

East Africa: Smuggling, hides exports hurting bid to grow leather trade

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While Kenya has identified the leather industry as among those to push its manufacturing sector, it is struggling to stem export and smuggling of raw hides and skins.



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According to the Tanners Association of Kenya, smuggling of hides and skins to China is costing governments in the East African Community (EAC) about \$30 million annually in lost tax.

"Currently we don't have a law banning raw exports of hides and skins but the government has increased export tax to 80% from 40% to encourage value addition," said Kenya Leather Development Authority chief executive Dr Issack Noor.

However, the high taxes feed into a smuggling racket, denying governments millions in tax revenue.

According to its Budget Policy Statement 2018, Kenya is targeting to increase the contribution of its manufacturing sector to the economy to 15% by 2022, from 9.2% in 2016. This will add \$2 billion - \$3 billion to the GDP and about 400,000 jobs.

The leather industry is one of four subsectors - including agro-processing, textiles and apparels, and oil, mining and gas -

seen as the drivers of manufacturing growth.

In the leather industry, the government plans to have all hides and skins processed locally, set up 5,000 cottage industries, invest in four leather parks and support expansion of existing tanneries.

To cushion local manufacturers from external competition, the government intends to review import rules for finished leather products. These initiatives are targeted at creating 50,000 new jobs, ensure Kenya produces 20 million shoes and increase export revenue by \$500 million by 2022.

But exports of raw hides and skins continue to deny local tanneries raw materials, with the existing 14 tanneries in Kenya operating at less than 40% of their capacity.

This comes at a time when Kenya is investing \$164 million in a mega leather industry park that aims to transform the underdeveloped sector to a key economic contributor. In building a leather industrial park, Kenya wants to unleash the potential of the industry that has remained stunted due to pressure from import.



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In East Africa, only Kenya has manufacturers with the capacity to produce finished products while Tanzania, Uganda, Rwanda and Burundi export leather either as raw, wet blue or crust.

A report by CUTS International on The Impact of Second Hands Clothes and Shoes in East Africa, notes that all the EAC partner states process leather up to the wet blue stage, with 80 to 90% of it exported, and only 10% is processed to finished leather, which caters for the footwear and artisanal shoemakers.

"There is a significant demand for footwear in the region, but 80% of the demand is met through imports out of which 60% are secondhand shoes," notes the report.

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