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# **The Ethiopian Leather Industry and the African Continental Free Trade Area: Opportunities and Challenges**

## **Concept Note for a Consultative Workshop**

Organized Jointly by:

the African Trade Policy Centre of the United Nations Economic Commission for Africa

and

the Ethiopian Chamber of Commerce and Sectoral Associations

November 21, 2023, Addis Ababa, Ethiopia



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## **Background: The Ethiopian Leather Industry**

Ethiopia is endowed with abundant livestock resources. According to data from the Ethiopian Central Statistics Agency, in 2020, Ethiopia had a livestock population of 65 million cattle, 40 million sheep, 51 million goats, and 8 million camels. This puts Ethiopia as number one in Africa for its livestock population. As per data from the International Livestock Research Institute, livestock accounts for a quarter of the national GDP and 40% of agricultural GDP. Maximizing the economic benefits from its rich livestock resources is crucial for Ethiopia's national development. The leather industry is among the industries that have the potential to hugely benefit from the abundant resources.

However, Ethiopia's export earnings from the leather industry remain miniscule. According to data from 2018, Ethiopia exported mainly semi-processed leather (pickled pelt, wet-blue leather, crust leather, or finished leather) predominantly to China, Thailand, the UK, and Italy. The second largest export product in the value chain was leather footwear, which went mainly to the USA (under AGOA), with China and Kenya coming distant second and third. A recent study on the

Ethiopian leather garment industry concluded that it is "dominated by small made-to-order establishments mostly located in Addis Ababa that sell their products to local customers and residents and expatriate missions with negligible penetration in the international market." (MOTI 2021).

The picture that clearly emerges is that the export potential of the Ethiopian leather industry remains unexploited. This workshop will ask whether or to what extent the African Continental Free Trade Area (AfCFTA) presents an opportunity for the Ethiopian leather industry to realize its full export potential.

### **The AfCFTA and Ethiopia**

The AfCFTA aims to establish an integrated African market that enables the free flow of goods and services across the continent. By progressively dismantling tariffs and other barriers to intra-African trade, the AfCFTA will replace over 50 small and fragmented markets with one. Once fully implemented, the AfCFTA is expected to create a single market made up of more than 1.4 billion people with a collective spending power of over USD 3 billion.



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Ethiopia is a State Party to the AfCFTA. As a result, Ethiopia will allow, progressively, duty- and quota-free access to its markets for goods coming from other African countries parties to the AfCFTA. Likewise, Ethiopian exports will also benefit, progressively, from duty- and quota-free access to the markets of other African countries. According to a recent estimation, Ethiopia's total exports to the rest of Africa is anticipated to be 40% higher in the year 2045, following AfCFTA implementation, as compared to a situation without the AfCFTA (ECA and CEPIL, 2023). Based on an aggregated estimation of the textile, apparel, and leather industries, the increase in export is foreseen to be 111% (ECA and CEPIL, 2023).

### **Justification**

The extent to which this large, fast-growing, and increasingly integrated single market creates opportunities for Ethiopia's leather industry and how the industry is preparing itself to exploit those opportunities will be discussed at this workshop. Our preliminary inquiries so far have established that the Ethiopian leather industry lacks awareness of the immense opportunities presented by the AfCFTA.

The purpose of this workshop is therefore to bring together industry representatives and leaders (suppliers of raw hides and skins, tanneries, shoes, and other leather goods manufacturers, including women entrepreneurs in the industry), experts (including from the Ethiopian Leather Industry Development Institute and the COMESA Leather and Leather Products Institute), and relevant agencies of the Ethiopian Government with the following key objectives:

- To inform and sensitize the Ethiopian leather industry relating to the AfCFTA and its implications for the industry;
- To explore challenges, opportunities, options, and strategies to help position the Ethiopian leather industry to exploit the opportunities presented by the AfCFTA to the full; and
- To consider the utility and feasibility of establishing a permanent platform for regular dialogue on AfCFTA and the leather industry in Ethiopia.

### **Expected Outcomes**

- The leather industry's stakeholders develop an understanding of the AfCFTA and its opportunities for the industry;
- The major internal and external challenges facing the industry that impact on its competitiveness are identified; and
- The stakeholders identify their respective areas of intervention to address the challenges and increase the industry's participation and competitiveness in the AfCFTA.



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## **The Organizers**

This workshop is organized jointly by the ECA, through its African Trade Policy Center (ATPC), and the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA). The workshop is part of an ongoing technical support by the ECA to the Ethiopian private sector on the implications of the AfCFTA for Ethiopia.

## **Participants**

The target participants include:

- ECA/ATPC;
- ECCSA Secretariat;
- The Ethiopian Leather Industry Association (ELIA);
- Selected leather businesses and other private sector representatives;
- The Africa Leather and Leather Products Institute (COMESA/LLPI);
- Key Ethiopian Government agencies – including the Ministry of Trade and Regional Integration (MoTRI), the Ministry of Agriculture, the Ministry of Industry, the National Bank of Ethiopia, the Ethiopian Investment Commission, the Institute of Manufacturing Industry Development and Leather, the Leather Products Industry Research and Development Center, and the Ethiopian Standards Institute;
- Specialist international institutions, including the FAO, ITC, AU Commission, AfCFTA Secretariat, UNIDO, UNCTAD, ILRI, ATI and Konrad-Adenauer-Stiftung AU/Ethiopia Office;

The expected number of participants is around 35.

**Venue:** Hilton Hotel, Addis Ababa, Ethiopia

**Date and Time:** 9:00 am - 2:00 pm, November 21, 2023



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## Schedule

Agenda	Time	Speaker
Arrival and registration	8:30-9:00	
Introductory remarks	9:00-9:20	ATPC, MoTRI and ECCSA
Presentation on the Ethiopian leather industry's potential, contribution to the Ethiopian economy and challenges related to exploiting the AfCFTA	9:20-10:05	ELIA
Presentation on the AfCFTA and its opportunities and challenges for the Ethiopian leather industry	10:05-10:50	ATPC
Health break	10:50-11:10	
The role of the Ethiopian leather industry's stakeholders to make the industry competitive in the AfCFTA	11:10-12:30	All stakeholders
Concluding remarks	12:30-12:45	ATPC and ELIA
Lunch	12:45-2:00	