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Abbreviations

€	Euro
APICCAPS	Portuguese Footwear Industry Association
AQL	Acceptance quality limit/level
BCP	Border control point
CAGR	Compound annual growth rate
CITES	Convention on International Trade in Endangered Species
COTANCE	Confederation of National Associations of Tanners and Dressers of the European Community
EC	European Commission
EC	European Commission
ELSEVIE	Hellenic Association of Footwear Manufacturers and Exporters
ESPR	Eco-design for Sustainable Products Regulation
EU	European Union
FICE	<i>Federación de Industrias del Calzado Español</i>
GSP	General System of Preferences
HNWI	High-net-worth individuals
HS	Harmonized System
ICT	International Council of Tanners
INCO	International Cooperation
INESCOP	<i>Instituto Tecnológico del Calzado y Conexas</i>
IP	Intellectual property
ITDM	International Trade Development for Mongolia
LWG	Leather Working Group
MALI	Mongolian Association of the Leather Industry
MNCCI	Mongolian National Chamber of Commerce and Industry
MNT	Mongolian tugrik
MS	Member States
NFC	Near-field communications
OEKO-TEX	International Association for Research and Testing in the Field of Textile and Leather Ecology
PCA	Partnership and Cooperation Agreement
REACH	Registration, Evaluation, Authorization and Restriction of Chemicals
RSL	restricted substance lists
SME	Small and medium-sized enterprises
SYL	Sustainable Yak Leather
TRAM	Trade-related Assistance for Mongolia
UCPD	Unfair Commercial Practices Directive
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	United States dollar
UV	Ultraviolet
WOAH	World Organisation for Animal Health
WTO	World Trade Organisation
ZDHC	Zero Discharge of Hazardous Chemicals

1. INTRODUCTION

This *Guide for Export of Vegetable Tanned Yak Leather Products into Europe* is based on the results of a desk study; of countries prioritized for detailed examination of trading requirements; e.g., EU Member States, the UK, etc. More particularly, countries that might be targeted for attention by exporters within the Mongolian vegetable tanned yak leather cluster.

Preparation of the *Export Guide* is one of 30 Activities with the SWITCH-Asia Programme's *Capacity building to the Mongolian vegetable tanned yak leather cluster on bio-leather and bio-leather products* project; the 'Sustainable Yak Leather' (SYL) Project.

Name:	<i>Sustainable Yak Leather (SYL) Project</i>
Location:	Mongolia (Arkhangai, Bayan-khongor, Khuvsgul and Uvurkhangai provinces)
Funding:	EU grant.
Duration:	Four years (December 2021 to December 2025).
Objectives (medium-term):	support the <i>Mongolian Vegetable Tanned Yak Leather Cluster</i> in: <ul style="list-style-type: none"> • reducing the environmental impact of production, • improving resource efficiency, and • adopting Circular Economy practices.
Objectives (long-term)	integration of Cluster's members into greener, global value chains.
Implementation:	consortium of seven ' <i>partner</i> ' organisations <ul style="list-style-type: none"> • Vakakis and Associates S.A., in Greece, • European Profiles S.A. (EP), in Greece, • Hellenic Association of Footwear Manufacturers and Exporters (ELSEVIE), in Greece, • Instituto Tecnológico del Calzado y Conexas (INESCOP), in Spain, • Mongolian National Chamber of Commerce and Industry (MNCCI), in Mongolia, • Mongolian Association of the Leather Industry (MALI), in Mongolia, and • Brand Gutal, in Mongolia

Background information on the Project's attention to:

- yaks,
- vegetable tanned leather,
- clusters, and
- Mongolia,

is available on the Project's website (www.sustainableyakleather.eu). Attention to the improved utilisation of vegetable tanned yak leather yak, clusters etc., originated within the EU's *Trade Related Assistance for Mongolia* project (TRAM, 2018 to 2022) and continues currently with the follow-up *International Trade Development in Mongolia* project (ITDM, 2023 to 2026).

The study for preparation of the Export Guide, included attention to the particular requirements of different markets that might be targeted by Mongolia for the export of:

- vegetable tanned yak (semi-processed) leather crusts,
- finished vegetable tanned yak leather, and
- vegetable tanned yak leather products.

The study also included attention to relevant Mongolian legislation related to the trade in livestock products, and international legislation regarding certificates of origin, presence of residues, etc. It also revealed special advantages (in the form of trade concessions, and so on) which could be used to facilitate Mongolian exporters.

Results of the study emphasize the significance of ‘soft’ skills and competences, important to complement legal requirements of trade, developing credibility, and a reputation for ‘quality products’ and ‘quality service’.

The initial version of the *Export Guide*, was disseminated to all members of the Mongolian vegetable tanned yak leather cluster, for discussion within a one-day thematic workshop (29 August). The event also included members of the Mongolian Association of the Leather Industry (MALI), and representatives of the EU and the ITDM project. As a result of comments and suggestions presented during the Workshop, some additional notes and explanations were incorporated into this version; e.g. on certification and consumer trends (including veganism).

Given the general relevance of the Export Guide to other readers (not just member of the SYL Cluster) and the need to keep up-to-date with changes in requirements related to export and marketing, it is likely the Export Guide will be targeted to revision before the end of the SYL project.

2. MARKET POTENTIAL; EUROPEAN UNION MEMBER STATES, AND OTHER COUNTRIES.

2.1 Leather market; size and turnover

Leather is a classic, long-lasting material; created by tanning animal hides (or skins) – which would otherwise spoil and be wasted - to provide a material that can be used in many ways. Tanning is one of the oldest forms of human effort. Leather is used to make a variety of things, such as: shoes, clothing, and furniture. Leather has qualities such as aesthetic appeal, durability, and resistance to wear, chemicals and microorganisms).

The global leather market size was valued at USD 39.6 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 3.6% from 2022 to 2030; to USD52.5 billion by 2030.¹ The global leather market is expected to be driven by increasing demand for luxury goods and accessories. Leather is a premium material often used in high-end items such as handbags, shoes, belts, wallets, and other fashion accessories in particular. The rising disposable income of people in developed countries has led to increased demand for luxury goods that is predicted to drive the growth of the global leather market.

Due to the COVID-19 pandemic, the export of leather products from Italy decreased by 13%; from €12.4 billion in 2019 to €9.6 billion in 2020.² However, the market has been slowly recovering since the end of lockdowns in Europe. The leather and related goods sector consists of about 36,000 enterprises and generates a turnover of €48 billion³. These enterprises employ around 435,000 people. The European Union (EU) is the source of some of the highest value calfskins (for example) in terms of leather and raw material. Tanneries in the EU are typically family-owned, small and medium-sized enterprises (SMEs). Regional concentration is strong, and the industry often plays a key role in the local economy, being the predominant source of employment and wealth.

The pandemic disrupted retail sales of all leather products in 2020 and 2021, due to:

- spending power constraints,
- closure of premium clothing stores, and
- widespread restrictions around the world.

The pandemic also disrupted the production and supply chains of companies; due to the impacts of lockdowns.

Leather products are particularly popular with consumers as – in addition to their general utility - they have '*natural*' qualities related to traditional and aesthetic appeal. The increasing demand for trendy handbags, premium leather wallets and other accessories, for example,

¹ World - Leather - Market Analysis, Forecast, Size, Trends and Insights Update: COVID-19 Impact Please mention the Source: <https://www.indexbox.io/store/world-leather-market-report-analysis-and-forecast-to-2020/>

² COTANCE & Eurostat <https://s4tclfbblueprint.eu/project/tclf-sectors/european-leather-industry/>

³ https://single-market-economy.ec.europa.eu/sectors/fashion/leather-industry/eu-leather-industry_en#:~:text=Economic%20importance%20of%20the%20industry,turnover%20of%20%E2%82%AC48%20billion

has been a conspicuous factor driving the growth of the market for the past few years. Increasing government support for the leather industry further drives the growth of the market.

Despite the increased use of non-leather material in footwear manufacture (especially for trainers/sneakers) about half of all leather produced still goes into shoes production.

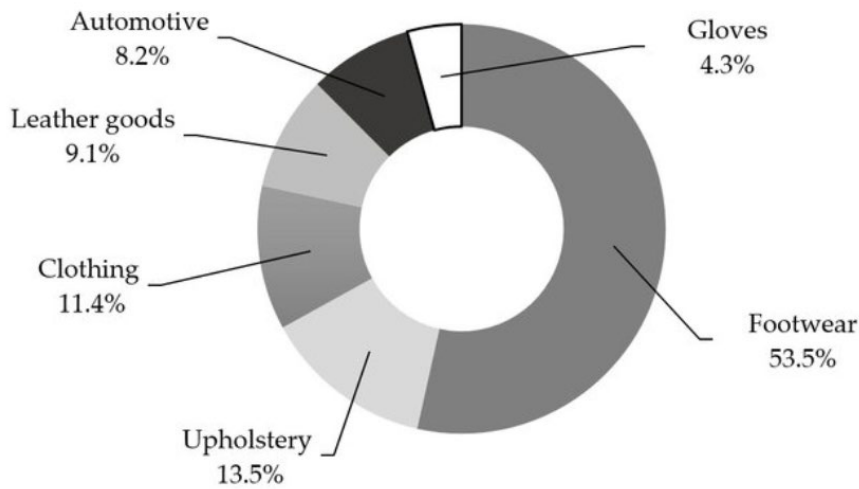


Figure 1. Leather usage, by end product. 2019.⁴

However, in spite of the increased demand for leather, prices of many of the different types of raw materials (hides and skins) have declined overall,

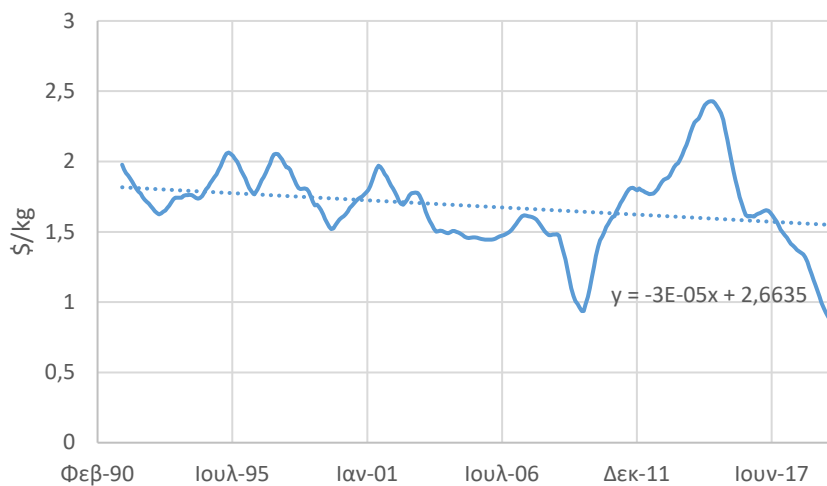


Figure 2. Hide prices (12 months moving average), USA; 1990 to 2020^{5, 6}

⁴ <https://www.researchgate.net/publication/337404936>

⁵ <https://www.indexmundi.com/commodities/?commodity=hides&months=300>

⁶ <https://fred.stlouisfed.org/series/M0482BUS16980M267NNBR>

This has contributed to making leather products more affordable than they might otherwise have been.

Other fabrics have for a very long time competed with leather, in the manufacture of various products. And more recently, there exists an increasing number of synthetic alternatives to leather. The success of most of these has often been limited, because they are:

- no cheaper than leather,
- lack some of the essential characteristics of leather, and/or
- lack the consumer appeal of leather.

Accordingly, the biggest threats to sustained (or increased) viability and usage of leather are now widely considered to be:

- the environmental impact of livestock production,
- increased aversion to meat consumption; and increased prevalence of vegetarianism, and
- veganism.

While these constraints are unlikely to seriously impact the demand for leather in the short term at least, tanners and manufacturers of leather products need to pay due attention to them; with due regard to changes in consumer demands, and the requirements of the United Nations (UN) Sustainable Development Goals (SDGs)

2.2 Local production

Leather products made from tanned leathers and raw materials obtained from the hides and skins of animals, especially cattle, are widely demanded by consumers all over the world. The tanning process, reduces the risk of damage to the leather, and enhances the texture of the leather. The leather products market is segmented on the basis of: raw material and type, distribution channel, and geography.

Table 1. Leather products market segmentation.

Type	Distribution Channel	Geography
<ul style="list-style-type: none"> •Raw material; hides (cattle, horse, yak, etc.) and skins (sheep, goats, exotics, etc.) •Method of tanning; mineral, synthetic, vegetable, etc. 	<ul style="list-style-type: none"> •Offline retail stores •Online retail stores 	<ul style="list-style-type: none"> •North America •Europe •Asia Pacific •Rest of the World

The tanning industry uses hides and skins that would otherwise be disposed of in landfills or incinerated. Globally, relatively few hides and skins are consumed – as human food - as part

of the carcase. Leather is the main output of the tanning industry, and it is an intermediate product that has applications in sub-sectors of the consumer goods industry.

The European Commission (EC) stated on its website that the most important outlets for EU tanners' production are:

- Footwear, 41%
- Furniture, 17%
- Automotive industry, 13%
- Leather accessories, 19%
- Clothes, 8%
- Others 2%

The tanning industry also produces other by-products that find their way into various industrial sectors; such as: leather composites, pet food and animal feed production, chemicals like gelatine (for cosmetics), and fertilizers.

The combination of traditional applications and constant innovation in Europe means the tanning industry (and leather products manufacturing) today are strategic parts of the manufacturing sector. European leather leads the way in quality, technology, innovation, productivity, environmental performance, social accountability, design and style.

European tanneries differ at the national level, depending on their product specialization. The most important tanning sectors in Southern Europe (France, Italy, Portugal and Spain) consist mainly of SMEs. These enterprises often specialize in leather production for the fashion industry. Conversely, in Central and Northern European (countries such as Austria, the Netherlands, Germany, Sweden, and the UK), the tanning sectors are often home to larger companies, as economies of scale play an important role for their production.

Cowhide is the tanning industry in Europe's main raw material, as it accounts for more than 80% of production. This is followed by sheep and goat skins. Recycling animal by-products and residues from the meat industry accounts for around 99% of the EU's leather production. The niche space of exotic leather is quite valuable. This type

The term '*exotic leather*' is often used very loosely to describe leather that is not derived from the conventional sources - that is cattle (*B. taurus* and *B. indicus*), sheep and goats - of hides and skins. More particularly (<https://www.leather-dictionary.com>) it is used to describe leather from:

- lesser known parts of livestock; e.g. the stomach, other parts of the intestines of cattle, and so on, or
- the hides and skins of lesser known animals; e.g. amphibians, birds, fish, reptiles, and other mammals (including yak).

The former are wholly derived from commercial production of livestock, whereas the latter can include materials derived from farming, ranching or (increasingly unacceptable) the culling of wild animals (providing what are sometimes referred to collectively as '*gameskins*').

Though the leather of the domestic yak is considered exotic, it is not because the numbers of animals is small; as is the case with some other examples of exotics. Rather, it is because the distribution of the animal is very limited (unlike most other domesticated livestock) and it is not widely known.

of leather is highly demanded by luxury segment customers.

With a share of about two-fifths of the market, the footwear industry has traditionally been the main leather use destination in the EU. However, other important destinations such as leather products (about a fifth) and automotive interiors (13%) have been observed to increase in recent years.

EU tanners supply the top market segments in all major specialties and uses. Europe's share of supply to high-end customers' accounts for 25% of total global consumption, as well as 34% of the mid-to-high value market. Leather production alone - which has a value of approximately €8.0 billion⁷ - to customers (other manufacturers and business) with a turnover of approximately €125 billion, creates employment for over 40,000 companies and 2.0 million people (not just those in the manufacture of leather). The European leather industry is committed to socially and environmentally sustainable development.

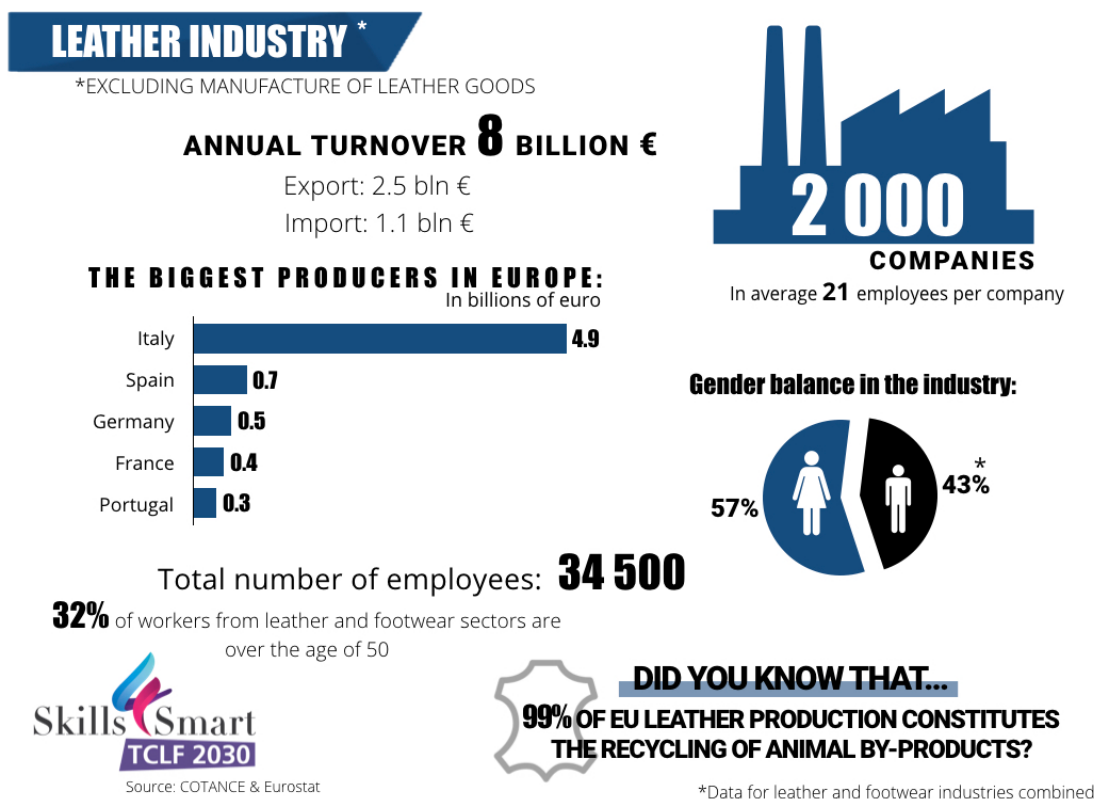


Figure 3. Overview of the leather industry.

2.3 Imports/exports

As a major player in the international leather trade, Europe stands out as the leading force in international leather and tanning business circles, with approximately 25% of the world

⁷ <https://euroleather.com/9-uncategorised/268-statistics>

leather production and one of the largest and most dynamic consumer markets for leather products.

With a turnover of approximately €8.0 billion, more than 2,000 companies and approximately 50,000 people directly employed in the sector, Europe's tanneries demonstrate their competitiveness in the global market⁸. Its products are recognized by manufacturers around the world and are of great interest. European leathers are exported all over the world with the highest standards and strictest ecological regulation.

European tanneries have a long tradition of producing leather of all types, using cattle and calfskins (along with sheep and goat skins); to make materials ranging from soles and exotic specialties, to double-faced garment leathers. The solid experience and extensive know-how of European tanners and dressers⁹ are showcased at major international fairs. All this explains the strong demand for European leather in international markets.

In the previous decade, Europe's exports of processed leather (to other parts of the world) exhibited a significant increase. The European tanning industry is generally dominated by SMEs. However, as manufacturers in new and emerging markets are particularly keen to develop business relationships, and work closely with European tanners, flexibility, adaptability and responsiveness to demand constitute some of the industry's most important assets. Larger companies stand out thanks to their capacity to stay at the forefront of technological developments; able to create reliable partnerships in global business operations. These are associated with customer service, technological leadership, design, quality, fashion, and excellent raw materials; all of which contribute to the strength of European tanners. Continuous modernization combined with investments in education, environmental infrastructure, research and development (and export promotion) ensure that European businesses look to the future with confidence.

Europe is one of the most important importers of leather accessories in the world. The value of leather accessories imported to Europe in 2018 reached €8.6 billion; up from €6.0 billion in 2013. This corresponded to approximately 401 million leather accessories in 2018 (down from 417 million in 2013).

The term '*leather accessories*' (sometimes '*leather goods*') is used to describe all the many items made from leather other than the three main categories (footwear, garments, and upholstery).

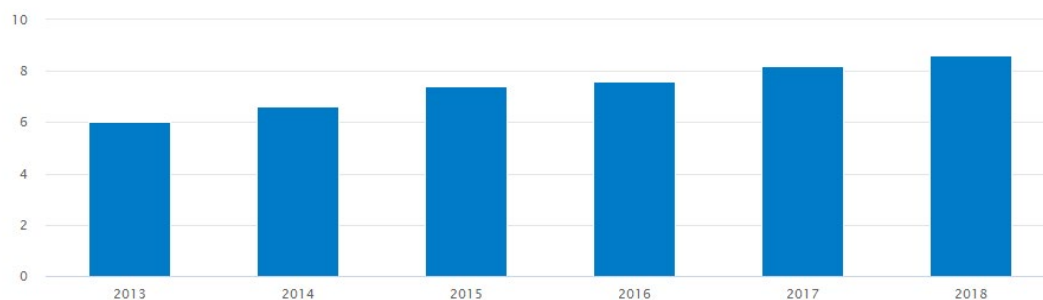
Particular categories of leather accessories include:

- handbags, purses, wallets, cases, back packs, etc.,
- belts and (watch) straps,
- head gear, and
- gloves

The term '*leather goods*', is variously used to describe '*leather accessories*' in particular and/or all '*leather products*' in general. To avoid confusion in this document the terms '*leather accessories*' and '*leather products*' only are used.

⁸ <https://www.euroleather.com/about-us/european-leather-industry#>

⁹ Used to describe the processing of wool/hair on skins.

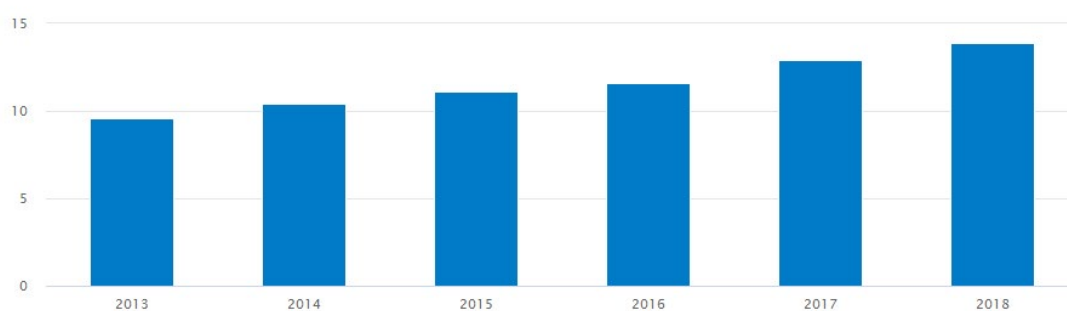


Source: Eurostat

Figure 4. Leather accessories imports to Europe (\$, billions).

In 2020, 30.3% of the global value of exported leather products was realized by China, making the country the world's leading exporter of leather products. France and Italy represented the traditional European tanning industry, with 14.8% and 17.8% of the global export value for this product, respectively.

The EU is also a large exporter of leather accessories. In 2018, it exported €13.9 billion worth of leather accessories (up from €9.6 billion in 2013). EU leather accessory exports have been growing at an average yearly rate of 7.6% (between 2013 and 2018). The biggest EU exporters in 2018 were Italy (€6.2 billion) and France (€4.3 billion). Together, these two countries represent over 76% of the EU's leather accessory exports. The Netherlands saw the strongest export growth within this group, with an average yearly increase of 16.0%. Poland, which is currently the ninth largest exporter of leather accessories in Europe, was growing at an average rate of 21.0% per year.



Source: Eurostat

Figure 5. Leather accessories imports from Europe (\$, billions).

The following figure presents the turnover, number of companies and number of employees for the most important (leather producing) countries in Europe (source: COTANCE, Confederation of National Associations of Tanners and Dressers of the European Community)

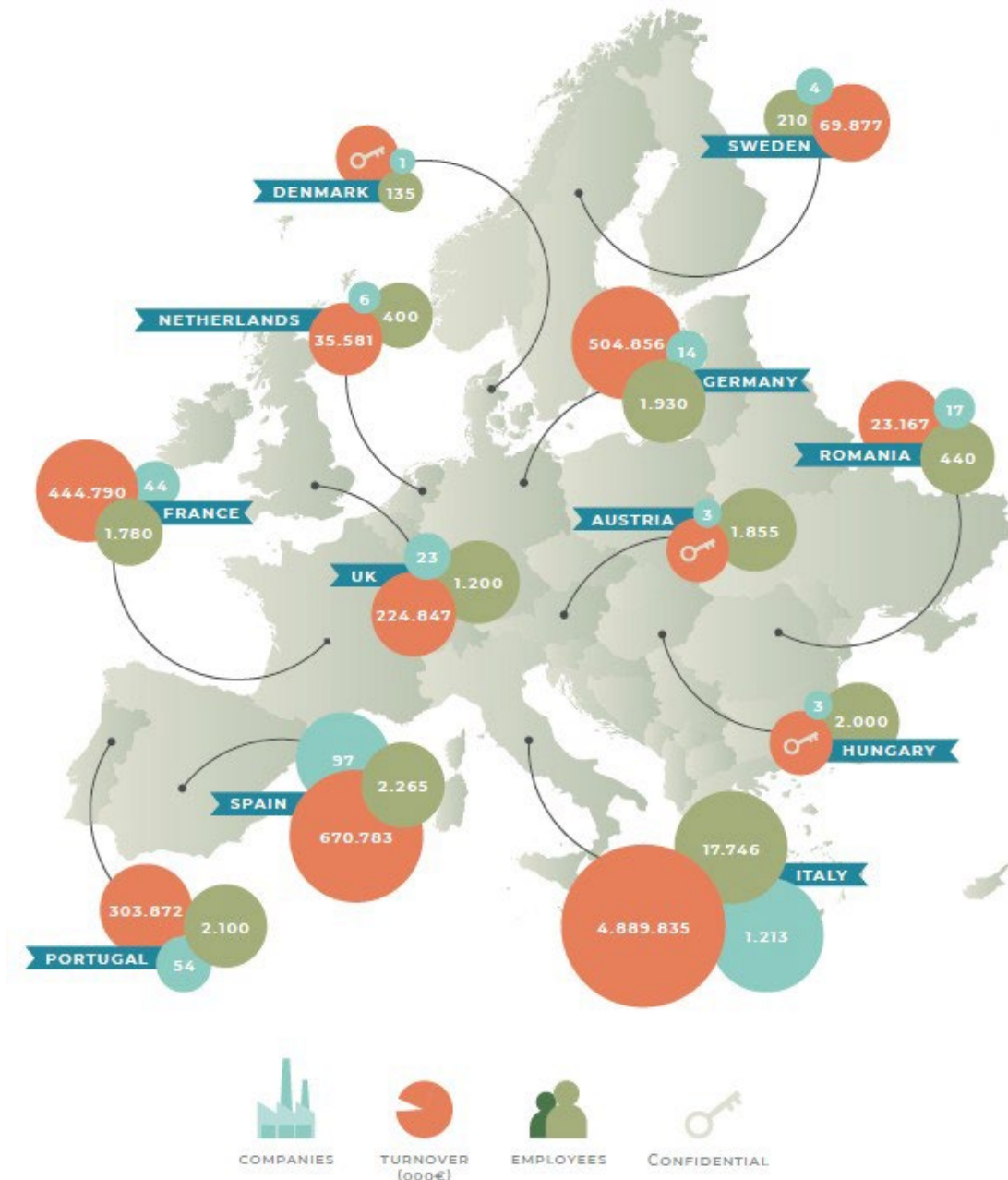
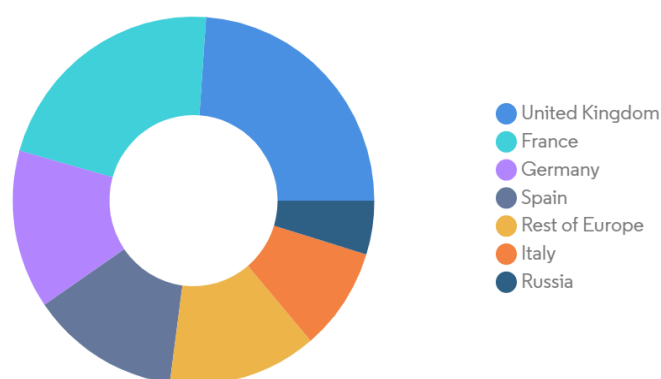


Figure 6. Overview of leather producing enterprises in Europe; 2019.

2.4 Competition analysis

The increased number of working professionals is a major factor promoting the leather market in the Europe. Driven mainly by the fashion industry, European countries - such as France, Italy and the UK - are witnessing increased engagement in leather manufacturing; from production to trading, throughout the footwear industry. In addition to the rise in customer spending power, evolving lifestyles contribute to the market's growth. The EC published a

study stating that the leather footwear segment accounted for the largest production share in the leather industry. As the demand for flexible and lightweight products is growing rapidly, numerous innovations and technological advancements help surge product demand in the UK. Leather footwear has a reputation for durability and stands strong even in heavy-duty work, along with casual, designer shoes. Leather footwear can be used for indoor and outdoor applications, making it popular among consumers.



Source: Mordor Intelligence



Figure 7. Leather products market share (%); by European country

The leather accessories market is highly competitive and a few key players hold most of the market share. Companies like Kering SA, LVMH, Chanel SA, and Hermès International SA, are the most active among all the key players in the market. Samsonite International SA, Prada, and Bata Corporation are other significant companies, increasing their product line and expanding their presence in Europe. Expansion is the strategy preferred by companies to strengthen their market dominance. Major players are constantly trying to expand their production facilities or retail outlets; to accommodate the growing demand, and strengthen their strategies for market development.

2.5 Wholesale pricing

Given the large scale of conventional mineral (chrome) tanning, and the prevalence of international trade – in leather and leather products – information on prices of many, generic materials were available. Since 2020, the pandemic and other factors, have disturbed prices, leading in general to big increases. However, given the specialist and smaller scale of production and trade in vegetable tanned yak leather, prices were never easy to access. Moreover, because many of the products are relatively small-scale productions, somewhat distinctive, and likely to be traded through specialist outlets, prices are even more difficult to obtain.

2.6 Consumer tendencies and future development trends

The fashion industry has greatly increased consumer demand for high-quality, premium, and luxury leather products. Customers value (and seek) high-end products to create a fashion statement. Moreover, an increasing number of high-net-worth individuals (HNWIs), coupled with the growing trend of designer and branded clothes in major markets, has boosted the demand for luxury leather products. Leather accessories are exclusive and often premium priced. Conversely, synthetic leather (*'faux leather'*, etc.) is:

- cheaper than (some high-end) real leather,
- animal-friendly,
- produced in virtually every colour,
- can be manufactured to feature a high gloss finish,
- easily cleaned with a damp cloth,
- requires little maintenance,
- does not crack as easy as real leather, and
- ultraviolet (UV) light fade resistant.

All these factors are expected to increase its demand in the forecast period. Faux leather is a man-made product; is durable, and as strong as real leather. Artificial leathers - such as pleather, Naugahyde, vegan leather, bark cloth, glazed cotton, and recycled PET polyester are available on the market. Pleather is commonly used to make artificial leather clothing. It is made from plastic, and is less costly and lighter than some types of leather. All these factors, and advantages offered by synthetic leather, are expected to drive market growth.

Leather accessories come in various products like gloves, bags, footwear, watches, furniture, and many others. Increase in the demand for leather in the production of clothing is one of the major driving factors that may positively affect market growth. Moreover, the special characteristics of leather, are often preferred over other resources and materials, which has helped increase the demand for, and sales, on the market.

Some of the general comments relating to (real) leather and faux leather, may seem contradictory. But it should be appreciated that many types of leathers are produced, including, for example:

Low value. Utility protective gloving materials (from otherwise waste flesh splits).

Medium value. Corrected, grain splits for low cost footwear (from regular hides and skins).

High value. Full grain leathers (from a relatively small proportion of hides and skins) for manufacture of high-cost luxury items

Consumer behaviour has changed substantially over the previous decade. As old technologies have been exploited more, especially in developing and marketing fashion products, companies are exploring new possibilities for fulfilling customer needs with product varieties. The development of new surface finishes - with viable techniques - is needed to develop innovative products and add value to the products. With the fast evolution and change of lifestyles, and rising disposable incomes, consumers are more inclined toward fashion products. Consumers are improving their living standards based on their disposable income, and are consuming more fashionable products. So these kinds of consumer inclinations will create an opportunity for players operating in the market.

Synthetic leather made from natural fibres such as flax cotton or cotton fibres (combined with corn, palm, soybean and others) should be the focus of manufacturers to gain a competitive

market share in the European market with the advent of bio-based leather. The bio-based leather production process has no adverse effects on the ecosystem.

The high cost of natural leather is a factor that has driven the need for natural leather replacements. Prevalence of low quality leathers, and the shortages of leather throughout the world, are constraints for the leather industry. Some kinds of leather products available in the market have low costs. European buyers are looking for low-cost suppliers who can produce leather from exotic reptiles like pythons and alligators. These factors are restraining market growth. In addition to this, government regulations in Europe and the US - among others - are closing various tanneries and leather processing units. Governments have enforced regulations regarding leather use, which will act as a restraint upon market growth in coming years. Government policies have made new synthetic alternatives (such as plastic leather) available in the market. The lack of technology and skills, are a challenge for the market, as these features help to produce high-quality leather products. The quality of leather products is most important for the industry to grow.

Leather products (especially accessories) consumption is closely linked to living standards. Obviously, luxury leather products are purchased by wealthy people all over the world, and they have also been increasingly popular in developing countries, especially after the economic downturn of the 1990's. Large amounts of luxury articles are bought by Japanese, Chinese, and Indian tourists, from luxury shops in Europe. These can be considered as indirect exports linked to tourism, although currently the 'domestic' sales of European stores constitute one of the fastest growing segments of the luxury leather products market. It is expected that, once the current recession ends, this growth will continue over the next five to ten years.

A current trend in the luxury market, the development of custom-made products is also significant. This trend has some history in shoes and leather garments, but now some companies offer custom-made watch straps, wallets and belts in various types of leather, such as box-calf, ostrich, crocodile, 'galuchat' (ray and shark skin), lizard (iguana), etc. This is obviously an area where Mongolia could excel. The country's traditional, extensive, nomadic livestock production system, its almost unique access to yaks, and its ambitions to produce high quality, full grain vegetable tanned leather product, puts Mongolia in a unique position.

The leather products industry is expected to continue to be divided into two main categories.

- The luxury leather market, which will continue to use mainly genuine leather and exotic leathers (from animal farms), often in combination with other expensive raw materials and accessories. High-quality products from well-known international and national brand manufacturers will continue to be sold at high prices to wealthy customers around the world, in industrialized and developing countries.
- Leather will also be used less expensive articles, largely a reflection of the raw materials used. With the exception of handbags, all other leather accessories will be designed for more durability and better functionality. Suitcases, travel bags, rucksacks, briefcases, and even small leather products - whether made of genuine leather or synthetic - will increasingly carry guarantees from manufacturers and distributors.

2.7 Marketing channels/networks

Marketing in the leather industry is done through media channels and fairs. Brands carry out their marketing activities both in the mainstream media and through social media channels. In addition, marketing activities are carried out through fairs held in different areas every year; such as:

- Lineapelle, Italy,
- Leather World, Paris,
- ILM Internationals Leather Goods Fair, Germany, and
- many others.

However, in recent years, the power of social media in the field of marketing has increased significantly. It is observed that brands and companies run very effective social media campaigns in the field of marketing. In the digitalized world, the increase in the influence of social media has been inevitable. In addition, near-field communications (NFC) applications - that have recently entered our lives - enable brands to test their products in the virtual environment. In the modern world, where online shopping habits are developing day-by-day, brands must invest in technology in the field of marketing. The promotion of a product - produced in any part of the world, for sale in any part of the world - can be done very easily and effectively via the Internet. Firms can reach many more customers, with less time and smaller budgets.

2.8 European countries with special advantages/restrictions; comparative analysis

The tanning industry is global, and EU tanners are highly dependent on access to:

- raw materials, and
- export markets.

The EU tanning industry is still the world's largest supplier of leather in the international market place. This is despite the shrinkage of the share of the EU in world markets due to the development of the leather industry in other regions of the world; such as Asia and the Americas.

Italy and France are important trading hubs and creative centres for leather fashion accessories; their brands (e.g. Hermes, Louis Vuitton, Goyard and Longchamp; and Prada, Valextra, and Loro Piano, respectively; among many others) remain very attractive to both traditional and new consumer countries. Germany, Spain, the Netherlands and the UK are also important destination markets, because they have a broad market reach, both inside and outside of Europe.

Western European markets are much larger and better developed than the Central and Eastern European markets. The top import markets for leather in the EU are France, Italy, Germany, the UK, the Netherlands and Spain. These six together accounted for 80.7% of leather imported into the EU; and were growing at an average rate of 7.7% per year in the previous five years. Eastern European countries' import markets are growing at higher rates, than those in the West; though they are all still relatively small.

Italy dominates Europe's exports, accounting for 57% of the total in 2021. It was distantly followed by Germany, Spain and Poland; together making up a 22% share of total exports.

France, Austria, the Netherlands, Belgium and Denmark held a small share of total exports.¹⁰ From 2012 to 2021, average annual rates of growth with regard to leather exports from Italy stood at -6.4%. At the same time, Belgium (+6.2%), Poland (+3.6%) and Denmark (+2.6%) displayed positive growth. Moreover, Belgium emerged as the fastest-growing exporter in the EU, with a CAGR of +6.2% during 2012-2021. By contrast, Spain (-3.8%), France (-5.0%), Austria (-7.4%), Germany (-8.3%) and the Netherlands (-11.8%) illustrated a downward trend over the same period. From 2012 to 2021, the share of exports from Poland, Belgium and Spain increased by +3.7, +1.8 and +1.5 percentage points, respectively.

Italy dominates imports, with about 65% of the total in 2021. Spain ranked second in terms of total imports with a 7% share, followed by Poland (5.3%) and Portugal (4.6%). Germany, Romania and France followed a long way behind the leaders. From 2012 to 2021, average annual rates of growth with regard to leather imports into Italy stood at -3.0%. Similarly, Poland (-1.7%), Portugal (-2.7%), Spain (-5.3%), Romania (-6.5%), France (-6.6%) and Germany (-8.2%) all exhibited downward trends over the same period. Italy (+5 percentage points) significantly strengthened its position in terms of the total share of imports, while Germany saw its share reduced by -2%; during 2012 to 2021, respectively.

The shares of imports into other countries remained relatively stable throughout the analysed period. In value terms, Italy constituted the largest market for imported leather in the EU, comprising 29% of the total. Second position in the ranking was taken by France, with an 11% share of the total. It was followed by Germany, with an 8.2% share. In Italy, leather imports contracted by an average annual rate of -6.2% over the period 2012-2021. In other countries, the average annual rates were: France -1.2% per year, and Germany -7.8% per year.

European tanners face two types of trade barriers:

- those hindering the export of finished leather, and
- those restricting access to raw materials.

The second is a common barrier for the leather tanning sector and is considered to be the most harmful, since it significantly impacts the competitiveness of European tanners.

Since domestic tanners' access to raw materials within Europe has become more difficult, access to raw materials outside the region is crucial. Many non-EU countries maintain export bans and restrictions for raw hides and skins. Market access improvements are expected first and foremost in the context of the World Trade Organization (WTO) where the EC supports the overall withdrawal of all export restrictions by different WTO members. To ensure that European industries have fair access to the raw materials they need, the EC has elaborated an integrated strategy as presented in its 2008 Communication, *'The raw materials initiative: meeting our critical needs for growth and jobs in Europe.'* (NB contrasting interests of Mon and EU)

Italy and France are known as the heart of fashion in the world and Europe. This brings an advantage in terms of production and trade. On the other hand, the production capacity and the low pricing of China is a significant disadvantage for these countries.

¹⁰ EU Leather Market Report Analysis and Forecast to 2020, Indexbox,
<https://www.indexbox.io/store/eu-leather-market-report-analysis-and-forecast-to-2020/>

2.9 Selection of target markets based on their potential for the SYL cluster

All the information provided in previous sub-sections relates to leather (and leather products) produced using the most commonly available raw material, namely:

- cattle hides (from *Bos taurus* and *B. indicus*) including the skins of their calves, and
- skins (*Ovis* and *Capra* species) including the smaller skins of their lambs or kids.

With the exception of some exotics, these items account for most of the raw material used in the leather industry.

Table 2. Types of raw materials for leather manufacture¹¹

Source	Proportion of all leather (%)
Bovine	65
Sheep/Lamb	15
Pig	11
Goat/Kid	8
Other	1

Similarly, most of the information presented previously relates to leather produced using mineral tanning (especially chrome oxide); and vegetable tanned leather accounts for only about 10% of the world total. Accordingly, vegetable tanned yak leather, amounts to a very, very small proportion of the global production; according to:

- the raw material used, and
- the tanning method used.

In contrast to the bulk of mineral tanned leather (destined for large scale consumption in the manufacture of footwear and clothing), vegetable tanned leather (and particularly that made with yak hides) is a very small, and a specialty, niche market. Prospective customers are unlikely to purchase vegetable tanned yak leather shoes (garments, goods, etc.) because they are *'better'* than those made with mineral tanned cow hides. Rather, they are likely to purchase them because they are different, especially in term of:

- Source; Mongolia.
- Initial production; traditional, extensive (nomadic) animal husbandry.
- Image; free range, good animal welfare, etc.
- Processing; more natural (traditional), non-industrial, etc.
- Environmentally friendly and sustainable.

When vegetable tanned yak leather has so many interesting (sometimes unique) characteristics, it is unnecessary (and sometimes counterproductive) to compare it with mineral tanned leather. Common mistakes include:

- ***'Yak leather is stronger than other leathers'***. Stronger, how? In terms of tensile strength, tear strength, etc? How much stronger, and where is the evidence?
- ***'Yak leather is more durable than other leathers'***. But most leather is durable, so even if yak leather was more durable, how much more durable? And where is the evidence? If there is a difference is it really significant?

¹¹ <https://www.carlfriedrik.com/int/magazine/what-is-leather-made-out-of>

- **‘Yak leather is better quality than other leathers.** Better in which way? Better suited to the manufacture of men’s shoes, better in terms of cutting yield during manufacture, etc? How much better, and where is the evidence?

If one accepts that the best definition of quality is *‘fitness for purpose’* then producers of vegetable tanned yak leather need to seek prospective customers who appreciate (and are prepared to pay for) its particular/unique quality characteristic; particularly the less tangible ones. The latter include:

- Aesthetic appeal; haptic properties, and visual appearance (especially full grain types) including development of patina with prolonged use and age.
- Perception; associated with the traditional way of life that provides yak products.
- Exclusivity; provided by a natural material that is produced on a small scale, largely manually, and mostly with organic material.

Leather is a natural material and – like the hides and skins from which it is made - inevitably varies in many ways. Calf skins, cow hides and bull hides are all very different in their physical and chemical composition. Even a batch of *‘similar looking’* cow hides will vary; one from the other. Moreover, within one particular hide or skin, the physical and chemical composition will vary; according to the location across the piece, and within the piece. These variations have been extensively studied and published (for some cattle, sheep and goats). One of the tasks of a good leather technical is to try to reduce these variations in the tanning process, to provide a more consistent material for the manufacture of leather products. Despite this, variations persist, so it is difficult to say for example that *‘Leather A’* is stronger than *‘Leather B’*; especially in the case yak where little or no published information on the physical and chemical properties exist.

The very small scale of vegetable tanned yak leather production (and associated manufacture of leather product) globally, and its unique properties means that global data on the market is small; but the product is not insignificant.

Artisanal vegetable tanned leather - and associated leather products – easily lend themselves to small-scale manufacturing of tourist type souvenirs; and this is likely to be a by-product of development of the (more commercial) vegetable tanned yak leather in Mongolia. For example the use of offcuts and trimmings that would otherwise be wasted. However, it is proposed that the bulk of the leather produced in Mongolia will be used for the manufacture of hand crafted, designer products; with emphasis on style, nature, authenticity, heritage, and so on. Attributes which will put the products on a par with other premium and luxury products. Accordingly, it is expected that their marketing will complement that of related products in Europe generally and France and Italy in particular.

3. EXPORT REQUIREMENTS FROM MONGOLIA TO EUROPE

3.1 Procedures of registration, certification and permits

3.1.1. Background

The EU has placed significant emphasis on addressing the challenges faced by developing countries with small and fragile economies, as well as landlocked countries, in international trade. To support their development needs, the EU has introduced new rules within the General System of Preferences (GSP) called ‘*good governance and sustainable development*’. As part of these efforts, a new concession known as GSP+ has been established to include countries with fragile economies, allowing them to exempt more than 7,200 types of goods and products from customs duties.

Under GSP+, Mongolia benefits from customs tariff discounts on 7,200 goods originating from their country. These discounts are granted based on specific requirements such as origin, direct shipment conditions, and document verification. Therefore, it is essential to complete the necessary documentation in accordance with the prescribed terms and conditions.

Access to GSP+ is based on conformity with laws with international standards which Mongolia must ensure. Most to these are described in *Appendix 1 Laws and regulations of Mongolia on agricultural commodity trade*

According to Article 60 of the *Customs Law*, the declarant or exporter has an obligation to attach accompanying documents to the customs declaration. These documents include foreign trade agreements, price invoices, transport documents, permits, licenses required for goods subject to non-tariff restrictions, and various other documents specific to Mongolia. Additionally, as per the state contract, the authorized person must prepare documents demonstrating origin, and other documents stipulated by the law. It is important to note that the export of livestock products is excluded from operations requiring a special license, as specified in Article 8.1 of the *Law on Permits*.

Described below are procedures to obtain certificates, licenses, and legal documents in accordance with above mentioned laws:

3.1.2. Certificate to export raw materials generated from livestock and animals

It is required to obtain certificate from an authorized body to prove animals, plants, raw materials and commodities are qualified against the export requirements in accordance with the *Law of Mongolia on Restriction Inspection, Monitoring at the Border Transportation of Animals, Plants, and Raw Materials and Commodities*. Below listed steps are required to obtain a certificate:

- Register to e-Customs system;
- Review/Study service procedures;
- Accept service conditions;
- Submit service request;
- Request processed in accordance with submission basis, for which the following documents need to be submitted:
 - Letter of request to General Customs Office;

- Photocopy of state registration certificate and civil identification card of the requester;
- Sales or purchase agreement, gift agreement and/or documents of similar nature (in case if the submission document is prepared in other languages except English, it needs to be translated to Mongolian by authorized translation agencies);
- Certification from international veterinary (General Authority of Veterinary Services);
- Commercial invoice;
- Packaging information (quantity, in English);
- Test results from accredited laboratories;
- Memo from state inspectors on sampling;
- Description from entity processing hide, wool and cashmere, and standard test results (if necessary).

Request processing period is 14 calendar days according to legal clauses; in practice up to seven working days.

3.1.3. Certification from international veterinarian

The document certifying the health and origin of animals, animal-derived raw materials and products, veterinary clinics, and hygiene, shall be referred to as the '*veterinary certificate*' within domestic trade and as the '*international veterinary certificate*' in international trade. These certificates should be available in both electronic and printed formats.

Citizens and legal entities engaged in the export of livestock, animals, and raw products derived from them are required to submit their request to the veterinary medical institution, accompanied by the following information and documents.

- Animal-related items, including raw materials and derived products, veterinary laboratory report, and veterinary certificate.
- Documents such as the applicant's sales and purchase agreement, gift agreement, and similar records.
- For legal entities, a copy of the state registration certificate; for individuals, proof of citizenship.
- If the applicant intends to transport livestock, animals, raw materials, or derived products, they must provide details of the vehicle, route, and the name and time of entry at the border port.
- Comprehensive information about the livestock, animals, raw materials, and derived products, including type, quantity, size, processing status (semi-processed, raw, frozen, chilled, fresh, etc.), packaging, labelling, and safety. This should include the HS (Harmonised System) code.
- Specify the processing plant's number, name, address, and location.

The veterinary institution will evaluate information and requests from citizens and legal entities, consider the regulations, the World Organization for Animal Health (WOAH) data, and information on infectious diseases in the exporting country, and make a decision on issuing an international veterinary certificate for imported animals, animal products, raw materials, and their derivatives.

3.1.5. Export Conformity Certificate

'Certificate of Conformity' means a document that describes the product's compliance with established requirements as indicated to Article 4.1.11 of the *Law of Mongolia on Standardization, Technical Regulation, and Conformity Assessment Accreditation*. The following documents are required to be submitted to the Standards and Metrology Department to obtain a certificate.

- Application for Citizens and Businesses as per Form 1;
- Notarized Copy of Individual's Identity Card or Enterprise's State Registration Certificate;
- Sales and Purchase Agreement;
- Declaration of Product Quantity and Price;
- Test Results from an Accredited Laboratory that conducted tests on the product.

Request processing period is two hours.

Conclusion. Based on the pertinent laws and regulations mentioned above, the exporter is required to submit requests electronically and in writing to organizations including: the General Department of Customs, the Department of Standard Metrology, the National Chamber of Commerce and Industry of Mongolia, and the General Authority of Veterinary Service. It is estimated that a total of seven days will be necessary to complete the necessary documentation and associated tasks.

3.2 Customs procedures

When exporting goods, the exporting enterprise is required to comply with the:

- *Customs Law of Mongolia* (approved in 2008, and revised thereafter), and
- *General Procedure for Customs Control of Goods and Vehicles Passing the Customs Border* (approved through Order No. A/275 of 2019, by the Head of the General Directorate of Customs).

In accordance with these regulations, the exporting enterprise must prepare the necessary documents for customs clearance as specified by the law. Customs clearance encompasses a range of activities, including:

- declaring the goods to the customs authorities,
- submitting the required customs documents,
- undergoing goods inspection (if necessary),,
- paying the applicable taxes, and
- obtaining permission to release the goods or to exit the customs border.

As per official information provided by the Mongolian Customs Organization, the process of export customs clearance should be conducted in the following stages:

- Declaration.
- Verification of customs documents.
- Inspection of goods and vehicles.
- Levy and process customs, and other taxes.
- Facilitation of customs clearance permits.

'Declaration' refers to the act of recording essential details regarding the goods and vehicles intended for transportation across the customs border. This process involves completing the customs declaration form and submitting it, along with pertinent documents, to the customs authorities.

When citizens and businesses engage in foreign trade - and need to report information on export goods to the customs authority - they are required to utilize the 'Customs Electronic Service System' available at www.gaali.mn. Through this system, they can electronically submit the 'Customs Declaration of Export and Import Goods,' hereinafter referred to as the 'Customs Declaration.' Since the fourth quarter of 2021, the entire process - encompassing the declaration of export and import products and the payment of taxes at the customs office - has been fully digitalized.

The exporter is required to declare the goods by completing the declaration form available on the 'Customs Electronic Service System' at www.gaali.mn. The accompanying documents should be sent in the form of a 'PDF' file. The customs authority can electronically receive declarations from individuals and businesses, and process the corresponding customs documents. Once the documents and exported products have undergone the necessary inspection, tax invoices can be submitted electronically and payments made.

The customs declaration process for exporting goods through the customs electronic service system follows the steps outlined below:

1. Access to system	Select either a single access password, a digital signature, or Internet banking credentials to gain access to the customs electronic service system.
2. Submission of online declaration	Complete the required fields on the form provided and electronically attach supporting documentation for the goods and vehicles intended to be brought across the customs border.
3. Receive and distribute electronic declarations	Inspector designated to receive and review application requests submitted through the system, ensuring the accuracy and completeness of the accompanying documents.
4. Examination of the customs control zone	Documents, goods, and vehicles undergo inspection and be subject to taxation.
5. Payment of customs and other taxes	Payment of taxes and fees imposed by the customs inspector is required
6. Inspection and verification	After undergoing the necessary customs checks and controls, it will be approved for export.

Users of the customs electronic service system can access the platform through two different methods:

- utilizing a one-time code, or
- employing their Internet banking credentials.

However, for enterprises and organizations, access to the system is exclusively granted by using the designated 'digital signature of the organization.'

Upon successful login, users are required to complete the declaration form by providing essential details related to the goods. The form consists of four sections, each pertaining to specific information:

- Basic information
- Shipping information
- Product information
- Document information

Basic Information. In this section, applicants enter transaction information regarding sales and purchases, completes the section fields and clicks the 'Save' button to proceed to the next step.

Section Name	Description
Customs Clearance	Indicate the preferred option between <i>Customs Clearance</i> or <i>Import/Export</i> type.
Declaration Type	Select from the available types defined in the system.
Registration Mode	Choose from the system-defined options. For more information, refer to https://gaali.mn/categories/procedure .
Customs Authority	Select the appropriate customs authority responsible for declaring the goods.
Declaration Date	Choose the date, month, and day when the goods are declared to the customs office.
Sender	In the first field, select and enter the name of the company, organization, or country of citizenship of the sender. Enter the name of the enterprise, organization, or citizen sending the goods. The sender's name and address should not be converted into Cyrillic letters. Capitalize the first letter and write the rest in lowercase. For example: Erlian Jiayu Trading Co., Ltd. Include address and telephone information based on supporting documents.
Sending Country	Select the country from which the goods are being sent as indicated in the transport document.
Recipient Country	Select the destination country for the goods as listed in the shipping document.
Financial Details	Enter the debtor's registration number, name, bank name, account number, and address information for the debtor involved in the foreign trade settlement. If the debtor is the declarant, the system will automatically fill in the user's information.
Means of Delivery	Select the transport type and delivery country as defined in the system.
Border Port	Enter the name of the entry port, which will be automatically retrieved from the cargo manifest information.
Contracting Country	Select the name of the foreign contractor's jurisdiction country from the database, with whom a contract has been made for the supply of goods.
Terms of Goods Supply	Based on the foreign trade agreement, select the mutually agreed-upon terms of goods supply using INCO terms. Examples include EXW (ex works), FOB (free on board), CIF (carriage and insurance paid), DDU (delivered duty paid), etc.
Quotation Code	Choose from the available types defined in the system.
Payment Code	Select the method of tax payment for the goods from the available options. For example: Cash Ordered-101, Non-Cash Ordered-201, Advance Payment Deducted-301, etc.
Currency Type	Select the currency type specified in the contract price, and the exchange rate for that currency will be automatically calculated.

Total Transaction Amount	Enter the total amount of the transaction, which includes the invoice amount or the total value of all goods in the shipment, in the previously selected currency. For example, if the contract is to purchase 119 tonnes of white rice at \$600 per tonne, resulting in a total price of \$71,400, enter the amount 71400 for the total transaction.
Registration Fee	The system will calculate the registration fee automatically.
Transportation Costs	Specify the amount for additional costs related to transportation, loading, unloading, and transshipment of goods to the border port of Mongolia. This includes: <ul style="list-style-type: none"> • expenses such as transportation preparations, export documentation, vehicle and container fees, and rentals. • costs for loading, unloading, storage, transshipment, and maintenance of goods during transportation.
Insurance Premiums	Enter the cost of insurance premiums not covered in the agreement or contract; aimed at protecting against risks related to: transportation, loading, unloading, storage, and other activities associated with goods delivery up to the border port of Mongolia.
Additional Costs	Indicate any increased costs as per the agreement, excluding transportation and insurance expenses. These costs should align with Chapters IV and V of the <i>Law on Customs Tariffs and Customs Taxes</i> .
Excluded Expenses	Include separate figures for expenses already accounted for in the agreement or contract price, based on reasonable foreign trade, financial, and accounting data. This includes costs such as: <ul style="list-style-type: none"> • Installation, assembly, repair, technical assistance, and training after importing the equipment. • Transportation costs after crossing the customs border. • Customs and other taxes of the importer.

Shipping Information. Information related to the movement of goods and vehicles is inserted into the *'Shipping Information'* section.

Section Name	Description
Border Crossing Vehicles	Choose the mode of transportation when goods cross the customs border of Mongolia. Then specify the country of vehicle ownership.
Vehicle Number	Enter the vehicle number, which is automatically extracted from the cargo manifest. It will be verified for accuracy.
Loading and Unloading Point	Enter the code of the place and station where the goods are unloaded in the first part, and provide the name in the next part.
Goods Location	When declaring goods to customs, indicate the customs control zone where the goods are located.
Date of Customs Entry	Specify the date, month, and day when the goods entered the customs control area.

Product Information. Under the *'Product information'* section, applicants have the option to enter comprehensive details about the product, including its category, name, brand, packaging, quantity, price, weight, and more. Input of the product information may be completed in one of two ways; *'Copying from text'* or by *'Adding a product'*.

Section Name	Description
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HS	Harmonized System for identification and coding of goods (or Commodity Classification Code). Select and enter the mandatory 8-digit classification code from the database according to the Harmonized System. For example, code 4101.20.91 represents 'whole, uncut cow hides and skins weighing not more than 16 kg, which have been protected by other methods'. More information about HS can be found at https://gaali.mn/hscod/mn .
Country of Origin	Select the name of the country from which the goods originated, based on the supporting documents.
Type of Tariff	Select the applicable tariff type based on the supporting documents proving the origin of the goods. The options include: <ul style="list-style-type: none"> Favourable Tariffs: Applicable to goods originating from WTO member countries and Belarus. Proof of origin must be attached. Normal Tariff: Applied in the absence of proof of origin. This tariff is twice the rate of the very favourable tariff. Discounted Tariff: Applied to goods originating in Japan according to the Economic Partnership Agreement. Attach the certificate of origin of the ERC.
Product Name	Write the general name of the product, followed by a comma, and provide specific characteristics.
Manufacturer	Enter the name of the company that produced the goods.
Brand/Model	Specify the brand name, standard, article, model, and variety of the goods. Use the brand name as it appears in the contract, without translating foreign names into Cyrillic letters. Capitalize the first letter and lowercase the rest. For example: Esse, Tide, Ariel, etc. Standard letters should be capitalized.
Characteristics	Describe the purpose, content, characteristics, quality, grade, technical specifications, capacity, size, description, and packaging of the goods. For example: '1 box of cigarettes*50 blocks*10g/pack*20pcs, chewing gum 20mg, nicotine 1.6mg; nourishing and moisturizing shampoo, 1 box*6pcs*250ml, weight-53g, hair care'.
Other Information	Enter any additional information not covered in the above fields that may affect the price and categorization of the goods.
Year of Manufacture	Specify the year in which the goods were manufactured.
Barcode	Enter the barcode of the item.
Contract Unit Price	Enter the unit price as stated in the contract, using the specified unit of measurement. For example, if the transaction unit is USD, the unit price would be entered as 600 USD.
Contract Quantity	Enter the quantity as stated in the contract, using the corresponding unit of measurement. For example, if the proof document states 119 tonnes, the transaction quantity would be entered as 119 tonnes.
Category Unit Price	The program automatically calculates the basic unit price based on the category's unit of measurement in the HS.
Class Quantity	When entering the 8-digit class code according to the Harmonized System in the HS classification table, the class measurement unit is activated. If the unit of measurement for the category differs from the transaction unit, the program calculates the category quantity by converting the transaction quantity to the category's unit of measurement. For example, if the transaction unit for rice is a tonne, and the Harmonized System unit

	is a kilogram, the contract quantity for rice would be 119 tonnes, and the class quantity would be 119,000 kg.
Transfer coefficient	The program automatically calculates the unit price for the HS category using the corresponding unit of measurement.
Packaging	In the first part, select the number of packaging pieces, and in the next part, select the unit of measurement for the packaging.
Net Weight	Net weight refers to the weight of the product intended for sale to the consumer or for retail, excluding the packaging. It is expressed in kilograms.
Gross Weight	The weight of packaging used for storage, protection, and transportation should be measured in kilograms (kg), which includes the gross weight. Gross weight refers to the combined weight of the goods contained within boxes, sacks, barrels, bottles, etc., including their outer packaging. In simpler terms, gross weight represents the total weight of the product, encompassing both the item itself and its external packaging.

Document Information. The *'Document Information'* section includes electronic copies of commercial and other accompanying documents, and the documents necessary for product declaration are attached in PDF format.

Section Name	Description
Document Name	Choose the name of the attached document from the predefined types in the system. To add documents that do not match any predefined type, please select the <i>'Other'</i> option.
Number	Manually enter the document number for attachment.
Date	Manually enter the date of the attached document.
Pages	Manually specify the number of pages in the document to be attached.
File	Click on the <i>'File'</i> section to upload the document in PDF format.
Comment	If you have any additional comments, you can enter them manually. This field is optional.

Up to this point, the customs declaration process involves accurately and completely entering the four aforementioned pieces of information into the system. The system then automatically verifies the information against the goods' details, and if there are no discrepancies, the *'Send'* button becomes active, allowing the customs authority to receive the declaration. Once this step is completed, the customs declaration status changes to *'Received,'* preventing any further modifications.

The customs declaration becomes valid only after the customs inspectors and senior inspectors responsible for customs inspection have thoroughly examined and approved the declaration information and accompanying documents during a physical inspection. To track the progress of applications, the application number you entered in the designated field of the *'Customs Service Electronic System.'* This will enable viewing and monitoring of the status of the application.

3.3 Shipping and logistics

When exporting processed yak skin the EU, it is crucial to have a well-organized logistics plan in place right from the beginning. Proper management of shipping, documentation, and customs clearance is essential to ensure the secure and timely delivery of the processed

leather to its destination. This subsection provides an overview of the logistics information required for exporting processed yak skins to the EU.

Transportation plays a vital role in the logistics of exporting processed yak skins to the EU. It is imperative to ensure the safe and timely transportation of the leather while minimizing the risk of damage during transit. The choice of transportation mode depends on various factors, including the shipment size, distance to the destination, urgency, and cost considerations.

Road transport. Road transport is well-suited for regular shipments of small quantities of processed yak skins (leathers and/or leather products) to the EU. It offers flexibility by enabling goods to be transported directly from the exporter's location to the recipient's premises.

Rail transport. Rail transport can be a cost-effective alternative for transporting processed yak skins to the EU, particularly for large shipments. Compared to road transport, it provides a reliable and secure means of transporting goods in bulk. However, it should be noted that rail transport is less flexible than road transport and requires additional loading and transshipment at border ports. If not properly planned, this may entail unexpected additional costs.

Air transport. Air transport is the fastest mode of shipping for exporting processed yak skins to the EU. While it is suitable for urgent deliveries, it is also the most expensive transportation option and is generally not recommended for large quantities of leather products.

Transportation by air is the most expensive (at about \$4.00/kg) while road and rail are considerably cheaper; about \$0.25/kg and \$0.15/kg respectively.¹³

3.4 Taxes, tariffs, etc.

3.4.1. Tariffs

General

According to the *Law on Customs Tariffs and Customs Taxes*, the declarant is required to determine the customs value by utilizing the necessary documents for the customs clearance process and submit the declaration to the customs authority. There are multiple methods available to determine the customs value, and the declarant or exporter has the autonomy to choose the appropriate method. The declarant assumes the responsibility of providing the documents that establish the customs value to the customs authority. It is preferable for these documents to be based on factual information and expressed in numerical values. Subsequently, the customs authority will examine and evaluate the accuracy and realism of the chosen method for determining the customs value and the submitted declaration.

More information on taxes and tariffs - from the perspective of import to Europe - are provided in sub-section 4.7. *Taxes and Duties*

If the documents used to ascertain the customs value are not verified, or if the information contained within them is lost, incomplete, or insufficient in terms of figures, or if the declarant fails to prove the accuracy of the customs value, the customs authority may consider the declared value unreasonable. In such cases, customs and other taxes will be imposed and paid

¹³ <https://super-internationalshipping.com/freight-europe-mongolia/>

by the declarant based on the value determined by the customs authority through alternative means. If the declarant disagrees with the customs value determined by the customs authority, the customs authority has the option to establish a new customs value, provided that they present additional evidence within 45 days of the initial determination. It is essential for the declarant to bear the costs associated with verifying the customs value and ensure that appropriate methods are employed to reasonably determine the customs value.

The customs value of the exported goods is established based on the conditions of delivery to the border station of Mongolia, using the following methods in sequential order:

- Quotation method.
- Cost-based pricing method.
- Price method for transactions involving goods of the same type or similar nature.
- Market information and research methods.

Quotation method. Following cost items needed be included in quotation price in case if not included in customs value of export goods for delivering the goods to the border of Mongolia:

- transportation costs;
- expenses related to transportation operations such as transportation and export documents, registration fees, insurance premiums, as well as costs for loading, unloading, storage, and transshipment of goods.

It is not permissible to use the quotation price method to value export goods in the following situations:

- if the customs value cannot be determined due to the conditions under which the transaction was made;
- if the buyer and the seller have a significant relationship that affects the transaction price.

Cost-based pricing method. If it is not feasible to determine the customs value of exported goods through the quotation price method, the cost price method is employed. When determining the customs value of exported goods using the cost-based pricing method, the unit price is established based on the genuine financial and accounting records and information provided by factories, exporting enterprises, and organizations situated within the territory of Mongolia.

When determining the customs value of exported goods, the calculation takes into account the costs and prices that are directly or indirectly absorbed by the unit of the goods in the following manner. The following costs are associated with the production of goods whose price is determined:

- The cost of raw materials, both main and auxiliary, used by the manufacturer as components of the goods.
- Costs incurred from direct and indirect production activities related to the manufacturing process.
- Proportional portion of operating and administrative expenses per item.
- Expenses for electricity, heat, steam, water, communications, and rental costs per item.

and other taxes are considered paid when the payment deadline is extended, a partial payment is made, or a decision is reached to pay in full. The customs declaration becomes valid upon issuance of the guarantee.

3.4.2. Duties

The application of customs duties and other taxes on goods entering or exiting the customs territory in accordance with the *Law on Customs Tariffs and Duties*, and baseline of the customs duties and additional taxes, is the customs value of the goods and their respective quantities.

According to Article 35, Clause 3 of the *Law on Customs Tariffs and Duties*, customs and other taxes will be imposed in MNT based on the prevailing tariff and exchange rate on the day when the goods are declared to the customs authority. In the event of a fluctuation in foreign currency exchange rates and tariff rates, the payment should be made according to the tariff and currency exchange rate in effect on the day of the final customs clearance.

The bank may provide a guarantee for the payment of customs and other taxes, and upon the expiration of the guarantee period, the bank is obligated to pay the taxes. Additionally, the taxpayer has the option to make an advance payment to the customs office account to cover customs and other taxes. No interest will be levied on the advance payment.

The exporter's customs declaration becomes valid upon payment of customs and other taxes or the provision of a guarantee for customs and other taxes.

3.4.3. Other restrictions

As per Article 3 of the *Customs Law*, 'non-tariff restrictions' encompass the prohibition of goods entry into Mongolia's borders, except with permission from the competent authority, as well as the imposition of quantitative limitations and other measures. No restrictions are currently imposed on the activity.

3.5 Documents required for obtaining the export certificate

The following documents must be provided in order to obtain an export certificate for livestock and animal products:

- Official request addressed to the General Administration of Customs.
- Copy of the state registration certificate and identity card of the legal entity that submitted the request.
- Sales and purchase agreements, gift agreements, and similar documents (unless written in English, they must be translated into Mongolian with a certified translation).
- International veterinary certificate (issued by the General Department of Veterinary Medicine).
- Invoice and Packaging and packaging information (including quantity) in English.
- Test results from accredited laboratories.
- State inspector's record of sampling.
- Description of the processing location for leather, wool, cashmere, along with the results of standard analysis (if necessary).

The documents necessary to obtain an International Veterinary Certificate are listed in 3.2.3. *Certification from international veterinarian*. Documents to obtain a Certificate of Origin are listed in 3.2.4. *Certificate of Origin*. And documents for an Export Conformity Certificate are listed in 3.2.5. *Export Conformity Certificate*.

4. IMPORT REQUIREMENTS IN THE TARGET MARKETS

4.1 Rules and restrictions related to the trade in livestock products

Since 1974, the EU has been establishing a wide range of legislative provisions concerning animal welfare. Under EU treaties, animals are recognized as sentient beings, and the EU and the MS must pay due regard to the welfare requirements of animals. For example, when preparing and implementing EU policies in agriculture or the internal market. Today, EU legislation on the welfare of farm animals covers (with specific provisions) the farming of poultry, calves and pigs; and for all species, transport and slaughter operations. This legislation is among the most advanced in the world. In particular the EU has banned traditional cages for laying hens, and requires group housing for pregnant sows.

While MS are primarily responsible for the daily implementation of rules, the Commission monitors the implementation of the legislation. Experts from the EC perform regular audits to check that the competent authorities are performing appropriate official controls.

The EU has one of the most comprehensive and advanced set of animal welfare legislation in the world. This leading position is an asset in the long term, but importation of cheaper products from countries with sometimes lower animal welfare standards (for example) could jeopardize the progress made by EU producers (and mislead EU consumers). In addition, EU producers have to compete globally, and consumers outside the EU are not necessarily aware of the high animal welfare standards of EU products.

It is therefore important that the EC continues (and reinforces) its international activities on animal welfare. These activities take place at the level of international organisations - such as the WOA (previously known as the OIE) - which has adopted a series of international standards on animal welfare. The EC also negotiates free trade agreements with individual (third party) countries¹⁸ where animal welfare is included. Other forms of dialogue may also exist with third party countries - on animal welfare - to exchange experiences and expertise.

The EU animal welfare requirements are also applicable to the import of live animals, and products of animal origin. They have paramount importance in two major areas:

- the handling of animals during slaughter for human consumption, and
- welfare requirements concerning the transport of most live animals.

In relation to the import of certain products, the animal welfare requirements are incorporated into import certificates - in the form of an attestation - and the veterinary authority of the country of origin has to certify them, together with animal and public health requirements.

For breeding yaks, and processing their hides and/or skins. According to recent decisions of the EU (16 February, 2022. Strasbourg) proper breeding of animals - in the right circumstances - is an issue that is set in production and selling procedures. It is protected by laws and regulations that aim to ensure the wellbeing of the animals, and the health and safety of the consumers.

Regarding the production of yak leather products, there are a few conventional technologies that are already being used. New technologies must be implemented however, for the produced goods to be:

- more environmentally friendly,
- commercially viable, and
- compliant with global standards.

Facilities need to be properly equipped with both machines, and the knowledge required to accomplish the best result, which is something the Mongolian economy strives for. This change will have a positive impact on the areas where yak breeding is predominant. It will also lead to the growth and enhancement of the people's living status.

4.2 Product safety, hygienic and sanitary requirements

Import of goods should have no adverse effect on the health of humans, animals, plants, and other species; and thus the environment. Therefore, some documents are needed for the importation process, to ensure that both the product and the buyer are safe. These documents are:

One. Certificate from the Animal Quarantine Office. If any items classified as 'leather' or 'leather products' are subject to the rules of the animal quarantine department, the importers of such products are required to obtain a certificate from the Animal Quarantine Office of the country of origin.

Two. Veterinary certificate. This is required if the products are raw leathers or products that have been vegetable tanned. The Committee of Mongolia can issue the official document, only if the yak leather is imported without the necessary processing. Imports of animals and animal products into the EU must, as a general rule, be accompanied by the health certification laid down in EU legislation. This sets out the conditions that must be satisfied, and the checks that must have been undertaken, if imports are to be allowed.

A health and safety certificate is not necessary if the item is a finished product. The general requirements for human and animal health must always be complied with when importing into Europe, animal products that are not intended for human consumption. This is to ensure a high level of security, and to prevent the dispersion of contagious diseases among people and animals. General health requirements have to do with the testing and certification, and conditions in which these products are preserved and packaged.

According to the European regulation (EU) 2017/625 ([CELEX 32017R0625](#)) (the Official Controls Regulation - OCR), these types of products can be imported into Europe only if they come from an established facility in a third world country. For each category of product, a list of selected nations is also provided. The products must always be accompanied by all the necessary certificates. They must also have successfully passed checks at the MS's Border Control Posts (BCPs). Compliance with these requirements is related to the fulfillment of certain conditions for the protection of human and animal health. European authorities might suspend imports from all or part of the third country concerned, or take interim protective measures, when products present any risk for public or animal health, as in the case of dangerous disease outbreaks.

The details of the certification required are set out in specific EU legislation, which includes models of the certificates to be used. The certification must be signed by an official veterinarian or official inspector (as indicated in the relevant certificate), and must respect the provisions of Council Directive 96/93/EC on the certification of animals and animal

- the use of chemicals, and
- copyright.

Any leather fashion accessory offered for sale in the EU has to adhere to:

One. EU General Product Safety Directive (GPSD: 2001/95/EC). Member states of the EU will examine whether the product satisfies the necessary safety standards. The objectives of these regulations are to improve the market's functionality, guarantee product safety, and shield consumers from environmental, health, and safety risks. For products to be sold, tested, and deemed safe for everyone, the directive outlines the process that must be followed during production. The legislation addresses the responsibility for both the producer and the seller, and it can be found in the following link: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32001L0095>

Two. Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation. This regulation restricts the use of several chemicals in leather, and specific materials used for trims. It is restricted (or forbidden) to use these chemicals in leather fashion accessories. A substance is defined as a chemical element, and its compounds in their natural state or obtained by any manufacturing process, including any additive necessary to preserve its stability and any impurity derived from the process used, but excluding any solvent that may be separated without affecting the stability of the substance or changing its composition (see Article 3(1) of REACH).

This regulation restricts the use of chemicals on the leather and in its processing. Companies are obliged to acknowledge, and manage with safety, all hazards of the products that are produced and sold to the European market. Additionally, they must demonstrate their ability to control and inform their customers about those measures.

REACH restricts the following chemicals from being used in the manufacture of leather fashion accessories:

- Mercury
- Cadmium
- Lead
- Chromium VI
- Nickel
- Leather dust
- Pentachlorophenol
- Alkylphenol Ethoxylates (APEOs)
- Azo Dyes
- Polycyclic aromatic hydrocarbons (PAHs)
- Formaldehyde

The goal of the SYL project is to ensure that the processing of the leather is executed properly from the beginning; to eliminate as many of these chemicals as possible, and have the best results. For Mongolian yak leather to be produced, managed, and distributed (to be exported to Europe), it must be processed, and tanning specifically, is a critical step.

accomplished by enabling far-reaching performance and information requirements – known as ‘*ecodesign requirements*’ – to be set on a wide range of them. This would improve their circularity, energy performance and other environmental sustainability aspects. Rules under ESPR will be laid down on a product-by-product basis, or on the basis of groups of products with enough similar characteristics. The EC is therefore seeking views on the categories of new products and measures that ESPR should address first; so that priorities can be set transparently and inclusively.

The EC is proposing new rules to make almost all physical goods on the EU market friendlier to the environment, circular, and energy efficient throughout their whole lifecycle; from the design phase, through daily use, repurposing and end-of-life. The EC is also presenting a new strategy to:

- make textiles more durable, repairable, reusable and recyclable,
- tackle fast fashion, textile waste and the destruction of unsold textiles, and
- ensure their production takes place in full respect of social rights.

A third proposal aims to boost the internal market for construction products and ensure that the regulatory framework in place is fit for making the built environment deliver on our sustainability and climate objectives. Finally, the package includes a proposal on new rules to empower consumers in the green transition, so that consumers are better informed about the environmental sustainability of products and better protected against greenwashing.

The proposal for a Regulation on Ecodesign for Sustainable Products addresses product design, which determines up to 80% of a product's lifecycle environmental impact. It sets new requirements to make products more durable, reliable, reusable, upgradable, repairable, easier to maintain (refurbish and recycle), and energy and resource efficient. In addition, product-specific information requirements will ensure consumers know the environmental impacts of their purchases. All regulated products will have Digital Product Passports. This will make it easier to repair or recycle products and facilitate tracking substances of concern along the supply chain. Labelling can be introduced as well. The proposal also contains measures to end the destruction of unsold consumer goods, as well as expand green public procurement and provide incentives for sustainable products.

Leather-related regulations, in brief:

- **Regulation (EU) No. 1007/2011** applies to leather products, and specific labeling requirements apply to textile products that contain non-textile animal parts.
- **Directive 94/11/EC** sets the standards for the composition labelling of footwear products. It is significant because, in addition to other materials, it concerns the leather components of footwear.
- **Directive 2005/29/EC:** Unfair Commercial Practices.
- **General Product Safety Directive 2001/95/EC.**
- **Regulation (EC) No 1907/2006** on the Registration, Evaluation, Authorization and restriction of Chemical substances (REACH)
- **Regulation (EC) 1069/2009 and Commission Regulation (EU) 142/2011** on animal by-products and derived products not intended for human consumption.
- **Leather Furniture Regulations**

4.4 Standards and certification

Adherence to standards and certification, are essential for the protection of consumers and for the business success. Companies that comply with industry standards and are certified, are very much more likely to succeed. Those without such assets may not even be able to develop connections within potential partners. Two of the most important relevant to the leather (and leather products) sector are OEKO-TEX and the Leather Working Group (LWG).

A **standard** is a prescribed way of doing something, or specific description of a product or service.

Certification is an independent process used determine whether a product or service conforms to a standard.

***OEKO-TEX** is a popular label with several certifications on chemical usage in garments. Standard 100 is the most common certification testing for substances that are harmful to humans. If an article of clothing carries this certification, it's a guarantee that every component has been tested for toxic chemicals and given a clean bill of health. The test is conducted based on an extensive criteria catalogue, updated at least once a year to expand with new knowledge and requirements. As a result, OEKO-TEX experts have consumers' backs when protecting their health from potentially harmful chemicals in their clothing. An apple a day keeps the doctor away, but OEKO-TEX keeps the chemicals away.*

*The **LWG** certifies tanneries and leather traders based on their adherence to environmental protection guidelines. LWG ratings (Gold, Silver, or Bronze) are based on how companies' production processes affect the environment. Audits are done by several third parties using the same standards, considering waste management, energy consumption, and water usage. This certification aims to reward brands sourcing leather from environmentally responsible suppliers.¹⁴*

Version 7.0 of the Leather Working Group (LWG) Leather Manufacturer Audit Standard (P7) was launched in early 2021. It introduced major changes to how tanneries are assessed; for a more thorough understanding of their environmental performance. The audit takes place on site, usually over two days, and the certification is valid for 24 months.

4.5 Labelling and packaging requirements

4.5.1. Labelling

Except for footwear, there is no European regulation for the labelling of leather products. Some European countries have introduced mandatory national labelling systems for leather and leather products, while others have implemented voluntary standards, and labelling systems. In any case, it is recommended to include the material content on the label - to avoid confusion among consumers - according to EU Regulation 1007/2011.

Besides the labelling for the material content of the product, it is recommended that there be additional labelling with instructions for washing and caring of the product. In the past few years, it has become standard practice in the EU to include disposal instructions on product labels. Instructions on how to recycle them or safely dispose of them should also be included.

In competitive European markets, proper content and maintenance labelling:

¹⁴ <https://www.sustainably-chic.com/blog/sustainable-certifications>

- facilitates product use for the consumer,
- reduces complaints, and the need for refunds, and
- raises customer satisfaction.

Additionally, it supports and substantiates the price that the consumer must pay to purchase the finished product.

Consumers must be able to evaluate the cost, the strength (and level) of their health protection, that have to do with the product and its usage. This improves their willingness to purchase, as well as their confidence in these goods; and thus, customers faithfully support the brands and products they use. Additionally, proper labeling encourages consumers to make more ethical and environmentally friendly purchasing decisions. This could improve the general sustainability of leather products, from an environmental and social perspective.

If all this information is provided, companies will be encouraged to innovate and compete in a healthier way. New procedures will be pursued, and there will be less misinformation and deception, that some unscrupulous marketing departments may currently use. A better and more inclusive label can also facilitate the circulation of the products in the market, and ensure that more common requirements are implemented among the different MS about the products that are being imported.

Regulations about the information written on labels assure that:

- National laws of any state will not prevent it from trading on international markets.
- There will be fair, healthy and rightful competition among companies.
- Buying-related misunderstandings will be prevented.
- Customers will be fully informed of the conditions surrounding workers' health, safety, environment, and working conditions, during the production of goods.
- Customers will be aware of the reliability and security of the goods they buy, particularly in the open market of Europe.

A more thorough and understandable labelling will benefit consumers. They will have a better understanding of the true value and quality of the product, as well as the social and environmental conditions that led to its production. Consumers are more likely to pay a higher price for a product if they already have faith in its superior quality, inspection, testing, and ethics.

The already existing regulation of the EU is about textile products, the demands on the fabric, and the consistency of the fibers. Products that contain at least 80% fabric are also covered by the same regulation. Information on non-textile items made from animals is also very important. Products that contain 20% leather (in combination with other non-textile materials) are exempt from this regulation. Since there is no regulation specifically for leather products, they are not entirely covered by any of the labeling laws. This issue should not be disregarded during the processing of the yak leather products.

The Unfair Commercial Practices Directive (UCPD), which addresses deceptive business practices, went into effect in 2015. A marketing strategy is considered deceptive when:

- It contains inaccurate, unclear, and unrelated information.

- Even if the data were factually correct, it still misleads the consumer or has the potential to mislead them.
- Information that is essential to the product is omitted.
- It fails to distinguish between commercial targeting and commercial strategy.

The seller should always give buyers all the details they require - regarding the product's components and ingredients - for them to make a purchase. This is why the UCPD raises the issue of product origin, authenticity, traceability, and social labelling. UCPD wishes to improve the labelling of the following topics:

One. Leather authenticity. Authenticity is only protected in a few EU MS. That is, legal consequences may result if leather products are used without the customers' knowledge. However, this action could be expensive for the production and is used only on certain occasions. The lack of a common system that will certify leather products as such, makes it hard for customers to recognize the true materials of the products that they are going to purchase. Most leather specialists avoid testing the consistency of the leather, because the method is inherently destructive. The introduction of a formal European leather label could be extremely beneficial for countries that do not have one. Though not all businesses agree, the industry believes that a label like that would be advantageous for the leather production industry.

Two. Environmental labels. There are numerous types and methods of such labels applicable to leather products. The information that should be shared about environmental impacts and their effects is not, however, subject to any universal standards. Without a doubt, leather products should be produced in a way that protects both the environment and human health. Hazardous chemicals, particularly hexavalent chromium, should be checked for in these products. Additionally, given the use of water, they ought to be produced in a manner that is environmentally friendly. Environmental labelling is considered extremely beneficial for the companies. The balance between quality, environmental impact and cost is crucial, so that yak leather can be exported and welcomed to international markets.

Three. Social and working circumstances. This describes the circumstances under which products are produced, there is only one; that refers to fair trade of leather balls used in football. There is little experience and certainty about this type of information, which is why there are not many official decisions about it.

There are no systems that can identify the animal that was used to produce each product, in terms of origin. Customers should be made aware of the fact that leathers derived from various species of animals have different qualities. This information could benefit the entire sale of the product, and its placement on the market; especially in the case of yak leather, which is not common for customers.

Many believe that there should be a mandatory and stable European system for labelling, while others think that a voluntary system would be more appropriate. This information is summarized in the following general considerations:

- Given the origin of leather, it is difficult to define a mandatory labelling system that is accepted and implemented by every state.

- It is unlikely that such a system would truly benefit the customer.
- The country of origin cannot replace the power of the brand.

Existing regulations for labelling leather products are diverse and have yet to be fully implemented. For example, depending on the country, the following voluntary systems are in place:

Location	Voluntary labelling system
International	-
Europe	Some initiatives among the countries of the EU that have to do with environmental labeling, terminology, and traceability.
Scandinavia	No system designed specifically for leather. All fabrics fall under a certain system. However, there are developments in this area.
Germany	There is a RAL regulation for leather and environmental labelling.
England	There is a RAL regulation for leather and environmental labelling.
Portugal	There is a regulation for environmental labelling and vegetable tanning, but not for the origin and terminology of the leather.

The product could be very expensive because of this type of labelling's potential for extreme complexity. On the other hand, traceability has already been used despite its cost and complications, especially on luxury items, thus proving the value of the final product.

One of the basic steps for the development of a few common policies is to recognize the types of labels that already exist for 'problematic' categories, and the divisions that need to be changed at the European level. The main concern is the higher cost of the product, which will burden not only the company, but also customers. The most common causes of these price increases are:

- Development of the new labelling system.
- Development of a traceability system in the whole value chain.
- Constant checking of the process.
- Informing the customers.
- Impact of the design and development of the product and the marketing strategy of the companies.
- Risk, and their impacts on sales, that cannot be predicted.

If customers are fully aware of the products, they may be more willing to pay higher prices as a result of a new labeling policy. Additionally, modern (blockchain) technology, could support a new architecture of labeling and traceability for the entire circle of production; more effectively and without all these costs. It is nearly impossible to predict how customers will react to such a change. And it is difficult to predict how this act will affect the European leather industry. Even if customers were able to change their attitude to buying products, an increase in the sales of leather products could be detrimental to another group of products. This means that it is hard to assess the full impacts. It is possible that any change in the sale and pricing of products would lead to a redistribution among the different departments of the industry.

There are currently no mandatory labelling requirements or systems in place in any European country. The lack of a common approach has never been a problem, and it is critical to consider the international requirements that all of the major economic factors wish to establish for the industry. Regarding the reactions on an international trading level, the

industry highlights the fact that a tactic like that could show a more protective attitude from the European commerce partners. This could lead to potential countermeasures from other countries.

This policy is primarily concerned with voluntary labels, mandatory labels, and labels based on the UCPD. The use of the name for leather is already protected by several systems in EU MSs. But there are many countries that do not comply with this tactic, and 15-20% of the products that exist on the market (as leather products) are made from both leather and synthetic materials.

After understanding the impact of this policy, it is suggested that most countries use a voluntary labeling system for leather products that includes designing and developing a label especially for them. Any inaccurate use of the word '*leather*' would be eliminated by the label's existence. The creation of this label also benefits the industry and the producers of the products from a legal point of view. A well-designed legal base could help reduce the legal fees that result, from misleading customers. It would also help consumers trust the leather and leather product industries more.

Given its lower cost and greater impact on consumers and sales, a voluntary label appears to be the best choice for businesses and industries. The higher cost has to do mostly with developing ecological criteria for leather products. This process would possibly be the most time consuming one, because there are a lot of people involved in the development of these criteria. Because there will be a new label, informing customers will be less important in this attempt. However, separate authorities from the EU MSs will need to be involved to provide information on how to properly implement this new guide in their countries.

The industry will have to take on the cost of adapting the labels and complying with:

- New inspection.
- Informing the customers.
- Impacts upon prices and sales.
- Impact upon international trade.
- Impact of the simplified rules of trading at the European borders

Given the size of the markets for environmentally friendly leather, it seems quite impossible for this change to have a severe impact on trade with third world countries. However, this option is likely to have a short impact on product supplies with environmental claims, while products with unclear claims will be excluded from the market.

The absence of misleading claims on the labels will have a major positive impact. The application of this labelling, though, could turn out to be challenging. It is unknown whether a new European guide would be more effective than current international guides. A better approach would be to cover the majority of product types and divisions, allowing the cost to be distributed more evenly and effectively. In the long term, the country of origin appears to be the most economically damaging and least beneficial. There are significant challenges associated with this application, but regardless of the existing policy, informing customers about the importance and value of a proper label, as well as providing assurance that the industry will resolve these issues, is critical to the SYL project's ultimate success.

Affected	Impact		
	Economic	Social	Environmental
Industry	Cost/burden <ul style="list-style-type: none"> • Administration. • Production. • Labelling. • Inform customer. Cost/benefit <ul style="list-style-type: none"> • Impact on legal certainty. • Impact on sales. • Impact on imports-exports. • Impact on prices-products from raw materials. 		
Consumer	Cost of the product	Benefits <ul style="list-style-type: none"> • Impact on customer's information. • Impact on quality of the leather and products. 	
Authorities	Cost of development. Cost of informing the consumers. Cost of inspections.		
Other	Cost/benefit <ul style="list-style-type: none"> • Impact on trade with third world countries. • Impact on the competitiveness of Europe and change of production patterns. • Impact on the economic development of third world countries. 	Benefits <ul style="list-style-type: none"> • Impact on the working conditions of third world countries. • Impact on the prosperity of Europe. 	Benefits <ul style="list-style-type: none"> • Impact on the environment due to the change in consumption. • Impact on the environment due to the new care practices.

Finally, the illegal reproduction of registered clothing trademarks and designs is regarded as a serious threat to the European fashion industry. If one is selling their own designs on the European market, they must make sure they are not violating any intellectual property (IP) rights. If their buyer provides the design, they will also be liable if the item is found to violate a property right.

4.5.2. Packaging

The buyer will give instructions on how to package the order in most cases. If the seller agrees with the buyer that they will clear customs in the country of import, which is the norm in the leather fashion accessories industry, it is the latter's responsibility to make sure the instructions comply with EU import procedures.

A packing manual will contain written instructions on packaging. This document contains all necessary packing instructions for:

- type and quality of the packing material you need to use.
- type and quality of the filling material you need to use (common for leather bags, to keep their shape).
- size of the packing material.
- style references and numbers, size breakdowns, the number of pieces, and colour schemes are all details that ought to be mentioned on the packaging.
- placement and position of barcodes.
- way of stacking.
- maximum quantity in a box or polybag.
- maximum weight of an export carton.
- nominated suppliers for the packing material.

The leather fashion accessory industry frequently demands that products be stored, packaged, and shipped in dry, well-ventilated areas. Leather tends to absorb moisture from the air, which can lead to loss of sheen, unpleasant odor, spots, stains and the growth of mould or mildew. To reduce excessive moisture during shipping, silica gel packets are frequently used to pack leather products.

The buyer must appreciate every effort that is made to reduce the environmental impact and the cost of the packaging materials. Weight certificates issued by exporters are required under various circumstances, satiability of flight, satiability of vessels, international road safety rules, import or export duty calculation, claiming export/import benefits from the government, etc.

4.6 Quality requirements regarding vegetable tanning methods and leather products

This term has to do with the tanning methods that defines the look and texture of leather, even though this can also be regulated at the final (*'finishing'*) stage of the process. Leather can be made using:

- Vegetable tanning.
- Semi vegetable tanning.
- Chrome tanning.
- Low chrome tanning.
- Chrome free tanning.

Different types of leather are suitable for different products. For example, vegetable tanned leather is relatively firm, thick and has deep, warm colours. It is mostly used for bags and belts. Vegetable tanned leather is especially popular in northern European countries, where consumers appreciate it for its natural look. Chrome tanning may result in softer, thinner, and suppler leathers that can be used in any product. For this reason, until recently, wallets and gloves were almost exclusively made from chrome-tanned leather. Nowadays, certain vegetable and chrome-free tanned leathers can provide the same characteristics.

Sustainability and consumer safety concerns are other reasons that buyers choose a certain type of leather. Vegetable tanned leather is popular among European brands that promote

- Increased supply chain traceability & transparency.
- Increased knowledge & access to data.
- Improved resource efficiency in leather production.
- Reduced waste generation and emissions to the environment.
- Improved chemical management and increased use of non-hazardous chemicals.
- Increased due diligence on deforestation and animal welfare.
- Improved working conditions and fair treatment of workers.

Within the LWG certification system, there are four audit standards to meet the assessment needs of different operations within the leather production chain. These four LWG standards cover raw material traders, through to leather manufacturers and subcontractors, to traders of finished material, and are:

- Leather Manufacturer Standard.
- Leather Trader Standard.
- Commissioning Manufacturer Standard.
- Subcontractor Standard.

Every Standard focuses on a number of separate sections according to the specific type of enterprise. The Leather Manufacturer Standard for example covers the following 17 distinctive fields:

1. General Facility Details
2. Subcontracted Operations
3. Social Audit
4. Operating Permits
5. Production Data
6. Incoming Material Traceability
7. Outgoing Material Traceability
8. Environment Management Systems (EMS)
9. Restricted Substances, Compliance, and Chromium VI (CrVI) Management
10. Energy Consumption
11. Water Usage
12. Air & Noise Emissions
13. Waste Management
14. Effluent Treatment
15. Health, Safety, & Emergency Preparedness
16. Chemical Management
17. Operations Management

In the context of this study, it is important to highlight the significance of certification according to the LWG standards, for Mongolian producers to be able to approach European branded customers and partners with significant possibilities for collaboration.

More information is available on the LWG website <https://www.leatherworkinggroup.com/>

4.7 Taxes and duties

A common import duty is imposed at the point of entry, regardless of the country, because the EU is a customs union. The product can circulate on the European market after entry without incurring additional customs fees. The payment of these fees depends on the agreement between the seller and the buyer. It is common for the importer to cover the entrance duties.

More information on taxes and tariffs - from the perspective of import to Europe – are provided in sub-section 3.4. *Taxes and Tariffs*.

It is possible for the product's duties to be lowered or even eliminated if the EU and the target nation have a trade agreement, for example:

- To do with the ad valorem tariff rates.
- Ad valorem tariff rates depend on the product's conformance with the regulations of origin.
- Quotas can be applied, based on the commercial deal, or on the European policy for agricultural products of a certain type.

Over 50 years ago, the United Nations Conference on Trade and Development (UNCTAD) asked developed countries to help developing countries integrate into the world economy. The GSP was born, and GSP mechanisms are currently in place in more than 40 countries.

GSP is automatically granted to developing countries if they:

- Are classified as having an income level below '*upper middle income*' by the World Bank.
- Do not benefit from another arrangement (such as a Free Trade Agreement) that grants them preferential access to the EU market.
- Are on the list of eligible countries.

If a country applies for GSP+ status, the beneficiary country is required to ratify 27 international conventions, and to work with the EC to monitor implementation of conventions related to environmental and climate protection; as well as good governance, as listed in the GSP Regulation.

By removing import duties, the EU's GSP helps developing countries to alleviate poverty and create jobs based on international values and principles, including labor and human rights, environment and climate protection, and good governance. These countries must adhere to 27 international conventions concerning:

- Human rights.
- Working rights.
- The environment.
- Right governance.

In return, these countries are granted reduced (or zero) import duties for two thirds of their export tariff rates. Mongolia is one of the eligible countries¹⁵ according to the list, until the end of 2023; though GSP+ is expected to be extended to 2027. This agreement is supposed to

¹⁵ <https://trade.ec.europa.eu/access-to-markets/en/content/generalised-scheme-preferences-plus-gsp>

help developing countries alleviate poverty, and create jobs based on international values and principles.

In 2017 the Partnership and Cooperation Agreement (PCA) between the EU and Mongolia, entered into force. On trade, the PCA commits the parties to establish a dialogue on food safety and plant and animal health, cooperate on investment, facilitate trade, and implement international standards as well as to cooperate on GSP+ and support Mongolia's economic diversification.

The PCA between the EU and Mongolia, entered into force in 2017, and:

- Discussed ways for Mongolia to make better use of tariff preferences under the special incentive arrangement for sustainable development and good governance (GSP+) as part of the EU's Generalised Scheme of Preferences.
- Followed up on Mongolia's GSP+ commitments, including the areas of child labour and environmental protection.
- Took note of positive results from the EC's Trade Related Assistance for Mongolia (TRAM) project.
- Discussed a possible bilateral agreement on geographical indications.
- Explored a possible regular dialogue on food safety and animal and plant health.

Also discussed was the investment environment in both markets and the EU's concerns on some Mongolian laws hindering foreign investment.

In 2019, trade between the EU and Mongolia amounted to €562 million, which made the EU Mongolia's fourth biggest trading partner. The value of EU exports accounted for €486 million and consisted mainly of industrial goods (82.6%) and agricultural products (17.2%). In the same year, Mongolia's total exports to the EU amounted to €76 million, of which 87% were agricultural products and 33% industrial goods.

Until the end of 2023, Mongolia was a part of the GSP eligible countries and had all the benefits that come with that partnership. However, extra costs could be included in the prices of the products, such as:

- extra taxes,
- the cost of proper packaging,
- transfer fees,
- sales profit, and
- cost of advertising

The supplier is frequently required to show the product's certificate of origin in accordance with the agreement's origin regulations. The approved or registered GSP+ exporter, who can also provide his/her registration or license, may issue this certificate as a certificate of origin or a formal declaration of origin.

The Registered Exporter (REX) system provides for the self-certification of origin of goods. Users have to be registered by the competent authorities, and become a 'registered exporter'. The REX system is used by EU exporters in the context of some FTAs, GSP+, etc. The computer based application is accessed with a username and a password through the Internet.

In situations where Europe imposes defensive commercial measures on a product imported by a specific country, additional duties may be imposed. European customs authorities can give out information about the product and additional taxes. The value-added tax is applied to the products being sold in the European market and, therefore, to the products that are imported from countries outside the EU. Value-added tax is different for every country and is usually paid by the importer.

4.8 Documents required

4.8.1. Certificate of origin to import raw hides, skins and leather.

The source of imported (raw) hides and skins, and (tanned) leather is required by importers in almost all countries. So, a certificate of origin - issued by the necessary approved authority in the exporting country - is required to import (raw) hides and skins, and (tanned) leather. A certificate of origin helps determine access to exemptions on import duties and taxes. Different, unilateral, multilateral and bilateral agreements between countries also allow imports and exports with exemption of import duties, where the certificate of origin is the primary proof of the country of origin for importing goods under 'raw hides'.

Demand for transparency and traceability in the leather supply chain is growing in Europe. Because few manufacturers worldwide can currently comply with buyer requirements (regarding the traceability of leather) having a transparent supply chain can lead to a serious competitive advantage.

The origin is defined in accordance with the principles of the customs office as '*The origin of the materials is the place where they were extracted or processed the most.*'

The customs office, not the trade department, is in charge of making the rules. As a result, the Kyoto Convention serves as the global framework for defining international customs organizations. Two basic suggestions will determine the origin of the product:

- If there is only one country involved, it has to do with the natural state of the products and other products that are made from them.
- If there are two or more countries involved in the making of the products the country of origin is the country where the final process happened.

4.8.2. Customs entry document

The customs entry document is also needed (as specified by the exporting country's customs) and prepared by the exporter's customs broker or exporter. They could also require a presentation of the benefits that the import of the product could bring to the country. Many countries also require documents from the embassy, to permit importation.

After goods are packed for export, the necessary export customs clearance documents (required by exporting country's load port customs) are prepared. Invoice cum packing list, and other required export documents for the exporting country's customs, are arranged, before movement of the export cargo to the customs port of the country. The export documents are filed with the exporting country's customs, electronically. The cargo is moved from exporter's location to the customs location, where international carriers operate. The export cargo is unloaded at the exporting country's customs bonded area, under the control

custodian of cargo. The handling of export cargo at export port locations is operated by such a custodian in the exporting country.

Once the exporting country's customs has completed the process, customs authorities grant permission to move the export cargo. Wherever necessary, inspection procedures are carried out by the customs authorities of the exporting country.

Customs related documents that need to be filled include:

- **Customs declarations** wherever applicable. The exporting country's export customs clearance declaration, as per the specified format of said country's government. A customs officer can offer guidance on this crucial matter.
- **Entry Summary Declaration (ENS)**. Before the arrival of the cargo to the first part of entry into Europe.
 - The ENS must be filled out and sent to the first customs office in the EU, by the transporter or the representative of the importer.
 - The deadline for submitting the ESN depends on the way of transferring the cargo.
- **Single Administrative Document (SAD)**. A common document of import, for every country of the EU.
- Depending on the type of product, the customs office could require additional documents such as:
 - Commercial Invoice cum
 - Transportation documents
 - Certificate of origin
 - Import license
 - Testing results and other certificates
 - Certificates of Inspection and analysis

The customs clearance must be submitted by the importer - or the importer's designated customs representative - who will handle all customs-related matters in accordance with EU customs law.

The importer can contact the chamber of commerce (the organization for promoting commerce) or the customs offices of the importing country, for more information on the necessary paperwork and procedures.

The item/s can be transferred and sold without restriction in the European market once customs clearance has been completed, putting it in the same condition as a product made in Europe.

- All goods imported from outside the EU are subject to the same fee in every European nation.
- No matter from which nation a product is imported into the European market, the import regulations are the same.

4.3.3. Suggestions

These suggestions are not mandatory (by law) nor necessarily required for the export of the products, but will make the process easier and smoother.

- Insurance, until the products reach their destination.

The buyer is responsible for the cost of:

- Transfer from the shipping port.
- Insurance.
- Off-loading.
- Transfer from the shipping port to their destination.

Smooth communication is an implicit requirement for all buyers. Within 24 hours, all emails must be replied to. Even if it is just a simple confirmation that the email has been delivered, and will be followed with a more detailed response.

A European customer's first order is likely to call for the following:

- high material quality and impeccable workmanship.
- quantities below a typical minimum order quantity (MOQ).
- a lower price than one normally accepts for small quantities.

More information regarding importing goods from Mongolia can also be found on the official European website:

https://www.eeas.europa.eu/mongolia/european-union-and-mongolia_en?s=171#top

5. POTENTIAL PARTNERS/ASSOCIATES IN TARGET MARKETS

5.1. Introduction

Europe is an important player in the international leather trade. With some 25% of the world's leather production - and one of the largest and most dynamic consumer markets for leather articles - Europe stands out as the leading force in international business circles (in relation to tanning and leather).

With a turnover of nearly €8 billion, over 3,000 companies and some 50, 000 people directly employed in the sector, Europe's tanneries demonstrate their competitiveness on the global market. Their products are renowned and appreciated by manufacturers worldwide for their quality and fashionable designs. European leathers are exported all over the world to satisfy the highest standards, the most stringent ecological regulations, and the increasing expectations of quality-aware consumers.

Tanners in Europe have a long tradition of producing all kinds of leather and their expertise contributes to the success of leading footwear, garment, furniture, and leather accessories manufacturers. This solid experience and know-how is displayed at major international fairs. All this explains the continuously strong demand for their products on international markets.

The sector in Europe has traditionally been composed mainly of SMEs, but big multinational companies are also operating successfully. The average size of an EU tanning company is currently 21 employees, and it is important to note that the number was 24 in 2000. This tendency seems to support the slogan '*Small is beautiful*', suggesting that such companies have been better in reacting to the big changes that the industry has faced since the beginning of the new millennium.

The most important tanning sectors of southern Europe - such as France, Spain, Italy, and Portugal - are composed mainly of SMEs; and mostly specialized in the production of leather for the fashion industry. Such leather often needs an artisanal approach that big companies are not always able to provide. Conversely, the tanning sectors of central and northern Europe (Austria, Germany, Netherlands, Sweden, and UK) are characterised by larger companies; as economies of scale play a key role in their production.

5.2. Strategy for building relationships with EU partners and customers

5.2.1. General

Manufacturers in new and emerging markets are particularly keen to develop relations with European partners and to work closely with them. Such relations can be built on certain competitive advantages such as:

- high quality raw materials,
- technological excellence and innovation,
- flexibility, adaptability, and rapid response to demand,
- socially and environmentally sustainable production,
- eco-design and sustainable fashion, and
- sense of service to the customers

The Mongolian Leather Cluster must build a competitive business model with certain advantages based on the above-mentioned general strategic axes.

5.2.2. Creation of a competitive product portfolio with strong image

Building a meaningful (long-lasting) relationship with EU partners and customer, must focus initially on the creation of a product portfolio with specific characteristics for specific end uses, for example shoes, bags etc.

It is very important to manufacture samples of final products, on which necessary quality control has been conducted to assure and highlight the unique quality and performance characteristics. At the same time, all production practices and processes must be optimized, and standardized, to ensure the same standard quality for all final products. In this way, the Mongolian leather industry will be able to achieve consistent and repeatable quality of final products. These products will gradually be able to acquire a specific, distinctive, and recognizable image, in targeted European markets, and result in a distinctive image for each product.

For successful product development with a distinctive and strong image, it is very important to use and exploit the existing know-how and manufacturing experience in the production of final finished products. This experience and know-how - that comes from the past - can form the basis for the history, the narrative and the interest that must accompany each product on its adventurous journey towards demanding European markets.

5.2.3. Participation in the main trade fairs and exhibitions

It is very important to start - as soon as possible - systematic interaction with European partners and potential customers, by visiting the main fairs in Europe. These include:

Pineapples (<https://www.lineapelle-fair.it/en/lineapelle>) in Milan (Italy). Launched in 1981, it has become the most significant international exhibition of leather and accessories, components, synthetics, footwear, garments, and upholstery and leather accessories. The event takes place twice a year; in February for the summer season, and September for the winter collection. The venue is the Milan exhibition centre. Lineapelle is characterized by its constant leadership in quality and style innovation, which makes it indispensable to the satisfaction of leather demand worldwide.

Simac Tanning Tech is the international event with the most extensive offer of machinery and technologies for the footwear, garments, upholstery, leather accessories and tanning industries; and takes place in Milan, concurrently with Lineapelle. At Simac Tanning Tech, participants include manufacturers of machines for:

- footwear, garments, upholstery, accessories, and tanneries,
- accessories and components suppliers,
- chemicals,
- prototyping systems, laboratory equipment,
- consumables,
- automation,
- waste treatment systems and equipment,
- moulds and die cutters,

- management and production cycle,
- logistics,
- finished-product testing,
- conveyor systems; etc.

MICAM Milano (<https://themicam.com/en/>) - the world's leading footwear fair- is a benchmark event for dealers from all over the world. Top footwear brands present their collections at both editions of the fair: Autumn/Winter in March, and Spring/Summer in September.

Internationale Ledermesse, Offenbach (<https://www.ilm-offenbach.de/en/>) takes place twice a year, and all the important brands and industry players meet at the international trade fair for innovative and high-quality leather goods, bags and luggage.

Cluster member in Mongolia should start regularly visiting exhibitions to get useful information about: technologies, market trends, and potential business partners and customers. In the following link - <https://10times.com/top100/leather> - one can see the 100 most important leather-related exhibitions and events worldwide with leather products:

5.2.4. Establish constant relationships with the main EU Industrial Associations

Establishing close relationships with major European industrial organizations is an essential component of any strategy for effective penetration of target markets. It is advisable to follow the activities of such organizations and benefit from their networks. The most influential European industrial organizations for leather and leather products are the following:

European Confederation of the Footwear Industry (CEC). The CEC (<http://cec-footwearindustry.eu/>) incorporates national footwear associations and federations of the EU; representing approximately 88% of footwear production. Through the national associations and federations, CEC aims at facilitating collaboration between all stakeholders of the supply chain, acting as a genuine relay among them: from the collection of materials and components to the more common objective of recycling.

The CEC also:

- Supports the competitiveness and sustainable growth of the European sector.
- Promotes the interests of the European footwear vis-à-vis EU institutions and international organizations with regard to policies and regulations with an impact on the European footwear (e.g. opening of third markets on a level playing field; internationalization of SMEs; fight of counterfeiting goods; environment; social responsibility; etc.).
- Supports research and innovation, through participation in EU projects, which can help the sector to adapt to new globalization challenges; such as: contributing to climate change mitigation, energy efficiency, scarcity of materials, e-sales, new business models, consumer demands and needs, etc.
- Fosters employment and the development of necessary skills, as well as promoting attractiveness of the sector to the young generation; through European initiatives (e.g. Erasmus+ program, Social Dialogue at EU level, etc.),

Most important for the Mongolian leather industry, the CEC serves as a platform and communication channel for all footwear stakeholders. In the interchange of information and best practices, as well as increasing collaboration inside and outside of Europe.

The contact person at the CEC is Carmen Arias Castellano (General Secretary) and their email is info@cec-footwearindustry.eu. Via the CEC (or directly) the Mongolian Leather Cluster can access and contact the main European national industrial associations such:

- Italian Shoemakers Association (Assocalzaturifici) (<https://www.assocalzaturifici.it/en/home-en/>)
- Portuguese Footwear Industry Association (APICCAPS) (<https://www.apiccaps.pt/>)

Mongolian cluster members are also recommended to access the following electronic platform - www.worldfootwear.com - a website with daily news about the worldwide footwear industry.

World Footwear is an initiative of APICCAPS that includes an annual edition of the World Footwear Yearbook.

World Footwear Yearbook is a comprehensive report that analyses the main trends within the footwear sector around the world. The aim of this publication is to analyze the position of the relevant countries of the footwear industry in terms of different variables (Production, Exports, Imports and Consumption) and evaluate the strategic positioning of the different sector players.

French Footwear Industry Association (Fédération Française de la Chaussure) at <https://www.chaussuredefrance.com/sites/en>

Spanish Federation for Footwear Industry (FICE) (Federación de Industrias del Calzado Español), <http://www.fice.es/inicio>

British Footwear Association (BFA) at <https://britishfootwearassociation.co.uk/>

Hellenic Association of Footwear Manufacturers and Exporters (ELSEVIE), at <https://www.hellenicshoe.eu/en/>. ELSEVIE made a presentation about the SYL Project during the Annual General Assembly of CEC in June 2023 in Brussels. ELSEVIE informed members about the vision and the will of the Mongolian Leather Cluster; to build relationships and start a gradual pilot collaboration with European partners and customers in certain markets. Letters were also sent to all national industrial associations through the CEC Secretariat, in order to raise interest of the member companies in cooperating with the Mongolian Leather Cluster. The reaction from potential partners was cautious since there are important open issues that need to be clarified. The main concerns were about the:

- quality of the Mongolian Yak Leather and its technical characteristics,
- the end uses of the finished products,
- the compliance with EU Standards as well as the certifications they have and the production capacity.

After this feedback from the potential European partners and customers, ELSEVIE recommends the immediate creation of a competitive product portfolio. Also proposed is the systematic preparation and planning of an approach to new markets. This is likely to take

about three years of systematic efforts, with emphasis on the creation of the product collection, participation in important sectoral trade fairs and building relationships with the national sectoral industrial associations to achieve the gradual start of some meaningful collaborations, and EU niche markets penetration.

ELSEVIE will assist this effort of the Mongolian Leather Production Cluster with all the means and influence it has, mainly within the CEC.

- **Italian Tanners' Association** (UNIC) <https://www.unic.it/> has (since 1946) become the most important association in the world for tanning companies. UNIC, promotes the interests of the sector, represents it on every level, boosts innovation, enhances both its social and environmental role and sets up commercial companies that are functional to the sectorial market.
- **International Council of Tanners** (ICT) <https://leather-council.org/>, established in 1926, is the global organization for the leather producing industry. It facilitates, regulate and promote international trade of hides, skins and leather.
- **Confederation of National Associations of Tanners and Dressers of the European Community** (COTANCE) <https://www.cotance.com/>, is the representative body of the European leather industry. It promotes the interests of the European tanning industry at the international level. Apart from representing European tanners and dressers, it also has the mission of promoting European leather both in the European and international market.

5.3. Suggested potential business partners and/or customers

5.3.1. Tanneries

Conceria Stefania SPA is a tanning company - established in Milan in 1944 - with over 200 employees and a daily production of around 6,000 m² of leather. The company has continued a tradition of leather tanning and finishing processing for about 80 years, with significant know-how, respect for the environment and state of the art technologies.

Motta Alfredo SPA founded in 1978 in Cinisello Balsamo, Italy it is a provider of products and services (tannery) such as leather for the garment industry, leather, and untreated skins.

Concezia Corium Leather SRL, a traditional family tannery in Santa Croce sull' Arno, Italy.

Vasiliadis Tannery founded in 1942, is a third generation company based in Votanikos, Athens, Greece. The company is the leader in processing Greek lamb skin; one of the highest quality raw materials for nappa shoes and bags. Being in the market for more than 70 years, the company has built competitiveness at an international level, superior quality, and traceability (from raw material to end product). Contact person is Tzani Vasiliadis

It is suggested for the Mongolian leather cluster members to contact tanneries in Spain. Especially those located in Barcelona where an important constellation of small, family-owned, experienced leather manufacturers maintain a longstanding tradition in leather and leather products production. These include

- Sebastien Castell Tort SL
- Magin Puig Gubern
- Industrias Pere De Carne SA

- Curtits Vich Galimany SL
- Curtits Font Valles SL
- Curtidos Castaner SL
- Curtidos Lancina SA
- Antoni Llacuna SL
- Acabados de la Piel Ocana SCP

Other tanneries, elsewhere in Spain, include :

- Curtidos Jin SL in Valencia, and
- Greencuir SL in Valls Tarragona

5.3.2. Shoe and leather products manufacturers (and brands)

- **Giancarloponi SRL** in Fucecchio (Firenze) Italy is engaged in processing farm product raw materials (mainly leathers), merchandising and wholesaling, as well as in shoe manufacturing. Contact person is Giancarlo Caponi.
- **Geox Italia SPA** is a leading brand in the international lifestyle footwear market and focuses on the application of innovative solutions and technologies on products that guarantee both impermeability and breathability. Geox technology is protected by 61 different patents and by five more recent patent applications (registered in Italy and extended internationally). Contact person is Juan Carlos Venti,
- **Franco Romanogli & G** is a dynamic leather shoes manufacturer; especially for children (boys and girls). The company is based in Morrovale city, Marche region in Italy. Contact person is Tonino Ciannavei.
- **Mephisto** a well-known French brand, founded in Sarrebourg (1965) by Martin Michaeli; a visionary who in 1975 came up with an idea for a very special shoe 'The Originals'. The company has been manufacturing the exact same shoe since 1975. *The Originals* is a shoe that unites individualists and rebels worldwide, and has been doing so for the past 42 years. Managing Director is Frank Weber
- **Gabor Shoes AG** from Germany Rosenheim, owns three brands:
 - **Gabor.** Trendy fashion and top quality; in both materials and processing.
 - **Pius Gabor.** Men's fashionable shoes, sneakers and boots with value, sustainability and wearing comfort.
 - **Rollingsoft.** Innovative leisure shoes with flexible soles and sporty design for fitness, wellness and wellbeing. Contact persons are Dr Markus Reheis and Mrs Katharina Gottwald.
- **Ara Shoes GmbH** from Germany Langenfeld (Rheinland) manufactures and distributes footwear and related products such as luggage, clothing articles and accessories under the brand 'ara'.
- **Bari Kbk Groop Ltd** leather and clothing manufacturer in Peshtera Bulgaria
- **Astir Shoe Factory Ltd**, a family owned business since 1960, is a leather footwear (mainly sandals) manufacturer and one of the most trustworthy companies in Nicosia Cyprus.
- **S. Piero Ltd**, a family owned company focused on women shoes in Moschato Athens Greece.

- **D.J. Fidas SA** The history of the company starts in 1919 in the city of Kalamata in Peloponnese, where John Feidas returned (after 12 years) from the USA where he learned all about shoecraft. After the Second World War, Feidas' family moved to Athens and the company has operated in its current position since 1974. After a significant investment project, the factory has a production capacity of 8,500 pairs of shoes per day. D.J. Fidas SA owns the well-known brand 'Boxer'.

Of course, ELSEVIE (and all other Project partners) will provide all possible support and assistance in communicating with companies in Greece (and elsewhere) as the aforementioned during the SYL Project contractual period and after its conclusion.

The following table lists the companies proposed to be approached by the Mongolian Leather Cluster in order to initiate communication, exchange of information and interaction with the aim of creating conditions for cooperation.

Companies that might be contacted by members of the Mongolian Leather Cluster

Name	Location	Activity	Description	Contact
Conceria Stefania SPA	Milan, Italy	Tannery	https://www.stefania.it/en/	stefania@stefania.it
Motta Alfredo SPA	Cinisello Balsamo, Italy	Tannery	www.mottaalfredo.com	https://globalcatalog.com/mottaalfredospa.it/en/contact
Concezia Corium Leather SRL	Santa Croce sull'Arno, Italy	Tannery	https://www.cylex-italia.it/santa-croce-sull-arno/corium-leather-s-r-l--11212317.html	https://web.facebook.com/coriumleather/?_rdc=1&_rdr
Vasiliadis Tannery	Athens, Greece	Tannery		vasiliadis_tannery@mail.com
Sebastien Castell Tort SI	Barcelona, Spain	Tannery		tcastelltort@hotmail.com
Magin Puig Gubern	Barcelona, Spain	Tannery		magipulg@telephonica.net
Industrias Pere de Carme SA	Barcelona, Spain	Tannery		ipecasa@gmail.com
Curtits Vich Galimany SI	Barcelona, Spain	Tannery		josepramonvich@hotmail.com
Curtits Font Valles SI	Barcelona, Spain	Tannery		fontegenoves@empresas.inescop.com
Curtidos Castaner SI	Barcelona, Spain	Tannery		administracion@curtidocastaner.com
Curtidos Lancina SA	Barcelona, Spain	Tannery		lancina@lancina.com
Antoni Llacuna SI	Barcelona, Spain	Tannery		llacunet@filnet.es
Acabados de la Piel Ocana SCP	Barcelona, Spain	Tannery		acabadospiel@terva.es
Curtidos Jin SI	Valencia, Spain	Tannery	https://www.curtidosjin.com/	https://www.curtidosjin.com/
Greencuir SI	Valls Tarragona, Spain	Tannery		administracion@greencuir.com
Giancarlocaconi SRI	Firenze, Italy	Merchant, Wholesaler, Distributor	https://fashionindex.it/item/giancarlocaconi-srl/	info@giancarlocaconi.it

Geox Italia SPA	Biadene di Montebelluna, Treviso, Italy	Manufacturer, Wholesaler, Brand, Distributor	https://www.geox.biz/en/index.html	juancarlos.venti@geox.com
Franco Romanogli & G	Morrovale, Marche, Italy	Manufacturer, Brand, Wholesaler	https://romagnoli.com/	https://web.facebook.com/100063119864718/videos/100639333295812
Mephisto	Sarrebouurg, France	Manufacturer, Brand, Wholesaler	https://originals.mephisto.com/en/	press@mephisto.com
Gabor Shoes Ag	Rosenheim, Germany	Manufacturer, Brand, Wholesaler	https://www.gabor.de/en_int	presse@gabor.de
Ara Shoes GmbH	Langenfeld, Germany	Manufacturer, Brand, Wholesaler	https://www.ara-shoes.com/arahome	https://www.ara-shoes.com/arahome
Bari Kbk Groop Ltd	Peshtera, Bulgaria	Manufacturer, Wholesaler	www.barishoes.com	https://www.bulgariantextile.com/en/leather-clothing/bari-kbk-group-ltd/1936
Astir Shoe Factory Ltd	Nicosia, Cyprus	Manufacturer, Brand, Distributor	https://www.europages.co.uk/ASTIR-SHOE-FACTORY-LTD/00000004457061-308782001.html	https://www.europages.co.uk/ASTIR-SHOE-FACTORY-LTD/00000004457061-308782001.html
S. Piero Ltd	Moschato, Athens, Greece	Manufacturer, Brand	https://www.spiero-shop.gr/el/	info@spiero.gr
D.J. Fidas SA	Acharnes, Athens, Greece	Manufacturer, Brand, Wholesaler	https://fidas.gr/en/	fidas@fidas.gr

Appendix 1. Laws and regulations of Mongolia on agricultural commodity trade.

Mongolia has adopted a comprehensive approach to increase its export volume of livestock-generated commodities. To achieve this, the country has implemented various short, medium, and long-term state policies, projects, and programmes. The table below illustrates the names of these initiatives, their planned implementation period, and the major steps taken towards increasing the export of livestock-generated commodities. Additionally, selected clauses of Mongolia's laws on the export of such commodities are also included in the table shown below.

Realizing the indicated goals, requires a comprehensive study of the limitations and potential opportunities within the existing legal framework, as well as effective collaboration between public offices and non-governmental entities. In addition, it is crucial to raise awareness among livestock commodity exporters, about the potential benefits of policy documents, and how to leverage them effectively.

Clauses of GoM policy documents; livestock raw materials and commodity exports

Document	Policy(ies) for increased export
<p>Vision 2050 – Long Term Development Policy. Government of Mongolia. Parliament of Mongolia 2021 - 2050</p>	<p><i>Priority economic sectors.</i></p> <p><i>Phase 1 (2021-2030): Phase to develop both heavy and light industry to replace imports, improve competitiveness and initiate economic re-structuring.</i></p> <p><i>2. Improve the volume of livestock-generated commodities exported and increase the share of agricultural commodity production and processing.</i></p> <p><i>Sustainable Agriculture</i></p> <p><i>Phase 1 (2021-2030): Phase towards improved quality, efficiency from quantity by enhancing economic circulation and increasing utilization of agricultural resources.</i></p> <p><i>5. Encourage trade freedom, safeguard public health, enforce sanitation requirements of livestock generated commodity, and safeguard livestock and animals' health.</i></p> <p><i>Phase 2 (2031-2040): Phase towards competitiveness based on efficiency and productivity, sustainable production, and full range utilization of agricultural resources.</i></p> <p><i>3. Increase export and reduce import of selected raw materials, and commodity's types, by enhancing international market of raw materials and commodities from agricultural resources.</i></p> <p><i>Phase 3 (2041-2050): Development of SMART Agriculture</i></p> <p><i>3. Generate a new revenue stream for the economy by producing enhanced intellectual capacity, organic, and branded products.</i></p>

<p>Action Plan Between 2021 – 2030, Within the Vision 2050 – Long Term Development Policy. Government of Mongolia</p> <p>Parliament of Mongolia</p> <p>2021-2030</p>	<p><i>Priority economy sectors</i></p> <p><i>4.2.1. Develop value added mining, strategic mega projects, processing factories, agriculture, energy, transportation, logistics, specialized tourism and linked services, SMEs, knowledge based productive industry, as priority economic sectors.</i></p> <p><i>4.2.2. Develop agriculture, transportation logistics, and specialized tourism, by supporting regional development, rather than treating them as separate sectors.</i></p> <p><i>4.2.5. Ensure effective enforcement of government policies aimed at creating a favourable environment for the export and production of eco-friendly, and clean products, that are less vulnerable to price fluctuations in the international market.</i></p> <p><i>4.2.7. Establish a legal framework that promotes foreign investment, encourages the processing of raw materials from mining and agriculture into finished products, and facilitates the production of construction materials.</i></p> <p><i>4.2.23. Boost export share of end products such as knitwear, and sewn products; by processing hides, and pelts from livestock and animals, and hunted fur skins.</i></p> <p><i>Sustainable agriculture</i></p> <p><i>8.3.7. Support exports and reduce imports of selected products, by stabilizing food supply and distribution, with the basis of introducing zoning and segregation systems for the business owners of intensive agricultural production.</i></p> <p><i>8.3.31. Support exports and reduce imports of selected products by increasing exports product types, and utilize regional resources of livestock-generated raw materials optimally.</i></p> <p><i>Study and improve potential exports products by supporting optimal utilization of remote regions’ livestock generated raw materials.</i></p> <p><i>8.3.36. Develop sustainable export-oriented production to enhance competitiveness and increase production sector capacity.</i></p>
<p>Mongolia Export Program. Government of Mongolia 2018-2022</p>	<p><i>These policy documents state and/or note exports of livestock generated products. However, these policy documents are considered not subject documents for this study due to enforcement periods being over, or not applicable in accordance with later amendment or/and revision.</i></p>
<p>National Quality Program. Government of Mongolia 2016-2020</p>	<p><i>These policy documents state and/or note exports of livestock generated products. However, these policy documents are considered not subject documents for this study due to enforcement periods being over, or not applicable in accordance with later amendment or/and revision.</i></p>
<p>Policy of Government on Herders. Parliament of Mongolia 2015-2025</p>	<p><i>Nevertheless, these documents need to be reviewed due to their prior legitimacy as policy documents issued and enforced by the Government.</i></p>

<p>2020 – 2024 Action Plan. Government of Mongolia (Short Term Policy) Parliament Of Mongolia</p>	<p><i>1.1. Implement policy actions resolve socio-economic challenges caused by Covid-19.</i></p> <p><i>1.1.5. Increase export’s volume and products by introducing financial support solutions.</i></p> <p><i>3.1. Implement policy to ensure sustainable and accessible economic growth by resolving financial and economic challenges in short term.</i></p> <p><i>3.1.17. Promote and encourage local and international investors by creating favourable conditions for the growth of light industry, service, and trade businesses; specifically targeting the local market. Emphasize the importance of steadily enhancing the infrastructure of free zones to facilitate this development.</i></p> <p><i>3.1.20. Establish and start operations of “Export Guarantee Fund” in order to specifically support entities exported its product.</i></p> <p><i>3.3. Promote export-oriented productions and encourage import substitution, while ensuring self-sufficiency in key food commodities by establishing robust production and supply networks for agricultural products.</i></p> <p><i>3.3.4. Implement “Mongolian Livestock II” intervention in order to support development of the intensive agricultural sector, introduce biotechnological innovations, protect genetic sources of livestock and promote quantity-to-quality concepts, improve quality and profitability of livestock, and ensure sustainability; rehabilitate, protect and enhance pasture resource by continuing irrigating and building wells in pasture areas.</i></p> <p><i>3.3.6. Enhance income for herders and citizens by exporting value-added products through the establishment of raw material processing facilities aligned with a zoning system. Additionally, implement measures to safeguard livestock from theft and launch a comprehensive campaign to support and empower herders.</i></p> <p><i>3.3.8. Present the potential for exporting raw materials and products derived from livestock by establishing a secure zone free from infectious diseases. This can be achieved by implementing robust measures to prevent the spread of infectious diseases among livestock and enhancing the veterinary system.</i></p> <p><i>3.3.9. Boost productivity of the meat, wool, and cashmere hide processing industries, by fostering the establishment of processing factories that utilize livestock-generated raw materials.</i></p> <p><i>3.3.10. Promote the expansion of agricultural product exports while establishing an environmentally sustainable factory complex for processing raw materials derived from livestock.</i></p>
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Laws of Mongolia; exportation of livestock raw materials and products.

Law	Clauses
<p>Law of Mongolia on Restriction Inspection, Monitoring at the Border Transportation of Animals,</p>	<p><i>1.1. The purpose of this Law is to regulate relations related to inspection, and monitoring of animals and plants, and raw materials and products derived from such species; through the state border.</i></p>

Plants, and Raw Materials and Commodities 2002.11.28	
Law of Mongolia on Animal and Livestock Health 2017.12.08	<i>1.1. The purpose of this Law is to regulate relations related to promotion of free trade, public health protection, ensuring health and sanitation requirements of raw materials and products generated from animals and livestock, and protect animals' and livestock's health in Mongolia.</i>
Law of Mongolia on Livestock Genetics Resource 2017.12.14	<i>1.1. The purpose of this Law is to regulate relations related to registration, identify traits, reserve, protect, utilize sustainably, and study and develop the genetics resources of livestock and animals petted with purpose to utilize benefits of those (hereinafter referred as livestock).</i>
Law of Mongolia on Trademarks and Geographical Indication 2010.06.10	<i>1.1. The purpose of this Law is to regulate relations related to ratification of use of geographical indications, trade and service marks (hereinafter referred as trademarks) legally, and to protect legal interests and rights of trademark owners; to own, use and sell trademarks, and geographical indicators.</i>
Law of Mongolia on Customs 2008.05.20	<i>1.1. The purpose of this Law is to regulate relations related to implementation of regulations on customs clearance and control over goods and means of transport crossing the customs frontier of Mongolia, determination of customs procedures, conditions and requirements, establishment of customs systems, customs offices and rights and obligations of customs officials, complaints by an individual against their decisions, and settlements of such complaints of customs or customs officials.</i>
Law of Mongolia on Customs Tariff and Duties 2008.05.20	<i>1.1. The purpose of this law is to regulate relations to create the customs tariff system of Mongolia, principles for the adoption of customs duty rates, valuations and assessments, and relating to the collection of customs duties.</i>
Law of Mongolia on Agricultural Commodity Exchange 2011.06.02	<i>1.1. The purpose of this law is to regulate relations arising in connection with the establishment of the Agricultural Commodity Exchange; its organization and legal basis, and the supply, storage, transportation and exchange of agricultural commodities.</i>
Civil Code of Mongolia 2002.01.10	<i>1.1. The purpose of the law is to regulate relations of material and non-material wealth, arising between legal bodies.</i>

Conclusion. The exportation of livestock-derived products aligns with Mongolia's medium-term and long-term policies. However, there is currently no effective short-term policy in place. Mongolia has a total of six general regulatory laws and two specific laws dedicated to governing the export of livestock-based commodities. As a result, it can be inferred that there are no legal documents opposing project activities.