**1,420,376**	**15.5**	**271,726**
128	SACU	Namibia	410419	Hides and skins	7,550	3.6	1,402
129	SACU	Namibia	410449	Hides and skins	3,287	99.3	9,815
130	SACU	Namibia	410711	Leather further prepared	427	100	15,120
131	SACU	Namibia	410712	Leather further prepared	168	99.7	11,713

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
132	SACU	Namibia	410719	Leather further prepared	313	99.8	3,805
133	SACU	Namibia	410799	Leather further prepared	209	96.6	16,756
134	SACU	Namibia	411390	Leather further prepared	801	97.0	4,110
135	SACU	Namibia	430219	Furskins	865	0.4	1,347
136	SACU	South Africa	410411	Hides and skins	23,104	0.0	321
137	SACU	South Africa	410640	Hides and skins	456	0.0	1,015
138	SACU	South Africa	410692	Hides and skins	922	0.0	335
139	SACU	South Africa	411390	Leather further prepared	40,252	0.2	3,662
140	SACU	South Africa	430219	Furskins	1,040	0.8	737
141	SACU	South Africa	430230	Furskins	1,996	0.2	32
	SACU				**81,390**	**6.8**	**70,170**
Primary inputs							
142	COMESA	Burundi	410120	Raw hides and skins	1,228	44.7	1,656
143	COMESA	Burundi	410390	Other raw hides and skins	644	35.1	4,971
144	COMESA	Egypt	410221	Raw skins	453	0.0	35
145	COMESA	Egypt	410390	Other raw hides and skins	247	0.2	4,971
146	COMESA	Ethiopia*	410221	Raw skins	10,709	0.0	35
147	COMESA	Ethiopia*	410229	Raw skins	287	0.0	598
148	COMESA	Kenya	410150	Raw hides and skins	297	0.0	100
149	COMESA	Madagascar	410120	Raw hides and skins	2,632	0.0	1,652
150	COMESA	Madagascar	410190	Raw hides and skins	463	0.0	5,329
151	COMESA	Madagascar	410320	Other raw hides and skins	214	0.0	6,035
152	COMESA	Malawi	410190	Raw hides and skins	103	0.0	5,329

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
153	COMESA	Malawi	410390	Other raw hides and skins	404	36.2	4,970
154	COMESA	Rwanda	410120	Raw hides and skins	1,110	56.4	1,655
155	COMESA	Rwanda	410229	Raw skins	708	19.4	598
156	COMESA	Rwanda	410320	Other raw hides and skins	131	16.7	6,035
157	COMESA	Sudan	410120	Raw hides and skins	972	3.3	1,585
158	COMESA	Sudan	410210	Raw skins	681	3.8	303
159	COMESA	Uganda	410120	Raw hides and skins	271	33.9	1,647
160	COMESA	Uganda	410150	Raw hides and skins	250	0.0	100
161	COMESA	Uganda	410190	Raw hides and skins	123	0.0	5,330
162	COMESA	Uganda	410390	Other raw hides and skins	550	6.4	4,965
163	COMESA	Zambia	410320	Other raw hides and skins	1,338	0.0	6,035
164	COMESA	Zambia	410390	Other raw hides and skins	1,060	7.9	4,971
165	COMESA	Zimbabwe	410120	Raw hides and skins	481	23.7	1,194
166	COMESA	Zimbabwe	410320	Other raw hides and skins	11,280	1.0	666
167	COMESA	Zimbabwe	410390	Other raw hides and skins	111	56.6	4,893
	COMESA				**36,745**	**6.2**	**75,659**
168	ECOWAS	Nigeria	430130	Raw furskins	277	0.0	0
169	ECOWAS	Senegal	410120	Raw hides and skins	1,133	0.3	1,630
170	ECOWAS	Senegal	410190	Raw hides and skins	112	10.1	5,324
171	ECOWAS	Senegal	410210	Raw skins	867	0.0	320
172	ECOWAS	Senegal	410229	Raw skins	382	3.3	583

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
173	ECOWAS	Senegal	410390	Other raw hides and skins	746	14.0	4,954
	ECOWAS				**3,518**	**3.8**	**12,812**
174	SACU	Botswana	410120	Raw hides and skins	150	99.2	1,602
175	SACU	Botswana	410150	Raw hides and skins	445	79.7	594
176	SACU	Botswana	410190	Raw hides and skins	1,436	43.5	5,272
177	SACU	Botswana	410390	Other raw hides and skins	724	34.3	4,960
178	SACU	Namibia	410210	Raw skins	204	94.2	354
179	SACU	Namibia	410221	Raw skins	1,935	59.5	1,214
180	SACU	Namibia	410390	Other raw hides and skins	1,505	13.9	4,027
181	SACU	Namibia	430130	Raw furskins	5,784	0.0	2
182	SACU	South Africa	410120	Raw hides and skins	2,157	0.4	1,281
183	SACU	South Africa	410150	Raw hides and skins	12,970	0.0	49
184	SACU	South Africa	410190	Raw hides and skins	4,589	0.0	4,860
185	SACU	South Africa	410210	Raw skins	19,267	0.0	295
186	SACU	South Africa	410221	Raw skins	27,811	0.0	31
187	SACU	South Africa	410229	Raw skins	341	0.4	590
188	SACU	South Africa	410320	Other raw hides and skins	3,123	0.0	5,650
189	SACU	South Africa	410390	Other raw hides and skins	10,629	0.5	3,982
190	SACU	South Africa	411520	Composition leather	630	0.0	1,333
	SACU				**93,700**	**3.2**	**36,095**
Chemical inputs							
191	COMESA	Egypt	321000	Other paints and varnishes	13,819	61.2	15,160

(continued)

Table A.2 Country-wise potential global and regional export baskets in inputs and outputs of the leather industry (continued)

	Sub-regional group	Country	HS 6-digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008–10) (1,000 $)
192	COMESA	Egypt	340212	Organic surface-active agents	3,231	50.9	12,864
193	COMESA	Kenya	320120	Tanning extracts	460	1.3	1,355
194	COMESA	Kenya	320190	Tanning extracts	186	0.1	771
195	COMESA	Kenya	320411	Synthetic organic colouring matter	316	89.9	13,337
196	COMESA	Kenya	321000	Other paints and varnishes	1,326	89.8	14,879
197	COMESA	Kenya	340510	Polishes and creams	11,377	81.2	17,273
198	COMESA	Zimbabwe	320120	Tanning extracts	2,115	0.5	930
	COMESA				**32,830**	**63.5**	**76,570**
199	ECOWAS	Ivory Coast	320417	Synthetic organic colouring matter	4,983	87.9	65,706
	ECOWAS				**4,984**	**87.9**	**65,706**
200	SACU	Namibia	320120	Tanning extracts	2,067	100	3,500
201	SACU	South Africa	283010	Sulphides; polysulphides	8,285	99.6	11,636
202	SACU	South Africa	284130	Salts of acids	34,305	0.1	324
203	SACU	South Africa	320120	Tanning extracts	39,214	2.0	1,628
204	SACU	South Africa	340510	Polishes and creams	4,969	80.7	16,545
	SACU				**88,839**	**17.0**	**33,634**
	Total				**2,273,168**	**15.9**	**2,969,992**

Note: *Ethiopia excludes Eritrea
Source: Author's calculation using UN Comtrade database, http://comtrade.un.org

Table A.3 List I: potential finished leather products identified for global and regional export by COMESA, ECOWAS and SACU

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008-10) (1,000 $)
Regional export							
1	COMESA	Egypt	420291	Cases and bags	172	34.86	2,578
2	COMESA	Egypt	420500	Other articles	7,064	5.09	10,178
3	COMESA	Egypt	640391	Footwear	1,381	0.59	17,752
4	COMESA	Ethiopia*	640319	Footwear	268	99.23	27,327
5	COMESA	Ethiopia*	640391	Footwear	280	25.26	17,743
6	COMESA	Ethiopia*	640399	Footwear	2,411	6.18	155,022
7	COMESA	Ethiopia*	640590	Other footwear	1,771	21.46	111,574
8	COMESA	Ethiopia*	640610	Parts of footwear	2,443	2.06	18,974
9	COMESA	Kenya	420211	Cases and bags	1,749	0.11	7,102
10	COMESA	Kenya	420291	Cases and bags	159	8.64	2,525
11	COMESA	Kenya	640220	Other footwear	15,086	58.79	36,149
12	COMESA	Kenya	640291	Other footwear	271	68.42	18,337
13	COMESA	Kenya	640419	Footwear	3,203	68.85	115,927
14	COMESA	Kenya	640520	Other footwear	1,992	34.91	5,929
15	COMESA	Kenya	640620	Parts of footwear	508	68.58	43,607
16	COMESA	Madagascar	420221	Cases and bags	357	0.09	12,915
17	COMESA	Madagascar	420222	Cases and bags	496	0.74	31,502
18	COMESA	Madagascar	420229	Cases and bags	2,233	0.08	26,846
19	COMESA	Madagascar	420291	Cases and bags	207	0.01	2,560
20	COMESA	Madagascar	650699	Other headgear	243	2.04	6,922
21	COMESA	Mauritius	420221	Cases and bags	3,905	0.11	10,105
22	COMESA	Mauritius	420231	Cases and bags	1,161	0.19	6,305
23	COMESA	Mauritius	420291	Cases and bags	677	2.25	2,482
24	COMESA	Mauritius	420292	Cases and bags	1,600	0.54	43,518
25	COMESA	Mauritius	430310	Apparel, clothing accessories	147	0.00	606
26	COMESA	Rwanda	640419	Footwear	1,184	99.84	117,290
27	COMESA	Uganda	640320	Footwear	846	99.99	3,464
28	COMESA	Uganda	640520	Other footwear	2,871	100.00	6,148
29	COMESA	Zambia	640220	Other footwear	1,575	100.00	36,102

(continued)

Table A.3 List I: potential finished leather products identified for global and regional export by COMESA, ECOWAS and SACU (continued)

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008-10) (1,000 $)
30	COMESA	Zimbabwe	420212	Cases and bags	514	99.95	73,439
31	COMESA	Zimbabwe	640399	Footwear	698	99.86	154,651
32	COMESA	Zimbabwe	640419	Footwear	468	75.42	116,948
33	COMESA	Zimbabwe	940161	Seats	2,609	99.50	65,448
	COMESA				**60,548**	**40.20**	**1,307,975**
34	ECOWAS	Cape Verde	640610	Parts of footwear	2,606	0.00	19,512
35	ECOWAS	Ghana	420299	Cases and bags	391	51.59	24,573
36	ECOWAS	Ivory Coast	640192	Waterproof footwear	4,084	99.53	6,809
37	ECOWAS	Ivory Coast	640199	Waterproof footwear	1,415	97.31	9,882
38	ECOWAS	Ivory Coast	640220	Other footwear	12,174	99.83	36,068
39	ECOWAS	Ivory Coast	640291	Other footwear	2,399	94.91	18,291
40	ECOWAS	Ivory Coast	640419	Footwear	5,431	97.54	117,050
41	ECOWAS	Nigeria	640299	Other footwear	102,437	27.72	333,367
42	ECOWAS	Senegal	640220	Other footwear	1,030	99.90	36,295
	ECOWAS				**131,966**	**41.52**	**601,846**
43	SACU	South Africa	420500	Other articles of leather	6,913	2.08	7,492
44	SACU	South Africa	430310	Apparel, clothing accessories	839	88.71	1,011
45	SACU	South Africa	640110	Waterproof footwear	2,619	44.23	3,732
46	SACU	South Africa	640192	Waterproof footwear	1,369	70.60	6,337
	SACU				**11,740**	**25.66**	**18,572**
Global export							
47	COMESA	Kenya	640192	Waterproof footwear	7,197	79.08	6,891
48	COMESA	Madagascar	420500	Other articles of leather	7,521	0.00	6,926
49	COMESA	Mauritius	420310	Apparel, clothing accessories	7,805	0.14	7,652

(continued)

Table A.3 List I: potential finished leather products identified for global and regional export by COMESA, ECOWAS and SACU (continued)

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional share of country's total exports (%)	Regional average global imports (2008-10) (1,000 $)
	COMESA				**22,523**	**25.32**	**21,469**
50	ECOWAS	Nigeria	640220	Other footwear	52,313	0.03	36,486
	ECOWAS				**52,313**	**0.03**	**36,486**
51	SACU	South Africa	420100	Saddlery and harness	5,143	3.94	1,243
52	SACU	South Africa	430390	Apparel, clothing accessories	305	6.69	81
	SACU				**5,448**	**4.09**	**1,325**
	Total				**284,538**	**30.95**	**1,987,672**

Notes: *Ethiopia excludes Eritrea, HS: Harmonised System
Source: Author's calculation using UN Comtrade database, http://comtrade.un.org

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
Inputs that can potentially be imported at relatively lower cost								
Processed inputs								
	COMESA							
1	Egypt	410411	Hides and skins	179	8.62	39,435	United States	Kenya
2	Egypt	410712	Leather further prepared	669	47.03	812	Saudi Arabia	Kenya
3	Egypt	410719	Leather further prepared	318	9.98	2,118	Germany	Sudan
4	Mauritius	410719	Leather further prepared	560	0.36	2,115	France	South Africa
5	Mauritius	411390	Leather further prepared	3,090	0.39	47,287	Italy	South Africa
6	Zimbabwe	410692	Hides and skins	232	14.38	1,599	China	South Africa
	Total			**5,047**	**8.10**	**93,367**		
	ECOWAS							
7	Ghana	410719	Leather further prepared	105	92.78	2,118	Italy	Mali
8	Nigeria	410799	Leather further prepared	2,170	0.56	8,540	Belgium	Botswana
	Total			**2,275**	**4.81**	**10,658**		
	SACU							
9	South Africa	410411	Hides and skins	15,511	0.63	16,331	Australia	Zambia
10	South Africa	410419	Hides and skins	764	35.17	14,913	Italy	Zambia
11	South Africa	411310	Leather further prepared	1,217	0.27	731,934	India	Ethiopia*

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
12	South Africa	411390	Leather further prepared	469	3.98	7,035	Saudi Arabia	Zimbabwe
13	South Africa	430219	Furskins	615	0.37	993	Brazil	Kenya
	Total			**18,577**	**2.10**	**771,207**		
Primary inputs								
	COMESA							
14	Egypt	410120	Raw hides and skins	3,507	12.87	10,683	Germany	Sudan
15	Egypt	410210	Raw skins	997	80.80	21,336	Jordan	Libya
16	Egypt	410229	Raw skins	247	90.88	2,067	Italy	Libya
17	Kenya	410190	Raw hides and skins	1,688	64.24	7,206	New Zealand	Burundi
18	Kenya	410390	Other raw hides and skins	2,653	96.34	16,555	Somalia	Uganda
	Total			**9,091**	**56.33**	**57,846**		
	ECOWAS							
19	Mali	410390	Other raw hides and skins	134	97.32	16,525	Mauritania	Senegal
	Total			**134**	**97.32**	**16,525**		
	SACU							
20	Namibia	410390	Other raw hides and skins	944	99.89	15,051	Australia	South Africa
21	South Africa	410120	Raw hides and skins	375	20.50	8,526	Tanzania	Zimbabwe
22	South Africa	410390	Other raw hides and skins	989	15.75	5,926	Brazil	Zimbabwe
	Total			**2,308**	**50.92**	**29,503**		
Chemical inputs								
	COMESA							
23	Burundi	321000	Other paints and varnishes	254	68.58	4,568	United Arab Emirates	Kenya

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
24	Egypt	320120	Tanning extracts	855	15.06	43,855	Tanzania	South Africa
25	Ethiopia*	320210	Synthetic organic tanning substances	4,144	13.19	6,564	Italy	South Africa
26	Ethiopia*	321000	Other paints and varnishes	545	0.91	4,569	Netherlands	Kenya
27	Madagascar	321000	Other paints and varnishes	291	9.30	4,566	France	South Africa
28	Madagascar	340510	Polishes and creams	127	15.46	16,499	Indonesia	South Africa
29	Malawi	320411	Synthetic organic colouring matter	238	8.22	643	India	Kenya
30	Mauritius	283010	Sulphides; polysulphides	122	3.11	8,403	Belgium	South Africa
31	Mauritius	320417	Synthetic organic colouring matter	687	24.27	7,730	Belgium	South Africa
32	Mauritius	321000	Other paints and varnishes	256	21.57	4,345	Switzerland	South Africa
33	Mauritius	340510	Polishes and creams	113	15.67	16,498	Indonesia	South Africa
34	Rwanda	321000	Other paints and varnishes	312	88.03	4,558	Germany	Kenya
35	Sudan	320210	Synthetic organic tanning substances	118	2.73	325	Spain	Kenya
36	Uganda	283010	Sulphides; polysulphides	197	8.50	8,403	Italy	Kenya
37	Uganda	320411	Synthetic organic colouring matter	132	1.15	643	Netherlands	Kenya

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
38	Uganda	320417	Synthetic organic colouring matter	1,157	7.78	7,915	Germany	Kenya
39	Uganda	321000	Other paints and varnishes	256	71.09	4,544	United Kingdom	South Africa
40	Zimbabwe	320210	Synthetic organic tanning substances	186	86.90	325	Australia	South Africa
41	Zimbabwe	320417	Synthetic organic colouring matter	465	55.29	7,915	China	South Africa
42	Zimbabwe	321000	Other paints and varnishes	1,028	91.55	4,565	United States	South Africa
	Total ECOWAS			**11,483**	**26.93**	**157,432**		
43	Benin	320417	Synthetic organic colouring matter	125	1.72	7,915	United Kingdom	Ghana
44	Burkina Faso	320417	Synthetic organic colouring matter	160	80.58	7,915	Italy	Ivory Coast
45	Burkina Faso	321000	Other paints and varnishes	243	52.07	4,569	China	Ghana
46	Ghana	320411	Synthetic organic colouring matter	321	0.13	643	France	Ivory Coast
47	Ghana	321000	Other paints and varnishes	178	5.89	4,568	Spain	South Africa
48	Ghana	340311	Lubricating preparations	134	2.18	318	India	Togo
49	Ivory Coast	320411	Synthetic organic colouring matter	573	0.01	602	United States	Ghana

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
50	Niger	320417	Synthetic organic colouring matter	115	6.34	7,915	Switzerland	Ivory Coast
51	Niger	321000	Other paints and varnishes	133	15.76	4,569	China	Ivory Coast
52	Nigeria	283010	Sulphides; polysulphides	2,180	6.25	8,403	United Arab Emirates	Botswana
53	Nigeria	321000	Other paints and varnishes	564	2.57	4,569	Italy	Botswana
54	Senegal	320417	Synthetic organic colouring matter	1,725	56.67	7,757	France	Ivory Coast
55	Senegal	321000	Other paints and varnishes	320	0.93	4,492	China	Sudan
56	Senegal	340510	Polishes and creams	299	9.03	16,499	Spain	South Africa
	Total			**7,069**	**20.63**	**80,732**		
	SACU							
57	Botswana	283010	Sulphides; polysulphides	502	0.61	8,402	China	South Africa
58	Botswana	321000	Other paints and varnishes	1,238	98.74	4,527	China	South Africa
59	Botswana	340510	Polishes and creams	934	99.75	16,495	United States	South Africa
60	Namibia	321000	Other paints and varnishes	1,896	98.57	3,768	United Kingdom	South Africa
61	Namibia	340311	Lubricating preparations	105	99.47	317	Germany	South Africa
62	South Africa	340510	Polishes and creams	1,052	0.01	11,530	Italy	Malawi
	Total			**5,726**	**72.13**	**45,039**		
Inputs that can potentially be imported at relatively higher cost								
Processed inputs								
	COMESA							
63	Egypt	410799	Leather further prepared	221	13.62	8,540	Italy	Sudan

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
64	Kenya	410411	Hides and skins	243	99.46	30,102	Tanzania	Uganda
65	Madagascar	410711	Leather further prepared	426	0.34	1,347	France	Mauritius
66	Madagascar	410799	Leather further prepared	635	0.05	8,539	France	South Africa
67	Mauritius	410640	Hides and skins	922	10.79	1,037	United States	Zimbabwe
68	Mauritius	410799	Leather further prepared	2,413	6.96	8,467	United States	Zimbabwe
69	Zimbabwe	410799	Leather further prepared	250	97.13	8,527	China	South Africa
	Total ECOWAS			**5,110**	**15.34**	**66,558**		
70	Nigeria	410510	Skins	359	42.71	26,124	Italy	Senegal
71	Nigeria	411390	Leather further prepared	177	30.94	44,829	Italy	Botswana
	Total SACU			**536**	**38.83**	**70,953**		
72	South Africa	410449	Hides and skins	1,380	5.66	3,899	Argentina	Zambia
	Total			**1,380**	**5.66**	**3,899**		
Primary inputs								
	COMESA							
73	Egypt	410150	Raw hides and skins	4,029	5.55	14,242	Iraq	Libya
74	Kenya	410320	Other raw hides and skins	273	99.63	16,323	United Arab Emirates	Uganda
75	Zimbabwe	410120	Raw hides and skins	462	21.41	10,202	China	Botswana
	Total ECOWAS			**4,764**	**12.48**	**40,767**		

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
76	Nigeria	410120	Raw hides and skins	116	62.84	10,498	China	Sudan
77	Nigeria	410190	Raw hides and skins	3,050	0.64	7,200	Ireland	Botswana
	Total			**3,167**	**2.92**	**17,698**		
	SACU							
78	Namibia	410120	Raw hides and skins	428	83.99	10,616	Brazil	South Africa
79	South Africa	410190	Raw hides and skins	470	0.56	2,617	Thailand	Zimbabwe
80	South Africa	410320	Other raw hides and skins	386	95.01	13,200	Mozambique	Zimbabwe
	SACU total			**1,283**	**56.76**	**26,434**		
Chemical inputs								
	COMESA							
81	Burundi	340510	Polishes and creams	147	20.98	16,499	United Arab Emirates	Kenya
82	Republic of Congo	321000	Other paints and varnishes	850	1.49	4,569	United Arab Emirates	Democratic Republic of Congo
83	Ethiopia*	283010	Sulphides; polysulphides	1,094	2.46	8,403	Spain	South Africa
84	Ethiopia*	320120	Tanning extracts	250	80.92	43,855	Turkey	South Africa
85	Ethiopia*	320417	Synthetic organic colouring matter	2,732	1.65	7,915	India	South Africa
86	Ethiopia*	340510	Polishes and creams	2,400	87.61	16,499	China	Kenya
87	Kenya	320120	Tanning extracts	281	63.89	43,395	United Kingdom	South Africa
88	Kenya	320411	Synthetic organic colouring matter	316	0.64	326	China	South Africa

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
89	Kenya	320417	Synthetic organic colouring matter	4,726	6.10	7,580	India	South Africa
90	Kenya	321000	Other paints and varnishes	280	1.14	3,243	Switzerland	South Africa
91	Kenya	340510	Polishes and creams	324	0.06	5,122	China	South Africa
92	Madagascar	320417	Synthetic organic colouring matter	450	20.67	7,868	India	South Africa
93	Malawi	321000	Other paints and varnishes	153	52.55	4,569	United Arab Emirates	South Africa
94	Malawi	340510	Polishes and creams	536	89.15	16,454	United Arab Emirates	Kenya
95	Rwanda	340510	Polishes and creams	651	99.80	16,499	China	Kenya
96	Sudan	320411	Synthetic organic colouring matter	294	4.10	643	China	Swaziland
97	Sudan	320417	Synthetic organic colouring matter	170	29.65	7,915	China	Swaziland
98	Uganda	284130	Salts of acids	102	19.58	34,312	China	Kenya
99	Uganda	320210	Synthetic organic tanning substances	116	41.66	325	China	Kenya
100	Uganda	340510	Polishes and creams	2,284	93.28	16,499	Hong Kong, China	Kenya
101	Zambia	283010	Sulphides; polysulphides	3,932	49.04	8,394	China	South Africa
102	Zambia	320417	Synthetic organic colouring matter	261	62.74	7,912	India	South Africa

(continued)

Table A.4 List II: primary, processed and chemical leather inputs that can be sourced from COMESA, ECOWAS and SACU (continued)

	Sub-regional group/ country	HS 6-digit code	Brief description	Country's average global imports (2008–10) (1,000 $)	Regional share of country's imports (%)	Regional average global exports (2008–10) (1,000 $)	Top global exporter	Top exporter in the region
103	Zambia	321000	Other paints and varnishes	510	46.84	4,512	Tanzania	South Africa
104	Zambia	340510	Polishes and creams	1,535	95.73	16,490	United Arab Emirates	Kenya
105	Zimbabwe	320120	Tanning extracts	706	2.08	41,741	Mozambique	South Africa
106	Zimbabwe	340510	Polishes and creams	311	78.95	16,475	China	South Africa
	Total ECOWAS			**25,410**	**41.38**	**358,012**		
107	Burkina Faso	283010	Sulphides; polysulphides	103	1.24	8,398	Belgium	Ivory Coast
108	Ghana	320417	Synthetic organic colouring matter	1,918	9.42	7,915	China	South Africa
109	Ghana	340510	Polishes and creams	756	0.84	16,499	China	South Africa
110	Ivory Coast	321000	Other paints and varnishes	257	10.74	4,180	Switzerland	South Africa
111	Ivory Coast	340510	Polishes and creams	152	16.99	16,499	China	South Africa
112	Mali	321000	Other paints and varnishes	237	25.40	4,565	China	South Africa
113	Nigeria	340311	Lubricating preparations	167	0.27	318	Antigua and Barbuda	South Africa
114	Nigeria	340510	Polishes and creams	4,773	23.38	16,499	France	South Africa
	Total SACU			**8,362**	**16.96**	**74,871**		
115	Namibia	283010	Sulphides; polysulphides	2,189	8.69	8,369	China	South Africa
116	Namibia	340510	Polishes and creams	861	91.75	16,428	China	South Africa
	Total			**3,050**	**32.12**	**24,797**		
	Grand total			**114,772**	**27.37**	**1,946,295**		

Notes: *Ethiopia excludes Eritrea, HS: Harmonised System
Source: Author's calculation using UN Comtrade database, http://comtrade.un.org

Table A.5 List IIIa: potential products identified for investment in COMESA, ECOWAS and SACU

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional average global imports (2008–10) (1,000 $)	Average regional RCA (2003–05)	Average regional RCA (2009–11)
Finished leather products								
1	COMESA	Egypt	640391	Footwear	1,381	17,752		8.17
2	COMESA	Ethiopia*	640391	Footwear	280	17,743	7.12	7.24
3	COMESA	Ethiopia*	640399	Footwear	2,411	155,022	1.07	24.82
4	COMESA	Ethiopia*	640590	Other footwear	1,771	111,574	2.99	14.30
5	COMESA	Ethiopia*	640610	Parts of footwear	2,443	18,974	0.15	27.01
6	COMESA	Kenya	420211	Cases and bags	1,749	7,102	2.48	3.18
7	COMESA	Kenya	420291	Cases and bags	159	2,525	0.30	4.98
8	COMESA	Kenya	640220	Other footwear	15,086	36,149	10.83	10.29
9	COMESA	Kenya	640291	Other footwear	271	18,337	1.53	3.47
10	COMESA	Kenya	640520	Other footwear	1,992	5,929	19.07	20.72
11	COMESA	Kenya	640620	Parts of footwear	508	43,607	11.49	13.64
12	COMESA	Madagascar	420221	Cases and bags	357	12,915	1.24	11.78
13	COMESA	Madagascar	420222	Cases and bags	496	31,502	7.58	95.83
14	COMESA	Madagascar	420229	Cases and bags	2,233	26,846	3.61	144.33
15	COMESA	Madagascar	420291	Cases and bags	207	2,560	3.61	40.14
16	COMESA	Madagascar	650699	Other headgear	243	6,922	14.62	34.31
17	COMESA	Mauritius	420221	Cases and bags	3,905	10,105	10.79	58.53
18	COMESA	Mauritius	420231	Cases and bags	1,161	6,305	12.96	63.67
19	COMESA	Mauritius	420291	Cases and bags	677	2,482	7.39	77.15
20	COMESA	Mauritius	420292	Cases and bags	1,600	43,518	10.25	75.64
21	COMESA	Rwanda	640419	Footwear	1,184	117,290	37.45	67.24
22	COMESA	Uganda	640320	Footwear	846	3,464	1.78	58.20
23	COMESA	Zimbabwe	940161	Seats	2,609	65,448	5.37	13.71
24	ECOWAS	Cape Verde	640610	Parts of footwear	2,606	19,512	5935.32	3157.49
25	ECOWAS	Ghana	420299	Cases and bags	391	24,573	0.12	6.11
26	ECOWAS	Ivory Coast	640192	Waterproof footwear	4,084	6,809	0.28	10.23
27	ECOWAS	Ivory Coast	640199	Waterproof footwear	1,415	9,882	7.06	9.48
28	ECOWAS	Ivory Coast	640220	Other footwear	12,174	36,068	3.70	9.54

(continued)

Table A.5 List IIIa: potential products identified for investment in COMESA, ECOWAS and SACU (continued)

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional average global imports (2008–10) (1,000 $)	Average regional RCA (2003–05)	Average regional RCA (2009–11)
29	ECOWAS	Ivory Coast	640291	Other footwear	2,399	18,291	3.31	6.55
30	ECOWAS	Ivory Coast	640419	Footwear	5,431	117,050	4.00	11.71
31	ECOWAS	Nigeria	640299	Other footwear	102,437	333,367	1.99	2.30
32	ECOWAS	Senegal	640220	Other footwear	1,030	36,295	2.09	2.32
33	SACU	South Africa	430310	Apparel, clothing accessories	839	1,011	1.32	2.79
34	SACU	South Africa	640110	Waterproof footwear	2,619	3,732	1.51	3.02
Processed leather inputs								
35	COMESA	Egypt	410441	Hides and skins	1,222	18,027		3.73
36	COMESA	Egypt	410711	Leather further prepared	3,149	15,122		6.51
37	COMESA	Egypt	410719	Leather further prepared	1,718	3,807		4.28
38	COMESA	Ethiopia*	410441	Hides and skins	246	18,027	16.17	19.32
39	COMESA	Ethiopia*	410449	Hides and skins	242	2,000	21.08	24.13
40	COMESA	Ethiopia*	411390	Leather further prepared	2,113	4,125	0.99	3.92
41	COMESA	Kenya	410411	Hides and skins	9,333	15,589	1.15	8.48
42	COMESA	Uganda	410411	Hides and skins	3,253	15,832	0.08	18.43
43	COMESA	Uganda	410419	Hides and skins	197	1,507	0.44	3.00
44	COMESA	Uganda	410691	Hides and skins	5,476	29,552	37.73	129.38
45	COMESA	Zambia	410419	Hides and skins	1,263	1,510	1.32	2.48
46	COMESA	Zambia	410711	Leather further prepared	145	15,122	0.17	4.41
47	COMESA	Zambia	411390	Leather further prepared	1,412	4,113	0.002	1.29
48	ECOWAS	Mali	410419	Hides and skins	153	1,510	0.22	4.03
49	ECOWAS	Nigeria	411330	Leather further prepared	982	1,323	1.29	1.46
50	ECOWAS	Senegal	410510	Skins	152	458	6.02	11.49
51	SACU	Namibia	410449	Hides and skins	3,287	9,815	6.21	25.04
52	SACU	Namibia	410712	Leather further prepared	168	11,713	0.05	9.80

(continued)

Table A.5 List IIIa: potential products identified for investment in COMESA, ECOWAS and SACU (continued)

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional average global imports (2008–10) (1,000 $)	Average regional RCA (2003–05)	Average regional RCA (2009–11)
53	SACU	Namibia	410719	Leather further prepared	313	3,805	0.73	5.95
54	SACU	Namibia	410799	Leather further prepared	209	16,756	0.01	8.11
55	SACU	Namibia	430219	Furskins	865	1,347	0.75	14.87
56	SACU	South Africa	410640	Hides and skins	456	1,015	0.53	1.79
Primary leather inputs								
57	COMESA	Burundi	410120	Raw hides and skins	1,228	1,656	128.14	149.49
58	COMESA	Malawi	410190	Raw hides and skins	103	5,329	3.00	3.66
59	COMESA	Malawi	410390	Other raw hides and skins	404	4,970	1.73	5.33
60	COMESA	Rwanda	410120	Raw hides and skins	1,110	1,655	39.63	177.25
61	COMESA	Uganda	410120	Raw hides and skins	271	1,647	5.20	8.29
62	COMESA	Uganda	410390	Other raw hides and skins	550	4,965	3.12	12.16
63	COMESA	Zambia	410320	Other raw hides and skins	1,338	6,035	0.32	2.00
64	COMESA	Zimbabwe	410120	Raw hides and skins	481	1,194	0.23	7.46
65	ECOWAS	Senegal	410120	Raw hides and skins	1,133	1,630	2.64	4.36
66	ECOWAS	Senegal	410190	Raw hides and skins	112	5,324	1.42	1.47
67	ECOWAS	Senegal	410229	Raw skins	382	583	1.37	26.60
68	ECOWAS	Senegal	410390	Other raw hides and skins	746	4,954	3.22	6.39
69	SACU	Namibia	410390	Other raw hides and skins	1,505	4,027	2.38	2.87
70	SACU	South Africa	410190	Raw hides and skins	4,589	4,860	0.30	1.73
71	SACU	South Africa	411520	Composition leather	630	1,333	1.56	2.38

(continued)

Table A.5 List IIIa: potential products identified for investment in COMESA, ECOWAS and SACU (continued)

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional average global imports (2008–10) (1,000 $)	Average regional RCA (2003–05)	Average regional RCA (2009–11)
Chemical inputs								
72	COMESA	Egypt	340212	Organic surface-active agents	3,231	12,864		6.83
73	ECOWAS	Ivory Coast	320417	Synthetic organic colouring matter	4,983	65,706	6.41	12.14
74	COMESA	Kenya	320190	Tanning extracts	186	771	3.26	33.38
75	COMESA	Kenya	320411	Synthetic organic colouring matter	316	13,337	9.05	15.05
76	COMESA	Kenya	321000	Other paints and varnishes	1,326	14,879	3.50	13.70
77	COMESA	Kenya	340510	Polishes and creams	11,377	17,273	19.66	27.58
78	SACU	Namibia	320120	Tanning extracts	2,067	3,500	0.57	1.28
79	SACU	South Africa	283010	Sulphides; polysulphides	8,285	11,636	1.40	3.05
80	SACU	South Africa	340510	Polishes and creams	4,969	16,545	0.24	1.65

Notes: *Ethiopia excludes Eritrea, HS: Harmonised System, RCA: revealed comparative advantage.
Source: Author's calculation using UN Comtrade database, http://comtrade.un.org

Table A.6 List IIIb: potential investors identified in COMESA, ECOWAS and SACU

	Sub-regional group	Country	HS 6–digit code	Brief description	Country's average global exports (2008–10) (1,000 $)	Regional average global imports (2008–10) (1,000 $)
Finished leather products						
1	COMESA	Egypt	420500	Other articles of leather	7,064	10,178
2	COMESA	Kenya	640192	Waterproof footwear	7,197	6,891
3	COMESA	Madagascar	420500	Other articles of leather	7,521	6,926
4	COMESA	Mauritius	420310	Apparel, clothing accessories	7,805	7,652
5	SACU	South Africa	420100	Saddlery and harness	5,143	1,243
Processed leather products						
6	COMESA	Egypt	430211	Furskins	244	5
7	COMESA	Egypt	410411	Hides and skins	14,187	15,832
8	COMESA	Egypt	410419	Hides and skins	67,283	1,510
9	COMESA	Egypt	410449	Hides and skins	4,177	2,002
10	COMESA	Egypt	410510	Skins	1,253	458
11	COMESA	Egypt	410791	Leather further prepared	1,091	1,374
12	COMESA	Ethiopia*	410530	Skins	24,755	208
13	ECOWAS	Nigeria	410621	Hides and skins	42,948	6,514
14	ECOWAS	Nigeria	410622	Hides and skins	409,704	183,107
15	ECOWAS	Nigeria	411320	Leather further prepared	218,490	2,032
16	SACU	South Africa	410411	Hides and skins	23,104	321
17	SACU	South Africa	411390	Leather further prepared	40,252	3,662
Primary leather products						
18	COMESA	Zimbabwe	410320	Other raw hides and skins	11,280	666
19	SACU	Namibia	430130	Raw furskins	5,784	2
20	SACU	South Africa	410150	Raw hides and skins	12,970	49
21	SACU	South Africa	410210	Raw skins	19,267	295
22	SACU	South Africa	410221	Raw skins	27,811	31
23	SACU	South Africa	410390	Other raw hides and skins	10,629	3,982
Chemical products						
24	COMESA	Egypt	321000	Other paints and varnishes	13,819	15,160
25	SACU	South Africa	284130	Salts of acids	34,305	324
26	SACU	South Africa	320120	Tanning extracts	39,214	1,628

Notes: *Ethiopia excludes Eritrea, HS: Harmonised System.
Source: Author's calculation using UN Comtrade database, http://comtrade.un.org